



Protecting Communities, Targeting Criminals

HUMBERSIDE POLICE AUTHORITY

ANNUAL ACCOUNTS

2007-2008

CONTENTS

	Page
Foreword	i
Audit Opinion	1
Statement of Responsibilities for the Statement of Accounts	4
Statement of Accounting Policies	5
Annual Governance Statement	12
Income and Expenditure Account	19
Statement of Movement on the General Fund Balance	20
Statement of Total Recognised Gains and Losses	21
Balance Sheet	22
Cash Flow Statement	23
Notes to the Core Financial Statements	24
Police Pension Fund Account	49
Glossary of Accounting Terms	52

FOREWORD

INTRODUCTION

2007-08 started with the Force in “engagement” with the Police and Crime Standards Directorate. In May 2007 following a period of sustained improved Force performance, the Policing Minister made the decision the Humberside would become “disengaged”. This has allowed “Team Humberside” to refocus with the Chief Constable setting out on a clear mission “to achieve a force that delivers outstanding policing to all of our communities” and with the Police Authority agreeing its own separate but complementary vision and strategic objectives.

The Authority’s Statement of Accounts for 2007-08 once again takes account of the changes necessary to comply with the new Statement of Recommended Practice (SORP).

The Statement consists of:

- An Income and Expenditure Account
- A Statement of Movement in the General Fund Balance
- A Statement of Total Recognised Gains and Losses
- A Balance Sheet detailing the financial position of the Authority as at 31 March 2008 and
- A Cashflow Statement summarising cash inflows and outflows arising from the transactions with third parties on revenue and capital spending.

The Accounts are supported by the Statement of Responsibilities; the Statement of Accounting Policies and for the first time include an Annual Governance Statement (which subsumes the Statement on Internal Control included previously).

The new SORP has introduced two main changes to the presentation of the accounts from those presented last year. These relate to capital accounting and financial instruments. In terms of capital accounting in 2007/08, the Fixed Asset Restatement Account has been replaced on the Balance Sheet with a Revaluation Reserve. This Reserve records the net gain (if any) from revaluations of fixed assets made after 1 April 2007. The Revaluation Reserve has therefore been shown in the Balance Sheet with a ‘nil’ opening balance, with the closing balance representing revaluation gains during the year. In addition, a Capital Adjustment Account has been introduced, replacing the Capital Financing Account, with the balance on the Fixed Asset Restatement Account and Capital Financing Account being transferred into it. This Account shows the difference between the cost of fixed assets consumed and the capital financing set aside to pay for it. (Further details are provided in Note 12 of the Accounting Policies and the Balance Sheet, Note 19). With regard to financial instruments, the 2007 SORP defines them as contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another. It is now a requirement that all financial instruments, both assets and liabilities, must be recognised in the financial statements on the basis of fair value adjusted for transaction costs that are directly attributable to the financial asset or liability. Fair value is the amount by which an asset could be exchanged or a liability settled between knowledgeable parties. In most cases this will be the cost of the transaction price. The change will have a significant impact for authorities that have used derivatives or been engaged in debt rescheduling but has minimal impact on our accounts.

Notes to the Accounts analyse the financial statements and provide more detail with additional information included to reflect the changes referred to above to ensure compliance with the SORP. A glossary is once again included which seeks to explain technical terms used within the document.

REVENUE

The revenue budget for 2007-08 was set at £168.127m. The Authority agreed a Council tax precept of £149.58 per Band D property, an increase of 4.99% over the previous year. Budget decisions for 2007-08 reflected the need to balance national and local priorities. A workshop session once again provided an opportunity for spending plans to be discussed with partner agencies. A Medium Term Financial Strategy (MTFS) was approved by the Authority as the same time as the budget for 2007/08 to enable spending decisions to be taken in the context of a 5 year financial forecast included within the document.

In June 2007, the Police Authority revised its Committee structure with the Finance Committee replacing the Audit and Strategy Committee and with the terms of reference of a reconstituted Performance Committee including responsibilities in respect of the MTFS in an effort to bring resource allocation and performance closer together.

The Finance Committee, received budget monitoring reports during the year. In addition, from July 2007, the Force Performance Management Guide was supplemented with information gathered through the Resource Performance Assessment Framework (RPAF). As a result, the use of resources is becoming a far more prominent issue in performance challenge meetings and this is set to continue with added impetus in 2008-09.

The Income and Expenditure Account shows the Authority's actual financial performance but the Authority is required to raise Council Tax on a different basis, with the Statement of Movement on the General Fund Balance comparing spending against the tax raised in the year after taking account of the use of and contributions to reserves.

The Account is presented in the format required to comply with the SORP and reflects the net cost of service including charges for retirement benefits (in accordance with FRS17), depreciation and losses on disposal or impairment of fixed assets, whereas the budget on which precepting decisions are made and against which spending is monitored during the year is constructed on a basis which includes actual pension costs and incorporating the minimum revenue provision (MRP) in respect of debt repayment and interest charges as opposed to depreciation.

The table below compares outturn for 2007/08 in the format of the original budget. The level of underspending during the year considered in budget monitoring reports is reflected in the movement in balances.

		2007/08		
	Budget	Actual		Variation
	£000	£000		£000
	<u>Expenditure</u>			
Gross Revenue Expenditure	198,452	196,472	(-)	1,980
Interest Payable	748	613	(-)	135
	<u>199,200</u>	<u>197,085</u>	(-)	<u>2,115</u>
Less:-				
	<u>Income</u>			
Income and Grants	32,287	25,767	(+)	3,480
Interest on Revenue Balances	3,191	3,108	(-)	83

	25,478	28,875	(+)	3,397
	<u>173,722</u>	<u>168,210</u>	(-)	5,512
Less:				
<u>Movement in Earmarked Reserves</u>	(5,595)	(88)	(-)	5,507
(See Note 30)				
	<u>168,127</u>	<u>168,122</u>	(-)	5
 <u>Financed by:</u>				
Police Grants	66,165	66,160	(-)	5
Revenue Support Grant	8,490	8,490		-
Non Domestic Rates	50,587	50,587		-
Council Tax	42,885	42,885		-
	<u>168,127</u>	<u>168,122</u>	(-)	5

The Accounts incorporate the necessary assumptions to comply with the requirements of Financial Reporting Standard 17 on Retirement Benefits. This means that the cost of retirement benefits, determined actuarially, are recognised within the Income and Expenditure Account with the long term liabilities being incorporated within the Balance Sheet. These liabilities total £1,034.733m at 31 March 2008 (compared with £1,198.172m at March 2007) resulting in an overall negative balance at 31 March 2008 of £965.573m (£1,124.389m March 2007). Finance for Police Pensions is only required when they are actually paid. Funds within the Local Government Pension Scheme are subject to triennial actuarial valuations with contribution rates adjusted to over time to match assets and liabilities.

CAPITAL

Capital expenditure was forecast to outturn at £9.049m in 2007-08. Actual expenditure was £7.480m. An analysis of the capital programme is set out below:

Project	2007-08 £'000
Neighbourhood Policing Teams	2,829
Estates Strategy	513
Communications	763
Computers	1,057
Vehicles and Equipment	1,946
Air Support	372
	<u>7,480</u>

The Authority continued the approach of using unsupported borrowing in line with the CIPFA Prudential Code to finance elements of the capital programme. At 31 March 2008 long term loans outstanding totalled £9.37m.

RESERVES

At the end of the financial year the reserves were:

	2007-08
	£'000
Performance Improvement Reserve	36,157
Risk Management	1,031
General Reserve	5,026
	<u>42,214</u>

I continue to be satisfied that the levels of reserves held by the Authority are adequate. This position will be monitored regularly as part of the system of revenue and capital budget monitoring that will take place throughout 2008-09 along with the continuous review of issues affecting the MTFS.

PROSPECTS FOR 2008-09 AND LATER YEARS

The Police Authority set a budget of £178.773m for 2008-09 with a precept of £156.31 per band D property (an increase of 4.5%). Humberside once again received an increase in external funding in line with most other forces. The increase was 2.8%. The Authority's decisions in terms of both the level of budget increase over 2007-08 and on the Council Tax increase fell well short of the criteria used by the Government to identify police authorities for Council Tax capping.

Links between policy priorities and resource allocation once again took into account the views of CDRP partners, HMIC, LCJB and the Government Office for Yorkshire and the Humber. Feedback from local people and communities through a range of consultation processes was also considered when the budget was set. The Authority and the Force have continued to be proactive in building links with local partners and contributed significantly to Joint Strategic Intelligence Assessments and in the development of the latest round of Local Area Agreements by the four LSPs. Targets have been agreed in order to meet the challenges of balancing the new APACS regime along with the requirements within LAAs.

The MTFS has continued to be developed and represents the key tool designed to link service and financial planning. It is based on the overriding strategy for the Force and the Authority and outlines the underlying assumptions, discusses the level of available reserves and unfunded risks and other factors. It includes the strategy for capital financing and incorporates the financial impact of the use of prudential borrowing. This year the MTFS was used to set out the scenarios surrounding workforce modernisation which appears to have the capacity, if implemented in line with the initial assumptions, to balance the revenue budget and also to generate the scope for significant further investment in services. It does however require substantial use of monies from the Performance Improvement Reserve. The MTFS set out the position with and without successful implementation of Workforce Modernisation.

The MTFS incorporates the ongoing commitment to fund PCSOs in excess of the numbers for which the Government has provided support and almost all of the 332 posts agreed have now been filled. This has made a real difference to the level of uniformed presence on our streets and on our approach to Neighbourhood Policing.

The Authority remains in a relatively strong position financially to consolidate and improve performance still further in line with the Chief Constable's vision for the Force. However, it remains clear that there are challenging times ahead with increased constraints. The assumptions within the MTFS now include information on the indicative levels of funding for 2009-10 and 2010-11 outlined in the settlement that followed the publication of CSR

07. There continues to be a real prospect that budget will come under increasing strain as the impact of low increases in grant funding, the credit crunch, energy prices and other inflationary pressures begin to bite, a position that is exacerbated by uncertainty over future pay settlements. The Authority is committed to achieving the targets set out in the Home Office Efficiency and Productivity Strategy which will help to offset these pressures. Notwithstanding the fact that difficult decisions will have to be made, the goal of achieving a balanced revenue budget over the medium term remains a high priority.

As last year, the underlying assumptions within the MTFS will continue to be closely monitored with regular briefings for members. In addition the progress on Workforce Modernisation plans will also come under regular scrutiny. The MTFS will remain a living document, updated as and when appropriate and the Authority will seek to use it to ensure that its aspirations are deliverable, sustainable and affordable in the short and medium term.

The Authority and the Force have continued to work closely with colleagues within the Region and the Police Authorities' Joint Committee (JPAC) has continued to function with the main focus on Protective Services, undertaking micro analysis to identify gaps locally and regionally which will need to be addressed with additional new investment. The Police Authorities have worked together to identify joint activities aimed at improving our performance whilst containing costs and during the year the first joint appointment was made to the post of Equalities Officer working for all four Authorities. In addition, the Regional Police Authority Treasurers and Force Finance Directors have continued to meet regularly and good progress is being made on efficiency planning and procurement, initiatives to improve partnership working and driving the agenda forward on developing a joint IT/IS strategy for the Region in the longer term.

I would like to take this opportunity to thank the staff within the Force who have been primarily responsible for compiling the financial statements and for the support from operational managers in ensuring that we have met the challenge of completing the accounts by the deadline of 30 June.

John Bates CPFA

Director of Performance and Resources
Humberside Police Authority

AUDIT OPINION

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HUMBERSIDE POLICE AUTHORITY

OPINION ON THE FINANCIAL STATEMENTS

I have audited the accounting statements, the police pension fund accounting statements and related notes of Humberside Police Authority for the year ended 31 March 2008 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of the Movement on the General Fund Balance, the Balance Sheet, Statement of Total Recognised Gains and Losses, Cash Flow Statement, and the related notes. The police pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial statements and police pension fund accounting statements have been prepared under the accounting policies set out within them.

This report is made solely to the members of 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 FINANCE OFFICER AND AUDITOR

The Director of Performance and Resources' responsibilities for preparing the financial statements, including the police pension fund accounting statements, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities.

My responsibility is to audit the accounting statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounting statements, the police pension fund accounting statements and related notes present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007:

- the financial position of the Authority and its income and expenditure for the year; and
- the financial transactions of its police pension fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE 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, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

I read other information published with the accounting statements, the police pension fund accounting statements and related notes and consider whether it is consistent with the audited accounting statements, the police pension fund accounting statements and

related notes. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements, the police pension fund accounting statements and related notes. My responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements, the police pension fund accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements, the police pension fund accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority'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 accounting statements, the police pension fund accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements, the police pension fund accounting statements and related notes.

OPINION

In my opinion:

- The accounting statements and related notes present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority as at 31 March 2008 and its income and expenditure for the year then ended; and
- The police pension fund accounting statements present fairly, in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial transactions of the police pension fund during the year ended 31 March 2008 and the amount and disposition of the fund's assets and liabilities as at 31 March 2008, other than liabilities to pay pensions and other benefits after the end of the scheme year.

Mr Mark Kirkham
District Auditor
Room 205
Crosskill House
Mill Lane
Beverley
HU17 9JB

CONCLUSION ON ARRANGEMENTS FOR SECURING ECONOMY, EFFICIENCY AND EFFECTIVENESS IN THE USE OF RESOURCES

AUTHORITY'S RESPONSIBILITIES

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance and regularly to review the adequacy and effectiveness of these arrangements.

AUDITOR'S RESPONSIBILITIES

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for police authorities. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

CONCLUSION

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for police authorities specified by the Audit Commission and published in December 2006, I am satisfied that, in all significant respects, Humberside Police Authority made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2008.

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 Mark Kirkham
District Auditor
Room 205
Crosskill House
Mill Lane
Beverley
HU17 9JB

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 Director of Performance and Resources, the Treasurer to the Police Authority.
- To manage its affairs to ensure economic, efficient and effective use of resources and to safeguard its assets.

I confirm that these accounts were approved at the Authority meeting held on 30 June 2008.

Signed on behalf of the Police Authority by the Chair of the meeting approving the accounts:

Date: _____

Treasurer's Responsibilities

As Treasurer, the Director of Performance and Resources 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 2008.

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.

In accordance with regulation 10(2) of the Accounts and Audit Regulations 2003, I certify that the attached Statement of Accounts presents fairly the position of the Authority as at 31 March 2008 and its income and expenditure for the year.

Date: _____

John Bates
Director of Performance and Resources

STATEMENT OF ACCOUNTING POLICIES

1. **General Principles** The Statement of Accounts summaries the Authority's transactions for the 2007-08 financial year and its position at the year end of 31 March 2008.

The Statement of Accounts has been prepared in accordance with:

- The accounting principles contained within the Code of Practice on Local Authority Accounting in the United Kingdom 2007- A statement of Recommended Practice (the SORP), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), as applicable to Police Authorities, which is recognised by statute as representing proper accounting practice.
- The accounts also reflect guidance notes issued on the application of Financial Reporting Standards (FRS's). Exceptions to the SORP and FRS's are disclosed where necessary.
- The Statement of Accounts is prepared under the historical cost convention except where specifically noted below.
- If it has been necessary to use estimates within the accounts, the basis used is consistent with the methodologies used in previous years.

Comparison with Previous Years Accounts

▪ To assist the reader of the accounting statements a comparison is shown with the 2006-07 accounts. It should be noted that some prior year comparative figures have been restated as a result to changes in recommend practice mainly:

- The Income and Expenditure Account for 2006-07, where the BVACOP (Best Value Accounting Code of Practice) included amounts under the headings of "Crime and Policing in the Community", which for 2007-08 is replaced by the heading "Police Service".
- In the Balance Sheet the 2006-07 accounts showed headings for Capital Financing Account and the Fixed Asset Restatement Account. In 2007-08 the balances on these accounts have been merged to produce the opening balance in the Capital Adjustment Account, with a new reserve for revaluation of assets, the Revaluation Reserve being created. Prior to 2007-08 the financial implications of the revaluation of assets were shown in the Fixed Asset Restatement Account.

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

2. **Income & Expenditure Account** The Authority has produced an Income & Expenditure Account that presents a service expenditure analysis in accordance with the BVACOP, which is supplemented by a separate analysis on a subjective basis.

3. **Accruals of Income & Expenditure** Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:
- Employees Costs

The full cost of employees is charged in the Income & Expenditure Account for the period in which the employees worked. Accruals have been made for salaries earned but unpaid at the year end. Where retrospective adjustments or special payments have been identified these have been charged to the Income & Expenditure Account.

- **All Other Non-Pay Service Costs**
These are included within the Income & Expenditure Account on an accruals basis in order to account for them in the period during which they were consumed or received. Supplies are recorded as expenditure when they are consumed where there is a gap between the date supplies are received and their consumption, they are carried as stocks on the Balance Sheet.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by contract.
- Where income has been recognised but not received, a debtor will be recorded in the Balance Sheet. Where it is doubtful that such debts will be settled, the balance of the debtor is written down and a charge is made to the bad debts provision.

4. Provisions

Provisions are made where an event has taken place that gives the Authority an obligation that probably requires settlement by transfer of economic benefits, but where the timing of the transfer is uncertain. Provisions are established in accordance with FRS 12 Provisions, Contingent Liabilities and Assets. Policy in relation to the provisions included within the Balance Sheet as at 31 March 2008 are :

- **Insurance**

This provision is set at the limit of liability that the Authority would have to settle any possible future insurance claim, insofar as they will not be met by external insurance.

- **Commutated Police Officers Overtime**

A provision has been established to meet overtime payment claims for officers entitled to payment, instead of taking time due.

- **Compensatory Grant**

This provision relates to payment for tax deducted in respect of compensatory grant, always paid in the year after the year it relates to.

5. Contingent Liabilities

The Authority recognises material contingent liabilities which arise from past events whose existence can only be confirmed by the occurrence of one or more uncertain future events which are not wholly within the Authorities control in the notes to the balance sheet.

6. Grants

Revenue grants are credited to revenue in the same period as the expenditure to which they relate. Grants for capital expenditure are also accounted for on an accruals basis. Grants are credited initially to the Capital Grant Deferred Account. Amounts of grant are released to the Income and Expenditure Account over the useful life of the asset to match the depreciation charged on the asset to which it relates.

7. Fixed Assets

Recognition

Expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis.

Such expenditure is normally only capitalised where it yields benefits to the authority for more than one financial year.

Expenditure that secures but does not extend the previously assessed standards of asset performance (e.g. repairs and maintenance) is charged to revenue as it is incurred.

Measurement

Assets are initially measured at cost, which is all expenditure that is directly attributable to bringing the asset into working condition for its intended use.

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

Operational Assets

- Land and Buildings (operational and non-operational)
Current value net of accumulated depreciation.
- Vehicles, and Equipment
Historic cost less accumulated depreciation as a proxy for current replacement cost.

Non Operational Assets

- Buildings for sale
Valued as for Land and Buildings, operational assets.

Intangible Assets

- Software
Shown at purchase price or written down value.

Land and buildings included in the Balance Sheet are revalued over a five year rolling programme, and also when new buildings have been completed or when major building work has been undertaken.

Impairments

The values of assets are reviewed at the end of each financial year. For Land and Buildings when revaluations are undertaken, impairment identified is accounted for by:

- Where attributable to the clear consumption of economic benefits, the loss is charged to the Income and Expenditure Account.
- Otherwise, written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the Income and Expenditure Account.

Where an impairment loss is charged to the Income and Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the

loss is transferred from the Revaluation reserve to the Capital Adjustment Account.

Disposals

When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from the sale/disposal of the asset are credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the assets at the time of disposal).

Any revaluation gains relating to the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account. Capital receipts are appropriated to the Capital Adjustment Account.

The written off value of all asset disposals is not a charge against Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Statement of Movement on the General Fund Balance.

Depreciation

Depreciation is provided for on all assets other than land, that have a determinable finite life, by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use.

Depreciation is calculated on the following basis:

Tangible Fixed Assets

Buildings

On a straight line basis using an estimated useful life in the range of 25 to 50 years.

Vehicles

On a straight line basis (less estimated residual value) over the period estimated to benefit their use, which is:

Small/medium sized	1-5 years
Large	6-8 years

Boats

On a straight line basis (less estimated residual value) over the period estimated to benefit their use, which is 10 years.

All Equipment

On a straight line basis (less estimated residual value) over the period estimated to benefit their use, which is 5 years.

Intangible Fixed Assets

Software

Computer software licences are amortised on a straight line basis over the estimated life of 5 years.

On revaluation excess Depreciation is transferred from the Revaluation Reserve to the Capital Adjustment Account, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their

historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Capital Grants

Capital grants are included in the Income and Expenditure Account, under the heading of capital charge, along with depreciation.

Where grants received are used to fund the purchase of fixed assets, the grant is credited to the Capital Grant Deferred Account. The balance is then written down to the Income and Expenditure Account to offset depreciation charges made on fixed assets. As with depreciation grants are appropriated to the Capital Adjustment Account from the Statement of Movement on the General Fund Balance.

Charges to the Income and Expenditure Account

The Income and Expenditure Account is debited with the following amounts to record the real cost of holdings fixed assets during the year:

- Depreciation attributable to assets held.
- Impairment losses attributable to the clear consumption of economic benefit.
- Other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off.
- Amortisation of intangible fixed assets.

The Authority is not required to raise Council Tax to cover depreciation, impairments losses or amortisation, however, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to at least 4% of the underlying amount measured by the adjusted Capital Financing Requirement, the Minimum Revenue Provision, MRP).

Depreciation, impairment losses and amortisations are therefore replaced by the 4% revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

- | | |
|--|---|
| 8. Loans | <p>The Authority raises loans to finance capital expenditure from the Public Works Loans Board (PWLB).</p> <p>Instalments of principal repayments charged against the statutory MRP are part of the Capital Financing Requirement.</p> |
| 9. Operating Lease Rentals | <p>Operating lease rentals are charged direct to revenue. The related liability for future rentals payable is disclosed at Note 4 to the Income and Expenditure Account.</p> |
| 10. Capital Receipts | <p>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 Income and Expenditure Account.</p> |
| 11. Stocks and Work in Progress | <p>Stocks and work in progress are included in the Balance Sheet at 'average cost' valuations.</p> |

12. Reserves

The Authority sets aside specific reserves for future policy purposes. The Authority has three revenue reserves:

- Performance Improvement Reserve
- Risk Management Reserve
- General Reserve

The total movement on the revenue reserves is shown by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the Income and Expenditure Account to score against Net Cost of Services.

The reserve is then appropriated back to the General Fund Balance statement so that there is no net charge against precept, police grant etc.

For 2007-08 the Authority has two new capital reserves called the Capital Adjustment Account, and Revaluation Reserve.

This is a result of changes to accounting for the revaluation and disposal of assets in the 2007 SORP (see under Fixed Assets on page 31).

Basically these new reserves replace the Fixed Asset Restatement Account and Capital Financing Account.

A definition of the new reserves are:

- Capital Adjustment Account

This Account is credited with amounts set aside to finance capital expenditure and absorbs the timing differences that might arise as a result of the setting aside of resources that are out of line with accounting charges for depreciation and impairment losses.

- Revaluation Reserve

This Reserve shows the amount (at the Balance Sheet date) as a result of the revaluation of fixed assets, net of any impairments offsets, and excess depreciation as a result of revaluation.

Pensions Reserve

As a result of the introduction of FRS 17 Accounting for Pensions, a reserve was set up in 2003-04. This Reserve is used to offset the pension scheme assets/liabilities and affect of actuarial surpluses or deficits.

In accordance with the Code of Practice (the SORP) the Authority's reserves are analysed between "earmarked" i.e. the revenue reserves mentioned above, which are reserves available generally to support the budget and "accounting reserves" (Capital reserves and the Pension Reserve).

See Note 30 to the Balance Sheet for details on reserves.

13. Interest on Investments

Reflects the investments undertaken as part of the Authority's approved Treasury Management Policy, the interest received is credited to the Income and Expenditure Account.

14. Pensions

The Authority participates in three pension schemes, two for Police Officers and one for Support Staff. All of the schemes provide members with defined benefits related to pay and service. Information on the schemes and the revised accounting arrangements following the Government's decision to fund Police Pension costs from 2006-07 are set out below:-

- Police Officers

- The 1987 Police Pensions Scheme

This scheme continues and involves officers paying contributions of 11%.

- The 2006 Police Pensions Scheme

From April 2006 a second pension scheme was introduced with different benefits from the existing scheme. The new scheme which all new recruits join has a contribution rate of 9.5%.

- Accounting Arrangements

Accounting for police pensions changed with the requirement for Police Authorities to establish a Police Pension Fund Account.

The Police Authority is only responsible for contributing towards the full cost of pension, through an employers' contribution to the Police Pension Fund Account and a capital cost payable for officers retired on ill health, (see page 44 for further details). Central Government now meets the balance of the net cost of pensions after taking account of contributions.

Injury Awards are not part of the Police Pension Fund Account, and are still met from the Police Authority budget.

- Police Staff

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 in the Accounts reflect 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 Authority has fully adopted FRS 17 Retirements Benefits. The financial statements continue to reflect the commitment in the long term to increase any contributions to make up any shortfall in attributable net assets in the pension fund. Previously, liabilities in relation to retirement benefits were only recognised when employers' contributions became payable to the pensions fund or payments fell due to pensioners for which we were directly responsible.

ANNUAL GOVERNANCE STATEMENT

This Statement sets out the position as at 30 June 2008 and incorporates information on 2007/08 and the Authority's plans for the financial years 2008/09 – 2012/13 and has been prepared by the Joint Corporate Governance Forum in accordance with the review arrangements agreed by the Authority on 18 March 2008.

1 SCOPE OF RESPONSIBILITY

The Humberside Police Authority is responsible for ensuring its business is conducted in accordance with the law and proper standards, 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 combination of economy, efficiency and effectiveness.

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.

The Authority has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework: Delivering Good Governance in Local Government. A copy is on our website at www.humberside-pa.org.uk or can be obtained from the Director of Performance and Resources. 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.

2 THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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.

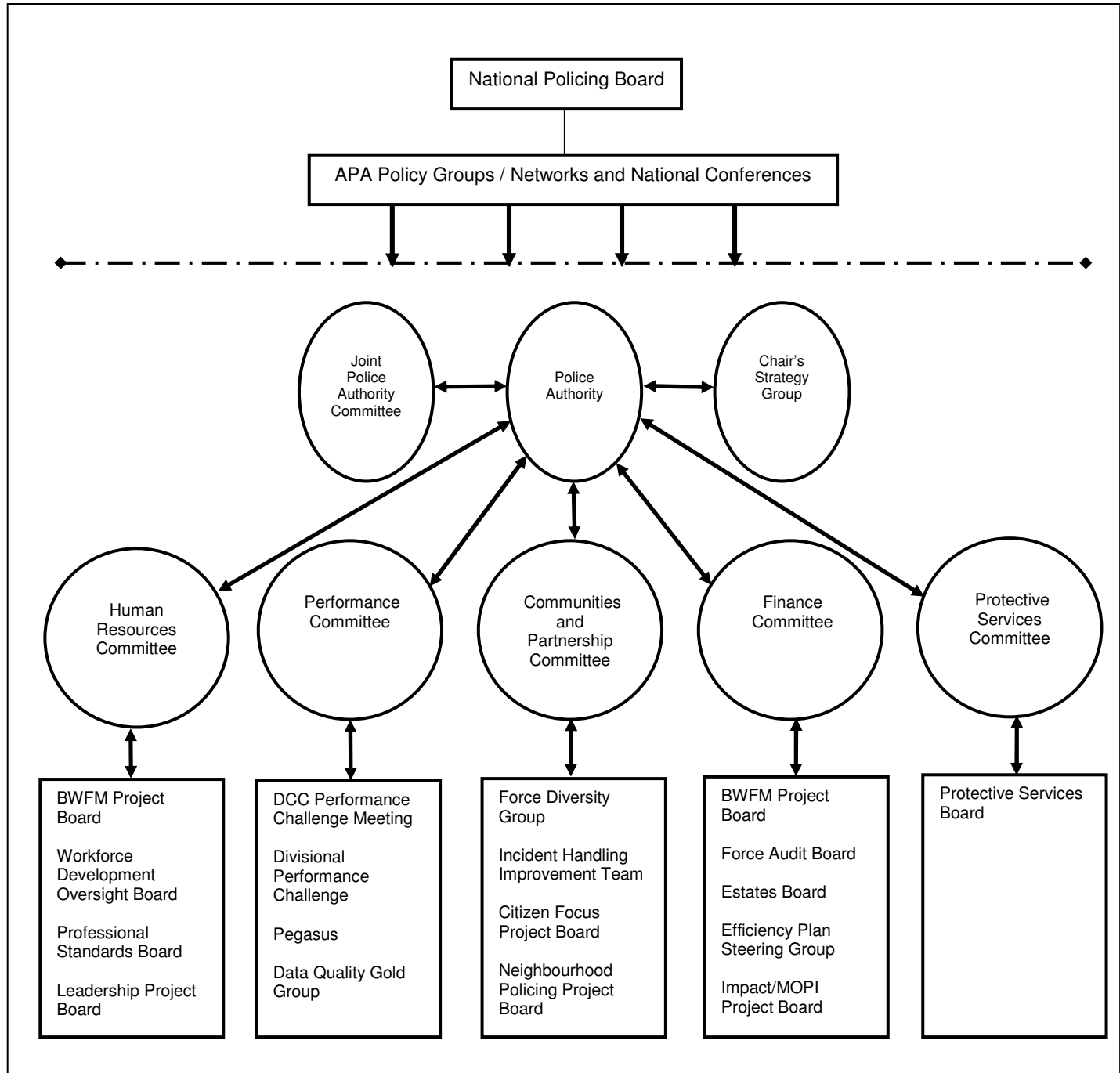
The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable and foreseeable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. 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 and 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.

The governance framework was significantly updated during 2007/08 with Committee terms of reference being updated at the AGM in June 2007, a comprehensive update of financial regulations and standing orders being approved in December with a scheme of delegation introduced in March 2008. Taken together, these documents now represent the Code of Corporate Governance that will be in place throughout 2008/09. The Force and Authority have operated within the agreed governance arrangements that were applicable during the year ended 31 March 2008 and within the newly adopted Code up to the date of approval of the statement of accounts.

3 THE GOVERNANCE FRAMEWORK

Although the Chief Officer 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 to account for the exercise of those functions and those of the persons under his direction and control. 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.

Key elements of the systems and processes that make up the governance arrangements in place within the Force and the Authority are detailed below and illustrated in the attached chart:



Identifying and communicating the Authority's vision of its purpose and intended outcome for citizens and service users

Following disengagement from the Police and Crime Standards Directorate in May 2007, the Chief Constable has set out his mission for Team Humberside to deliver outstanding policing to all our communities. He has articulated the actions required to deliver the mission through a vision statement covering the key enablers of people, public, partners, processes, performance and places. The Police Authority took the view that it should develop its own identity and agreed that it should have its own mission statement. This was approved during the year and is complementary to that of the Chief Constable. The Force and Authority have worked closely to develop corporate plans which underpin the vision, identifying key objectives and the steps that need to be taken to deliver the intended outcomes. This has become embedded in the workings of both the Force and Authority and is reflected in the 3 year strategy and annual policing plan. It is also reflected in the approach to improving the way we communicate with our local communities.

Reviewing the Authority's vision and strategy and its implications for governance arrangements

As indicated above, disengagement provided the catalyst for a fundamental review of the way in which the Force and the Authority work together which is now set out in the revised documentation which makes up the revised Code of Governance.

Setting objectives and targets outlined in the Annual Policing Plan, including decision making structures

Changes have also been made to how we work to ensure that the vision and strategic objectives are at the heart of our business planning and decision making processes. Target setting continues to be refined with continuing focus on partnership working in an effort to ensure that there is a mutual understanding and shared ownership of our performance aspirations. This is demonstrated by our increasing emphasis on joint working at a local level in terms of Local Area Agreements and at a Regional level to address the challenge of closing any gaps in our ability to respond in the area of protective services.

Monitoring performance against operational, financial and other strategic plans, including how key issues are identified and tasked

The performance management regime implemented during the period of engagement with the Police and Crime Standards Directorate continues to be developed. Performance information is regularly shared with partners and the importance of Police intelligence and crime and performance data has been crucial to the process of carrying out Joint Strategic Intelligence Assessments. There are good examples of common tasking with partners and joint working with other forces to maximise the impact of our efforts to tackle crime and improve community safety. The Authority has worked closely with the Unitary authorities, CDRPs, LSPs and GOYH in an effort to align priorities and performance targets in order to address issues in relation to LAAs and the introduction of Assessments of Policing and Community Safety (APACS).

Measuring the quality of services for users, to ensure they are delivered in accordance with the authority's objectives and represent the best use of resources

The Force and Police Authority recognise that following the period of engagement and given the substantial performance improvements that have been achieved to date there is now an opportunity to increase the emphasis on Citizen Focus issues and improving the quality of service to communities. This is reflected by Police Authority involvement in the Neighbourhood Policing and Citizen Focus Boards and supported by regular reports to the Authority.

Risk management processes by which key risks are identified and mitigated within the Force and Authority

The process of managing risks through the Force Audit Board and the Finance Committee has continued however this is recognised as an area for improvement. To this end a gap analysis against the ALARM Risk management Framework has been undertaken and an action plan is being prepared which is aimed at ensuring that the Authority and the Force have adopted best practice by the end of 2008.

Defining and documenting the roles and responsibilities of the Authority and Force and the senior members and officers within each, setting out clear delegation arrangements and protocols for effective communication, and arrangements for challenging and scrutinising Force activity

The financial regulations, standing orders and scheme of delegation have been revised and define the roles of the statutory officers and chief officers. Role profiles have been developed for members of the Authority. The Authority have continued to expand its involvement in the internal working arrangements of the Force with extensive representation on Force Boards and with regular attendance by both officers and members at meetings of working groups as well as at Division and Branch challenge meetings. Efforts have also been made to establish consistent interaction with partners at CDRP and LSP level.

Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members, officers and staff

The Authority has adopted the new Code of Conduct for members and has invested significantly in member training and the development of the role of the Standards Committee. Officer codes are in place. The Force has an active Professional Standards Board on which the Police Authority is represented. The Human Resources Committee has the responsibility for the oversight of Professional Standards issues and the identification of trends in relation to complaints and misconduct allegations. During the year the Authority has commenced joint working on standards issues with other Police Authorities in the Region both on bringing together aspects of the work of Standards Committees and on joint working on complaints. The Force and the Authority have also continued to build strong working relationships with outside agencies such as the IPCC.

Reviewing and updating standing orders standing financial instructions, a scheme of delegation, contract/procurement regulations, and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks

As indicated above, a comprehensive review has been undertaken of all aspects of the Code of Governance during the financial year and this was approved by the Police Authority on 18 March 2008. In addition, the Financial Management Guide has been updated. Work is ongoing to audit and review the arrangements for Practice Directions within the Force.

Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committee – Practical Guidance for Local Authorities

The former Audit and Strategy Committee of the Police Authority was re-constituted as the Finance Committee in June 2007. The terms of reference of this Committee specifically incorporated all of the functions an Audit Committee identified within CIPFA Guidance. The work of the Committee was planned to ensure that these functions were recognised and undertaken during the course of the financial year.

Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

The Monitoring Officer has the responsibility of ensuring compliance with relevant laws and regulations and the Treasurer has the responsibility for ensuring that expenditure is lawful. The Chief Executive of the Police Authority who left the Authority on 14 March was a qualified barrister and arrangements are now in place to buy in legal advice from a neighbouring Police Authority within the Region. The Force has its own legal advice through the Force Solicitor. Both the Force and the Authority have access to counsel's advice should this be required and there are examples of counsel's opinion being sought. The Assessment and Review Unit within the Force carry out regular audit and inspection of compliance with internal policies and procedures and these can also be the subject of Internal Audit scrutiny. Reports are considered by the Force Audit Board and summary information on all audit activity is considered at each meeting of the Finance Committee.

Whistle blowing for receiving and investigating complaints from the public and handling citizen's concerns and other redress

The Force has a confidential "hot line" to the Chief Constable for whistle blowing and procedures are in place to allow external parties to raise issues confidentially e.g. in connection with contract awards. The arrangements for complaints are well established with the Force Professional Standards Branch reporting details to each Human Resources Committee. During the year, following approval of a business case by the Police Authority, a proactive anti-corruption unit was created to carry out covert internal investigations. Work is in hand to introduce "bad apple" software which allows confidential reporting and two way communication with informants. A marketing campaign will be introduced in the new financial year and similar arrangements will be extended in due course to people outside the Force. The Police Authority deals with complaints in respect officers of ACPO rank.

Determining the conditions of employment and remuneration of officers and staff

The Force has the capacity internally to deal with these issues through the Personnel Branch and a new ACO(HR) post was created during the year. A fundamental review of HR Support is nearing completion. The Police Authority buys in external HR advice.

Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training

When changes were made to the Committee structure, members agreed role profiles and also to a "light touch" member appraisal scheme. This involved interviews by members of the Standards Committee. One element of which is to develop individual member development plans in order to put in place a more structured approach to member training. The Force has a PDR process which includes a review of individual training requirements which are integrated into the development section of the PDR. A client-led commissioning Training and Supervision Board is in operation. The Police Authority will introduce its own PDR system from October 2008 underpinned by a training plan. Training for members and officers has been identified as a potential opportunity for Regional collaboration and the Police Authority have now formally joined Local Government Yorkshire and Humber which will provide access to its Regional Member Development Network and participation in the Regional Improvement and Efficiency Partnership which will continue the capacity building programmes that have operated for the last few years within the Region.

Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation

The Force and the Authority has an established network of community meetings which are used for both consultation and communication. These continue to be developed and enhanced. Where possible they are designed to complement the work of partners as the concept of neighbourhood management is being rolled out across the Force area. The common tasking framework adopted in Hull is an excellent example of this. The Authority has increased its participation in the work of all of the LSPs and has continued to play an active role in all aspects of the work of the four CDRPs. In 2007/08 the Authority was invited along with the Humberside Fire and Rescue Service to take part in the budget conferences organised by the East Riding of Yorkshire Council and plans are in hand for this to continue this year and extended to include representatives of the local Primary Care Trusts (PCTs). The Authority undertook a major annual survey, used the leaflet distributed with Council Tax bills to canvass local opinion and a mystery shopper exercise was carried out. The results of this work were reported to the Communities and Partnership Committee. The Authority has supported the Force by approving additional investment in marketing and communications that will enable the performance successes in the last two years to be widely publicised.

Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the Authority's overall governance arrangements.

The Authority has recognised the increasing importance of partnership working but also acknowledged that whilst the Force was a key player in local strategic partnerships, it was working from a low base although the track record of working with the other Police Authorities in the Yorkshire and Humber area on Protective Services has been very strong. As a result efforts have been focussed on positioning the Authority in key partnerships and building relationships with individual partners to ensure that it has the opportunity for active and meaningful engagement. This approach is now bearing fruit. A Partnership Reserve has been created from 1 April 2008 to be used to help to mitigate the impact of the loss of funding to support partnership working due to changes in external funding regimes and also to facilitate increased influence on the part of the Police Authority in the partnership arena. It will also be supplemented by the fact that the Authority has, together with the other Yorkshire Police Authorities, become a full member of Local Government Yorkshire and Humber, a partnership involving all of the 22 local authorities and 4 Fire and Rescue Services in the Region.

4. REVIEW OF EFFECTIVENESS

The Authority has responsibility for conducting, at least annually, a review of the effectiveness of the governance framework. This has included a review of the system of internal audit and of the system of internal control. In addition, the Authority has, with a number of other police authorities, piloted the development of the Police Authority Assessment Framework (PASA) for the APA.

Internal Audit

The Authority's Finance Committee has carried out the functions of an audit committee throughout the year and at its meeting on 10 June 2008 considered and accepted the findings of a review of the internal audit service provided by the North Lincolnshire Council. This Committee has also received regular reports throughout the year on the work of the Force's Assessment and Review Unit and the work of the Force Audit Board that brings together all aspects of audit and pre-inspection activity.

Internal Control

Whilst there is no longer a formal requirement for a statement of internal control, the arrangements for the production of a statement that have become embedded and a statement has been produced and is available to support this Governance Statement. Once again this is based on six-monthly assurance statements completed by all senior managers who have the responsibility for the development and maintenance of the governance environment and implementing the system of internal control within the Authority. Actions in respect of matters of concern raised previously have been reviewed and where new areas have been identified work is ongoing to address the issues raised. The Authority continues to receive regular reports on the progress of external inspections and audit plans. The results of the Police Use of Resources Evaluation (PURE) assessment for 2006/07 have also been analysed with the identification of improvement actions. Action plans in respect of recommendations and areas for improvement are regularly reviewed.

PASA

Officers from the Secretariat have participated in the APA's Good Governance Group which has been responsible for the development and refinement of the PASA Framework in anticipation of the inspection of Police Authorities from 1 April 2009. Humberside agreed to act as a pilot for the initial draft of the Framework and contributed to a recent workshop involving the other pilot authorities. This work involved the creation of an in-house team to carry out the self assessment with a reality check being carried out by the Force and local CDRP partners. The assessment is undertaken against the 6 principles of good governance. Whilst there are as yet no benchmarks for comparison, this work gave a broad indication of the areas where the Authority is considered to be performing well and those areas that require improvement. This work will continue to be reviewed as the national PASA Framework develops.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Joint Corporate Governance Forum, the review of internal control, performance challenges and PASA and plan to address weaknesses and ensure continuous improvement of the system is in place.

5. SIGNIFICANT GOVERNANCE ISSUES

In support of the delivery of the Authority's and Force's vision and strategic plans a number of issues have been identified which are already being focused on and merit mention here. The key areas for improvement include: risk management, partnerships, workforce modernisations, citizen focus and data quality.

Risk Management

An action plan will be developed in response to the ALARM Risk Assessment which will result in a comprehensive overhaul of and improvement in the existing risk management arrangements in place within the Force and the Authority. The implementation of the plan will be overseen by the Force Audit Board and reported to the Finance Committee. In addition, the Chairs' Strategy Group will have a crucial role to play as the Authority's Corporate Risk Management Board.

Partnerships

The Force and the Authority are now in a much stronger position locally and strategically to exploit the opportunities offered by partnership working to enable better services to be provided to our local communities. This will include the governance arrangements over the use of the Partnership Reserve. A workshop is planned with South Yorkshire PA, facilitated by the Audit Commission which will help to identify best practice in partnership working and how best to take this agenda forward. Work will also continue with the four Unitary Authorities on joint working in relation to resource management, budget planning and community engagement together with the provision of mutual support during the transition to a regime with the focus on LAAs, APACS and Comprehensive Area Assessments (CAAs). Regional collaboration will continue and the Authority has made permanent financial provision to address any gap in the Protective Services capability. The work of the Joint Police Authorities Committee will be

enhanced by the APAs move towards a more regionally based structure.

Workforce Modernisation

The Force and the Authority are in a relatively strong position financially. Workforce Modernisation is a key component in our Medium Term Financial Strategy (MTFS). It offers a planned approach to enable us to implement the most efficient systems and processes with a reconfigured workforce providing the optimum staffing mix. Use of reserves on a “spend to save” basis is estimated to provide us with the ability to balance our revenue budget over the medium term and to generate resources for re-investment. All decisions on reinvestment will be routed through the MTFS and underpinning business change process.

Citizen Focus

The Force and the Authority, like Central Government, are concerned that the transformation in performance in recent years is not reflected in public perceptions and in allaying concerns over the fear of crime. The Authority is in the process of bringing together work streams on Neighbourhood Policing, Quality of Service and other initiatives in an effort to place a strong emphasis on Citizen Focus issues.

Data Quality

The Force and the Authority will continue to build on the work that has commenced to re-emphasise the importance of data quality and to ensure that we are in a position to share data where appropriate with local partners.

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

[Name]

Chair of Humberside Police Authority

[Name]

Chief Officer of Humberside Police Force

[Name]

[Chief Executive of Humberside Police Authority]

On behalf of the members and senior officers of the Humberside Police Authority and Humberside Police Force

INCOME AND EXPENDITURE ACCOUNT

This Account summarises the resources that have been generated and consumed in providing services and managing the Authority during the last year. The format shown meets the requirements of the 2007 BVACOP (Best Value Accounting Code of Practice).

It includes all day to day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year. The 2007 BVACOP removed the requirement to allocate expenditure over Crime and Policing the Community replacing it with Policing Services.

2006-07 Net Expenditure £'000	See Notes	2007-08 Gross Expenditure £'000	2007-08 Net Income £'000	2007-08 Net Expenditure £'000	
90,270	Crime				
88,719	Policing in the Community				
178,989	Policing Services	209,669	(20,816)	188,853	
1,323	The Corporate and Democratic Core	1,477	(24)	1,453	
542	Non Distributed Cost	923		923	
180,854	Net Cost of Service	212,069	(20,840)	191,229	
259	(Gain)/Loss on the Disposal of Fixed Assets	5.	402	(8)	394
601	Interest Payable & Similar Charges				613
(2,661)	Interest and Investment Income				(3,108)
5,059	Police Pension Top-up Grant Receivable	6.			(4,927)
58,722	Pensions Interest Cost & Expected Returns on Pensions Assets				63,735
242,834	Net Operating Expenditure	276,819	(28,883)	247,936	
(40,278)	Council Tax Payers	14.			(42,885)
(74,365)	General Government				(74,651)
(5,059)	Police Pension Top-up Grant Receivable	6.			0
(47,158)	Non-Domestic Rate Income				(50,587)
75,974	(Surplus)/Deficit for the Year				79,813

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

The Income and Expenditure Account above shows the Authority's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the authority is required to raise Council Tax on a different accounting basis. The main differences are that when determining the amounts to be met by the Council Tax:-

- Capital investment is accounted for as it is financed, rather than when fixed assets are consumed;
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

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

This Statement reconciles and summaries the differences between the deficit on the Income and Expenditure Account and the General Fund Balance (see Note 17).

2006-07		2007-08
£'000		£'000
75,974	(Surplus)/Deficit for the year on the Income and Expenditure Account	79,813
(84,002)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General fund Balance for the year	(76,749)
(8,028)	(Increase)/Decrease in General Fund Balance for the year	3,064
<u>(62)</u>	General Fund Balance Brought Forward	<u>(8,090)</u>
<u>(8,090)</u>	General Fund Balance Carried Forward	<u>(5,026)</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

This Statement brings together all the gains and losses of the authority for the year and shows the aggregate increase in its net worth. In addition to the deficit generated on the Income and Expenditure Account, it includes gains relating to the revaluation of fixed assets and the re-measurement of the net liability to cover the cost for 2007-08, to cover the cost of retirement benefits.

FRS 3 Reporting Financial Performance requires the STRGL to be shown with the same prominence as other primary statements.

2006-07		2007-08
£'000		£'000
75,974	(Surplus)/Deficit for the Year on the Income and Expenditure Account	79,813
(389)	Surplus Arising on the Revaluation of Fixed Assets	(1,534)
-	Any Other (Gains)/Losses required to be included in the STRGL *	(114)
(93,854)	Actuarial (Gains)/Losses on the Pension Fund Assets and Liabilities	(236,981)
<u>(18,269)</u>	Total Recognised (Gains)/Losses for the Year	<u>(158,816)</u>

* Includes Adjustment for Previous Years

BALANCE SHEET

2006-07 £'000	Notes	As at 31st March 2008	
£'000	Notes	£'000	£'000
FIXED ASSETS			
360	INTANGIBLE ASSETS	18.	412
NET TANGIBLE FIXED ASSETS			
OPERATIONAL ASSETS			
18.&20.			
36,629	Land and Buildings	35,444	
497	Police Houses	837	
12,621	Vehicle, Plant, Furniture and Equipment	12,937	
<u>49,747</u>			49,218
119	NON - OPERATIONAL ASSETS (Held for Sale)	18.&20.	5
50,226	TOTAL NET FIXED ASSETS		49,635
8	LONG-TERM DEBTORS	22.	1
CURRENT ASSETS			
412	Stocks and Work in Progress	23.	597
5,084	Prepayments	24.	4,506
5,684	Debtors & Accruals	24.	5,911
223	Cash in Hand		92
44,146	Investments-Short Term		41,181
<u>55,549</u>			<u>52,287</u>
105,783	TOTAL ASSETS		101,923
LESS CURRENT LIABILITIES			
1,334	Income in Advance	25.	847
9,367	Creditors & Accruals	25.	11,662
2,615	Cash Overdrawn		2,694
607	Short Term Borrowing	26.	591
<u>13,923</u>			<u>15,794</u>
<u>91,860</u>	TOTAL ASSETS LESS CURRENT LIABILITIES		<u>86,128</u>
LONG TERM LIABILITIES			
1,867	Provisions	27.	1,685
9,965	Long-Term Borrowing	28.	9,374
618	Capital Grant Unapplied		-
5,627	Capital Grant Deferred	29.	5,910
1,198,172	Pensions Liability		1,034,733
<u>(1,124,389)</u>	TOTAL ASSETS LESS LIABILITIES		<u>(965,573)</u>
FINANCED BY :			
-	Revaluation Reserve	19.&30.	1,268
30,910	Capital Adjustment Account	19.&30.	25,678
571	Capital Receipts Unapplied	30.	-
(1,198,172)	Pensions Reserve	30.	(1,034,733)
33,181	Performance Improvement Reserve	30.	36,157
1,031	Risk Management Reserve	30.	1,031
8,090	General Revenue Reserve	30.	5,026
<u>(1,124,389)</u>	TOTAL NET WORTH		<u>(965,573)</u>

CASH FLOW STATEMENT

This Statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. Cash is defined for this purpose of this Statement, as cash in hand and deposits repayable on demand less overdrafts repayable on demand.

2006-07		2007-08		
£'000		£'000	£'000	£'000
	Revenue Activities			
	Cash Outflows			
154,116	Cash Paid to and on Behalf of Employees	161,689		
26,499	Other Operating Cash Payments	32,594		
180,615			194,283	
	Cash Inflows			
(40,277)	Precept Received	(42,885)		
(47,158)	National Non-Domestic Rate Receipts from National Pool	(50,587)		
(9,077)	Revenue Support Grant	(8,490)		
(65,288)	Police Grant	(66,161)		
(1,949)	Cash Received from Goods and Services	(4,268)		
(18,791)	Other Operating Cash Receipts	(20,891)		
(182,540)			(193,282)	
(1,925)	Net Cash Flow from Revenue Activities			1,001
	Returns on Investment and Servicing of Finance			
	Cash Outflow			
342	Interest Paid		857	
	Cash Inflows			
(2,483)	Interest Received		(2,984)	
(2,141)	Net Cash Flow from Servicing Finance			(2,127)
	Capital Activities			
	Cash Outflow			
7,889	Purchase of Fixed Assets		7,179	
	Cash Inflows			
(125)	Sale of Fixed Assets		(489)	
(2,408)	Capital Grant Received		(2,164)	
5,356	Net Cash Flow from Capital Activities			4,526
1,290	Net Cash In Flow/Outflow Before Financing			3,400
	Management of Liquid Resources			
(250)	Net Increase/(Decrease) in Short Term Deposits			(4,250)
	Financing			
	Cash Outflow			
338	Repayments of Amounts Borrowed		854	
	Cash Inflows			
(1,156)	New Loans Raised		-	
(818)	Net Cash Flow from Financing			854
222	Net Increase/(Decrease) Cash			4

NOTES TO THE CORE FINANCIAL STATEMENTS

1. SUMMARY SPENDING DETAILS

Expenditure 2006-07 £'000		Budget 2007-08 £'000	Expenditure 2007-08 £'000
	<u>Employees</u>		
128,545	Pay and Other Employment Costs	140,189	138,416
36,920	Police Pensions Current Service Cost	23,731	33,590
<u>165,465</u>		<u>163,920</u>	<u>172,006</u>
	<u>Running Expenses</u>		
4,770	Premises	5,662	5,524
5,066	Transport	4,878	5,617
16,787	Supplies and Services	20,481	19,081
2,723	Agency Services	2,240	2,163
387	Special Constables	437	418
1,362	Capital Charges & Impairment of Assets	1,806	6,337
542	Non Distributable Cost	-	923
<u>31,637</u>		<u>35,504</u>	<u>40,063</u>
<u>197,102</u>	Total Expenditure Budget/Spending	<u>199,424</u>	<u>212,069</u>
<u>(16,248)</u>	Income	<u>(18,360)</u>	<u>(20,840)</u>
<u>180,854</u>	Net Budget/Spending after Income	<u>181,064</u>	<u>191,229</u>

The budget was set to cover actual expenditure on pensions and not current service costs. FRS 17 Retirement Benefit requires actual costs / contributions to be replaced with current service costs within the Income and Expenditure Account. This is determined by actuaries and represents the true cost of pensions rather than just the amount paid / contributed during the year. The Statement of Movement on the General Fund Balance reinstates the actual pensions cost / contributions and reverses the current service cost transaction.

2. PENSION INCOME & EXPENDITURE ACCOUNT

The cost of retirement benefits is recognised in the Income and Expenditure Account with the inclusion of the amount reflecting the net cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions.

However, the charge that is required to be made against Council Tax is based on the cash payable in the year. The real cost of retirement benefits is deducted in the Statement of Movement in the General Fund Balance, and replaced with actual pensions paid/contributions.

The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year:

	Local Government Pension Scheme				Police Pension Schemes			
			11%		9.5%		Injury Awards	
	31March	31March	31March	31March	31March	31March	31March	31March
	2008	2007	2008	2007	2008	2007	2008	2007
£'000								
Income and Expenditure Account								
Net Cost of Service								
Current Service Cost (Gross)	4,744	4,658	32,120	36,380	1,470	540		
Non Distributed Costs	383	32					540	510
	5,127	4,690	32,120	36,380	1,470	540	540	510
Net Operating Expenditure								
Interest Cost	4,767	4,194	63,070	57,810	90	20	560	550
Expected Return on Assets in the Scheme	(4,752)	(3,852)						
	15	342	63,070	57,810	90	20	560	550
Net Charge to the Income and Expenditure Account	5,142	5,032	95,190	94,190	1,560	560	1,100	1,060
Statement of Movement in the General Fund Balance								
Reversal of Net Charges made for Retirement Benefits in Accordance with FRS 17	(5,142)	(5,032)	(95,190)	(94,190)	(1,560)	(560)	(1,100)	(1,060)
Actual amount charged against the General Fund Balance for Pensions in the Year:								
Employer's Contributions Payable to Scheme	5,057	4,510	17,632	17,430	781	297	-	-
Retirement Benefits Payable to Pensioners (Gross)	-	-	-	147	-	-	513	609

3. CAPITAL CHARGES

The amount shown in Note 1 relates to depreciation of fixed assets and grants used in the funding of fixed assets (capital), amortised over the life of the assets funded by the grant.

2006-07 £'000		2007-08 £'000
4,001	Depreciation	4,536
(2,639)	Transfer from Capital Grant Deferred Account	(2,499)
<u>1,362</u>		<u>2,037</u>

4. OPERATING LEASES

The authority has no finance leases, but has a number of operating leases (see the glossary of accounting terms for a definition of lease types).

2006-07 £'000		2007-08 £'000	2008-09+ £'000		
			Amounts Due up to 5 years	Remainder Due Over 5 years	Term Left On Lease
	<u>Vehicles</u>				
294	Helicopter	294	1,470	589	7 years
	<u>Buildings</u>				
63	* Lairgate, Beverley	63	252		4 years
0	* D Division Property Store, Hull	28	138	27	6 years
0	* Disclosure Unit, Hessle	39	194		5 years
43	* Winn House, Beverley	43	213	342	13 years
80	* Derringham Street, Hull	80	400		5 years
32	* Vehicle Shop, George Street, Hull	32			0 years
55	* Humberside Airport, Kirmington	55	275	935	22 years
25	* Other	82	204		
<u>592</u>		<u>716</u>	<u>3,146</u>	<u>1,893</u>	

* Previously disclosed as one category with a value of £298k in 2006-07

5. (GAIN)/LOSS ON THE DISPOSAL OF FIXED ASSETS

2006-07 £'000		2007-08 £'000
(125)	Buildings	(8)
0	Vehicles	0
<u>(125)</u>	Gain from the Sale of Fixed Assets	<u>(8)</u>
93	Buildings	0
194	Vehicles	351
97	I.T. Equipment	51
<u>384</u>	Loss on sale of Fixed Assets Sold	<u>402</u>
<u>259</u>		<u>394</u>

The Income and Expenditure Account includes an amount of £34k revenue income in respect of vehicles sold during 2007-08. Income from the sale of fixed assets with a value of less than the de minimis limit of £6k is not classed as a capital receipt, and is excluded from the calculation of gains and losses on the Disposal of Fixed Assets.

6. POLICE PENSIONS TOP-UP GRANT

The 2007 Pensions Regulations, featured key differences on the treatment of the Home Office Pensions Top-Up Grant, and the amount contributed by the Police Fund for the Pension Fund Account deficit, in the Income and Expenditure Account for the financial year 2007-08, compared with 2006-07.

In 2006-07 the amount contributed by the Police Fund (to fund the deficit on the Pension Fund Account) was included as part of Net Operating Expenditure. The matching Home Office Top-Up Grant provided to fund the deficit was included in the Income and Expenditure Account after Net Operating Expenditure, alongside Council Tax Payers, General Government etc. (see page 17).

For 2007-08 the Home Office Top-Up Grant is shown as income within Net Operating Expenditure, therefore it is netted off as part of the deficit for the year in the Income and Expenditure Account. The amount contributed by the Police Fund, to balance the deficit on the Pension Fund Account, is shown as a Contribution in the Statement of Movement on the General Fund Balance (under the heading of 'Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year') see page 18. For comparison purposes, the position for both financial year is:

2006-07 £'000		2007-08 £'000
5,059	Pension Fund Account Deficit	4,927
(5,059)	Home Office Top-Up Grant	(4,927)
<u>0</u>		<u>0</u>

7. PUBLICITY

In accordance with section 5(1) of the Local Government Act 1986, the authority has to disclose certain categories of publicity/advertising expenditure.

2006-07 £'000		2007-08 £'000
161	Recruitment Advertising	237
36	Publicity	41
<u>197</u>		<u>278</u>

8. EXPENDITURE INCURRED UNDER SECTION 137

Section 137 of the Local Government Act 1972, as amended, empowers local authorities to make contributions to certain charitable funds, non for profit bodies providing a public service in the UK.

No expenditure has been identified in relation to Section 137 for 2007-08.

9. POLICE AUTHORITY

Police Authority expenditure is included in the Income and Expenditure Account within corporate and democratic core costs (see Glossary of Accounting Terms).

2006-07 £'000		2007-08 £'000
220	Members Allowances	215
508	Support Staff	562
47	Premises	27
14	Transport	12
302	Supplies and Services	308
12	ACPO Subscription	12
149	Third Party Payments	138
(1)	Fees & Charges and Other Income	(24)
1,251		1,250

10. OFFICER'S EMOLUMENTS

The number of employees whose remuneration, excluding pension contributions was £50,000 or more in bands of £10,000 were:

2006-07 No.s	Remuneration band £	2007-08		
		Police Officers No.s	Support Staff No.s	Total No.s
44	50,000 - 59,999	53	2	55
19	60,000 - 69,999	20	3	23
3	70,000 - 79,999	2	1	3
2	80,000 - 89,999	1	1	2
2	90,000 - 99,999	2	1	3
-	100,000 - 109,999	-	-	-
1	110,000 - 119,999	-	-	-
-	120,000 - 129,999	1	-	1
71		79	8	87

11. MEMBER'S ALLOWANCES

The Accounts and Audit Regulations 2003 require Local Authorities to publish details of Member's allowances schemes and the amounts paid to each member under the scheme.

2006-07 No.s	Allowances band £	2007-08 No.s
14	0 - 2,999	8
0	3,000 - 4,999	2
15	5,000 - 9,999	12
2	10,000 +	4
31		26

12. RELATED PARTY 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 Chief Executive of HANWAG was an Independent Member of the Police Authority, and the Consultation and Partnership Manager of the Police Authority was also a Director of HANWAG. During 2007-08 the Police Authority provided funding to HANWAG, relating to the SLA (Service Level Agreement) of £90k, Volunteers project (training and management) £120k and other contributions of £27k. We also hired premises from HANWAG totalling £30k.

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

The main ones are the Home Office (Police Grant), the Department of Communities and Local Government (DCLG) (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 or parties related to them have undertaken any material transactions with Humberside Police Authority.

13. ADDITIONAL GRANTS

In 2007-08 additional grants were received from numerous bodies, and are included as part of total income. Details of those that are £10k and above are shown below:

	2007-08 £		2007-08 £
		b/fwd	14,801,457
PCSOS	4,412,299	ERYC Vehicle Allocation	35,000
Crime Fighting Fund	3,962,530	Preston Road-New Deal	33,517
Safety Camera Project	1,148,893	Football Banning Order Unit	28,963
Policing Initiative - Other	726,304	BCU Domestic Violence	27,915
CJIP	716,521	Op Max Impact	26,942
Reflex	381,150	CPS Digivue	26,166
Operation Meldon	370,524	NRF Fixed Cctv	25,926
Initial Police Learning & Development	353,409	Domestic Violence	21,652
BCU - Tasking	207,363	DNA Conversion - Ext	20,077
Operation Tahiti	189,106	BCU Youth Co-Ordinator	18,841
Speed Seminar	177,349	Paramedic Initiative	18,697
C Division Cmmb Id	174,586	Op Bid Up	18,058
Operation Solvent	170,717	NRF Woa Plus	17,252
Incentivisation Scheme	167,259	Impact Psa1	15,031
B Div BCU - All	163,448	Criminal Case Mgt Group	15,000
NRF Respect Response	141,635	Reducing Violence	15,000
BCU Mobile Cctv	135,576	BGC - Market Weighton	15,000
Op Ketch	130,176	BCU Persistent Offenders	14,668
NRF Neighbourhood Management	117,912	Action Weeks	14,355
Local Criminal Justice Board	112,495	Safer Communities (A Div)	14,275
Special Constables	96,000	NRF Target Hardening	13,100
Anpr Strategic Roads Policing	94,260	BCU Drugs	12,539
DIP Strategic Lead	71,114	Brighowgate (Dip Project)	12,126
Continuing Pcu Costs	70,413	NRF Smartwater	10,437
Prison Intelligence Officer	67,943		
Head Cameras	66,641		
Op Jingle - C Div Rps	65,656		
Race And Diversity	52,100		
Operation Midas	47,226		
NRF Alcohol And Violence	43,815		
BCU Asbo Co-Ordinator	43,684		
CCTV Van Kit & Conversion	43,440		
Flood Patrol - ERYC	40,500		
Operation Aviemore	39,414		
	c/fwd 14,801,457		15,271,994

14. PRECEPT/COUNCIL TAX

2007-08

Property Band	A	B	C	D	E	F	G	H
Rate £	99.72	116.34	132.96	149.58	182.82	216.06	249.30	299.16

The Council Tax collected for each of the Local Authorities for the financial year are:

2006-07		2007-08
£'000		£'000
16,601	East Riding of Yorkshire Council	17,579
9,752	Hull City Council	10,671
6,826	North East Lincolnshire Council	7,080
7,099	North Lincolnshire Council	7,555
<hr/>		<hr/>
40,278		42,885
<hr/>		<hr/>

15. EXTERNAL AUDIT FEES

In 2007-08 Humberside Police Authority incurred the following fees relating to external audit and inspection:

2006-07		2007-08
£'000		£'000
104	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor.	88
<hr/>		<hr/>
104		88
<hr/>		<hr/>

16. THE EURO

During 2007-08 there was no impact on the Police Authority as a consequence of the European single currency. This will continue to be reviewed during 2008-09 and 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.

17. NOTE OF RECONCILING ITEMS FOR THE STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year.

	See Notes	2006-07 £'000	2007-08 £'000
Depreciation/Amortisation		(4,001)	(4,536)
Impairment			(4,300)
Capital Grant Deferred Amortisation		2,639	2,499
Net Gain/(Loss) on the Sale of Fixed Assets		(259)	(394)
Net Charges Made for Retirement Benefits in Accordance with FRS 17		(100,842)	(102,992)
		(102,463)	(109,723)

Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year.

MRP (Minimum Revenue Provision)		339	548
Employers Contribution to Pensions		22,993	24,523
Additional Contribution to the Pension Fund to balance the deficit on the Fund Account	6.		4,927
		23,332	29,998

Transfers to or from the General Fund Balance that are required.

Net Transfers to/from Performance Reserve		3,791	(88)
Net Transfers to/from Risk Management Reserve		(634)	-
Net transfers to/from General Reserve		(8,028)	3,064
		(4,871)	2,976
Net Additional Amount Required to be Charged to the General Fund Balance for the Year		(84,002)	(76,749)

The minimum revenue provision is the amount required by statute that the Police Authority must fund to cover the redemption of external debt. It is calculated by applying a specific percentage rate (at present 4%) to the Authority's capital financing requirement. (See the Glossary of Accounting Terms for an explanation of the Capital Financing Requirement.)

18. FIXED ASSETS

	Operational assets			Non Operational Assets		Intangible	TOTAL
	Land & Buildings	Police Houses	Vehicles & Equipment	Land & Buildings	Police Houses	Assets	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Certified Valuation as at 31 March 2007	40,433	552	26,501	58	76	1,499	69,119
Accumulated Depreciation and impairment	(3,804)	(55)	(13,880)		(15)	(1,139)	(18,893)
Net Book Value of Assets at 31 March 2007	36,629	497	12,621	58	61	360	50,226

Movement in 2007-08

Additions	3,294	-	3,953			348	7,595
Disposals	(50)	(199)	(402)		(236)		(887)
Revaluation	807	568	(16)		175		1,534
Impairments	(4,232)	(13)		(53)			(4,298)
Depreciation	(1,004)	(16)	(3,219)			(296)	(4,535)
Net Book Value of Assets at 31 March 2008	35,444	837	12,937	5	-	412	49,635

The Non Operational premises relate to Weedley Mast which is awaiting disposal.

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

The intangible assets, relates to computer software capitalised.

Statement of Physical Assets

31 March 2007

62	Police Stations
2	Non-Operational Premises
8	Police Houses
662	Vehicles

31 March 2008

61
1
6
711

19. REVALUATION RESERVE / CAPITAL ADJUSTMENT ACCOUNT

The Balance Sheet figures for 31 March 2007 have been adjusted from those included in the Accounts for 2006-07 to accommodate the implementation of the Revaluation Reserve (See Accounting Policy 12) and the Capital Adjustment Account. The balances in the Fixed Asset Restatement Account (FARA) and the Capital Financing Account, have been transferred to form the opening balance on the Capital Adjustment Account. The Revaluation Reserve has an opening nil balance.

	2006-07 £'000	2007-08 £'000 Opening Balance
Fixed Asset Restatement Account	(2,419)	0
Capital Financing Account	(28,491)	0
Capital Adjustment Account (opening balance)	0	(30,910)
	(30,910)	(30,910)

20. PROPERTY VALUATIONS

The statement below shows the progress of the Authorities rolling program for the valuation of Land and buildings. The basis for valuation is set out in the Statement of Accounting Policies. All valuations have been carried out by external valuers as detailed below:

<u>Year of valuation</u>	<u>Name of valuer</u>	<u>Qualifications</u>	<u>Basis of valuation</u>
2002/03	P Gleeson & C R Bradley	M.R.I.C.S I.R.R.V BSc (Hons)	Existing use value.
2003/04	S D Weightman &	A.R.I.C.S I.R.R.V	Existing use value.
2004/05	No revaluations undertaken.		
2005/06	P Gleeson	M.R.I.C.S I.R.R.V	Existing use value.
	(Two valuations undertaken in 2005-06)		
2006/07	P Gleeson	M.R.I.C.S I.R.R.V	Existing use value.
2007/08	P Gleeson	M.R.I.C.S I.R.R.V	Existing use value.

(Two valuations undertaken in 2007-08)

	Operational assets		Non Operational Assets	
	Land & Buildings	Police Houses	Land & Buildings	Police Houses
	£'000	£'000	£'000	£'000
2007-08	11,339	592	5	
2006-07	6,328			
2005-06	16,591	212		
2004-05	874			
2003-04	136	33		
2002-03	14			
	35,282	837	5	0
Leased property	55			
L.P.G Sites	107			
	35,444	837	5	0

In relation to the 5 year revaluation cycle, referred to in the Accounting Policies, the asset values are reflected above. The table shows the Net Book Values of the Assets and the year in which the assets were last revalued.

21. SUMMARY OF CAPITAL EXPENDITURE AND SOURCES OF FINANCE

The note below shows the movement in the Capital Financing Requirement due to capital expenditure for 2007-08, 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. The Force has decided to part fund capital by using prudential borrowing, this is reflected in the Capital Financing Requirement balance and the end of the financial year.

2006-07 £'000		2007-08 £'000
8,471	Opening Capital Financing Requirement	13,690
	<u>Capital Investment</u>	
7,935	Operational Assets	7,480
	<u>Sources of finance</u>	
(339)	Revenue Provision	(548)
(1,931)	Capital Grant	(2,782)
(446)	Capital Receipts	(1,060)
<u>13,690</u>	Closing Capital Financing Requirement	<u>16,780</u>
	<u>Explanation of Movements in Year</u>	
5,219	Increase in underlying need to borrowing (supported by Government financial assistance).	3,090
<u>5,219</u>	Increase/(Decrease) in Capital Financing Requirement	<u>3,090</u>

22. LONG TERM DEBTORS

2006-07 £'000		2007-08 £'000
8	Car Loans to Staff	1
<u>8</u>		<u>1</u>

23. STOCKS AND WORK IN PROGRESS

2006-07 £'000		2007-08 £'000
20	Printing	12
62	Fuel	114
36	General Store and Supplies	42
294	Uniforms	429
<u>412</u>		<u>597</u>

24. PREPAYMENTS AND DEBTORS/ACCRUALS

2006-07 £'000		2007-08 £'000
3,210	Government Departments	3,026
1,058	Other Police and Local Authorities	1,188
6,500	Other *	6,203
<hr/>		<hr/>
10,768		10,417
<hr/>		<hr/>

* Includes prepayments of £5.021m (2006-07) and £4.368m (2007-08) relating to pay, paid in advance

25. INCOME IN ADVANCE AND CREDITORS/ACCRUALS

2006-07 £'000		2007-08 £'000
1,188	Government Departments	1,768
689	Other Police and Local Authorities	949
8,824	Other	9,793
<hr/>		<hr/>
10,701		12,509
<hr/>		<hr/>

26. SHORT TERM BORROWING

This relates to borrowing due for maturing with 12 months.

	Balance at 1st April 2007	Movement 2007-08	Balance at 31st March 2008
	£'000	£'000	£'000
Public Works Loan Board	607	(16)	591

27. PROVISIONS

The Authority have provided funds for the following:

	Balance at 1st April 2007	Contributions To/From the Provision	Expenditure Met from the Provision	Balance at 31st March 2008
	£'000	£'000	£'000	£'000
Insurance	648	52		700
Compensatory Grant	895	459	(694)	660
Commuted Police Overtime	325			325
	<hr/>	<hr/>	<hr/>	<hr/>
	1,868	511	(694)	1,685
	<hr/>	<hr/>	<hr/>	<hr/>

The insurance provision is set at the limit of liability that the Authority would have to settle any possible future insurance claim, insofar as they will not be met by external insurance. The timing of the outcome of these cases is difficult to predict.

Compensatory grant is a payment to police officers that reimburses them for the amount of income tax paid on rent allowance received in the previous financial year. It is paid early in the following financial year.

The commuted police overtime provision, relates to the estimated cost of police officers time due (time in lieu), and outstanding, at 31st March 2008. The timing relating to when officers use time in lieu is difficult to predict.

28. LONG TERM BORROWING

This relates to borrowing that will mature (need to be repaid) after 1 plus years.

	Balance at 1st April 2007 £000'	Loans Raised £000'	Loans Repaid £000'	Transferred to Short Term Borrowing £000'	Balance at 31st March 2008 £000'
Public Works Loan Board	9,965	-	-	(591)	9,374

Analysis of Loans by Maturity

Debt at 31st March 2007 £'000		Debt at 31st March 2008 £'000
1,183	1 - 2 years	592
1,769	2 - 5 years	1,769
2,865	5 - 10 years	2,865
2,451	10 - 15 years	2,451
1,697	> 15 yrs	1,697
<u>9,965</u>		<u>9,374</u>

29. DEFERRED LIABILITIES

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

Balance at 1st April 2007 £'000	Grant Deferred 2007-08 £'000	Written Off 2007-08 £'000	Balance at 31st March 2008 £'000
5,627	2,782	(2,499)	5,910

30. RESERVES

2006-07		Added	Used	Movements within Reserves	2007-08
£'000		£'000	£'000	£'000	£'000
33,181	Performance Improvement Reserve	11,324	(11,412)	3,064	36,157
1,031	Risk Management				1,031
8,090	General reserve			(3,064)	5,026
30,910	Capital Adjustment Account (See Note 19 for Opening Balance)	3,627	(8,906)	47	25,678
-	Revaluation Reserve	1,315		(47)	1,268
(1,198,172)	Pensions Reserve	236,981	(73,542)		(1,034,733)
571	Capital Receipts Unapplied	489	(1,060)		-
<u>(1,124,389)</u>		<u>253,736</u>	<u>(94,920)</u>	<u>-</u>	<u>(965,573)</u>

The Authority now retains three distributable reserves:-

- Performance Improvement Reserve This reserve has been provided specifically to support initiatives that are aimed at securing improvements and will “pump prime” and meet the initial cost of investment in services.
- Risk Management Reserve This reserve will enable the Force and Authority to assist in meeting the cost of items highlighted through the Force and Authority’s risk management processes.
- General Reserve This reserve is currently being maintained at 3% of the net revenue budget and is designed to cushion the Authority against unforeseen expenditure pressures. It was previously maintained at 5%.

The Authority now retains three non-distributable reserves:-

- Capital Adjustment Account This reserve is required by the 2007 SORP and replaces the FARA and the CFA (See Note 19) and is used to allow the Authority to nullify the effect of fixed asset expenses on the accounts.
- Revaluation Reserve This reserve is required by the 2007 SORP and reflects the amount to which the value of the property owned by the authority has increased. A transfer can be made from the revaluation reserve to the Capital Adjustment Account to reflect the amount of additional depreciation that has been charged due to the increase in value of the property, should the value of a previously revalued property fall some or all of the loss can be offset against the amount remaining in the Revaluation Reserve.
- Pensions Reserve Please see Note 37 Pensions.

Further Funding of £93k has been approved by the Police Authority. This is to support the overspend on the interruption of service policy. A Contingency Fund of £284k has been set up to replace IT equipment that fails as a result of damage caused by the flood.

35. SIGNIFICANT COMMITMENTS UNDER CAPITAL CONTRACTS

The estimated value of significant commitments under capital contracts at 31st March 2008 totalled £1.147m, which relates to the LPT design and build partnership contract £715k, Air Support Equipment £218k and Vehicles £214k.

36. SPONSORSHIP

Lifestyle

Lifestyle is an initiative, established as part of the crime reduction strategy of Humberside Police and has been in operation since 1989. The aims of Lifestyle are:

- To encourage active citizenship, social responsibility and community spirit.
- To encourage team spirit.
- To reduce criminality by young persons and the fear of crime associated with antisocial behaviour.
- To encourage positive contact between the Humberside Police, young people and other bodies and agencies.

The process involves teams of youngsters running projects that not only benefit the local community but benefit the youngsters themselves, giving them a focus and challenge during the summer holidays.

Humberside Police supports the administration of Lifestyle. Sponsorship from the public and private sectors pays for the marketing for Lifestyle and covers the cost of prizes for the winning teams.

The income and expenditure relating to the initiative is accounted for by the Force.

The cumulative balance of income and expenditure in respect of Lifestyle is shown as a creditor on the Balance Sheet.

Lifestyle Income and Expenditure Statement

2006-07		2007-08	
£'000		£'000	£'000
Income			
97	Sponsorship	107	
97	Total Sponsorship monies received		107
Expenditure			
44	Holidays and prizes	42	
21	Advertising & Promotions	8	
9	Award/Launch Ceremony	17	
17	Miscellaneous	17	
91	Total Expenditure for the year		84
6	Balance of Income over Expenditure		23

Lifestyle Rock Challenge

Lifestyle Rock Challenge is a performing arts competition aimed at secondary schools, encouraging students to lead a healthy lifestyle and be their best without the need for tobacco, alcohol or other drugs to achieve a natural high through performance. Lifestyle Rock Challenge is classed as a sister project to Lifestyle.

Humberside Police annually raise sponsorship to bring the event to the Humberside region as part of our commitment to educating young people. Income and Expenditure relating to the competition is accounted for by the Force.

The cumulative balance of income over expenditure in respect of the Challenge is shown as a creditor in the Balance Sheet.

Lifestyle Rock Challenge Income and Expenditure Statement

2006-07		2007-08	
£'000		£'000	£'000
Income			
75	Sponsorship	62	
75	Total Sponsorship monies received		62
Expenditure			
45	Events Organisation	52	
9	Miscellaneous	4	
54	Total Expenditure for the year		56
21	Balance of Income over Expenditure		6

37. ASSETS AND LIABILITIES IN RELATION TO 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 Schemes						Totals	
			1% Scheme		9.5% Scheme		Injury Awards			
	31March 2008	31March 2007	31March 2008	31March 2007	31March 2008	31March 2007	31March 2008	31March 2007	31March 2008	31March 2007
	£'000	£'000	£'000	£'000	£'000	£'000			£'000	£'000
Estimated Liabilities in the Scheme	(82,006)	(85,767)	(1,009,422)	(1,163,394)	(4,540)	(750)	(9,560)	(10,771)	(1,105,528)	(1,260,682)
Estimated Assets in the Scheme	70,795	62,510	-	-	-	-	-	-	70,795	62,510
Net Asset/(Liability)	(11,211)	(23,257)	(1,009,422)	(1,163,394)	(4,540)	(750)	(9,560)	(10,771)	(1,034,733)	(1,198,172)

The liabilities show the Authority's long term commitments to pay retirement benefits. The total liability of £1,034m has a substantial impact on the net worth of the Authority as recorded in the balance sheet, resulting in a negative overall balance of £965m. It must be noted however that the deficit on the Local Government Pension Scheme will be made good by increased contributions assessed by the scheme actuary every three years. Finance is only required to be raised to cover police pensions when pensions are actually paid.

The last actuarial review was carried out in March 2008, and employers' contribution rates remained the same.

38. BASIS FOR ESTIMATING ASSETS AND LIABILITIES

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 Schemes					
	2007-08	2006-07	1% Scheme		9.5% Scheme		Injury Awards	
			2007-08	2006-07	2007-08	2006-07	2007-08	2006-07
	%	%	%	%	%	%	%	%
Rate of Inflation	3.6	3.2	3.7	3.4	3.7	3.4	3.7	3.4
Rate of Increases in Salaries	5.1	4.7	5.2	4.9	5.2	4.9	5.2	4.9
Rate of Increase for Pensions	3.6	3.2	3.7	3.4	3.7	3.4	3.7	3.4
Rate for Discounting Scheme Liabilities	6.9	5.4	6.9	5.4	6.9	5.4	6.9	5.4
Take up option to convert annual pension into retirement	30	25						

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 31 March 2008	Assets at 31 March 2008	Return at 31 March 2007	Assets at 31 March 2007
	%	£'000	%	£'000
Equity investments	7.7	56,703	7.8	50,830
Bonds	5.7	6,378	4.9	5,036
Property	5.7	4,222	5.8	3,772
Cash	4.8	3,492	4.9	2,872
Total	7.3	<u>70,795</u>	7.3	<u>62,510</u>

39. ACTUARIAL GAINS AND LOSSES

The actuarial gains identified as movements on the Pensions Reserve in 2007-08 can be analysed into the following categories, measured as absolute amounts and as percentages of assets or liabilities at 31 March 2008:

Local Government Pension Scheme

	2004-05		2005-06		2006-07		2007-08	
	£'000	%	£'000	%	£'000	%	£'000	%
Differences between the expected and actual return on assets	1,767	4.40	7,670	14.30	453	0.70	(1,492)	(2.11)
Difference between actuarial assumptions about liabilities and actual experience	(121)	(0.20)	(19)	-	33	-	782	0.95
Changes in the demographic and financial assumptions used to estimate liabilities	<u>(13,125)</u>	(20.23)	<u>(11,710)</u>	(14.07)	<u>6,409</u>	10.25	<u>12,841</u>	18.14
Total Actuarial Gain/(Loss)	<u><u>(11,479)</u></u>	(17.70)	<u><u>(4,059)</u></u>	(4.90)	<u><u>6,895</u></u>	8.00	<u><u>12,131</u></u>	14.79

Police Pension Scheme 11% Employee's Contribution

	2004-05		2005-06		2006-07		2007-08	
	£'000	%	£'000	%	£'000	%	£'000	%
Difference between actuarial assumptions about liabilities and actual experience	29,880	3.20	(16,880)	(1.40)	3,410	0.30	22,910	2.27
Changes in the demographic and financial assumptions used to estimate liabilities	<u>(188,210)</u>	(20.17)	<u>(178,790)</u>	(15.09)	<u>82,605</u>	6.67	<u>202,610</u>	20.09
Total Actuarial Gain/(Loss)	<u><u>(158,330)</u></u>	(17.00)	<u><u>(195,670)</u></u>	(16.50)	<u><u>86,015</u></u>	7.00	<u><u>225,520</u></u>	22.36

Police Pension Scheme 9.5% Employee's Contribution

	2006-07		2007-08	
	£'000	%	£'000	%
Difference between actuarial assumptions about liabilities and actual experience	(280)	(32.60)	(3,580)	(78.90)
Changes in the demographic and financial assumptions used to estimate liabilities	<u>96</u>	10.47	<u>1,790</u>	39.50
Total Actuarial Gain/(Loss)	<u><u>(184)</u></u>	(22.10)	<u><u>(1,790)</u></u>	(39.40)

Police Pension Injury Awards

	2006/07		2007-08	
	£'000	%	£'000	%
Difference between actuarial assumptions about liabilities and actual experience	670	6.30	370	3.90
Changes in the demographic and financial assumptions used to estimate liabilities	<u>458</u>	4.04	<u>750</u>	7.85
Total Actuarial Gain/(Loss)	<u><u>1,128</u></u>	10.30	<u><u>1,120</u></u>	11.75

40. RECONCILIATION OF NET SURPLUS/DEFICIT ON THE INCOME AND EXPENDITURE ACCOUNT TO THE REVENUE ACTIVITIES NET CASH FLOW IN THE STATEMENT.

<u>2006-07</u>		<u>2007-08</u>	
£'000		£'000	£'000
(70,914)	<u>Surplus/(Deficit) for the Year</u>		(79,813)
Add Non-cash Transactions :			
100,842	Notional Pensions Expenditure	102,992	
4,001	Depreciation	8,835	
(2,639)	Capital Grant Deferred	(2,499)	
(9)	Write off Bad Debts	(3)	
259	Loss (Gain) on the Sale of Fixed Assets	394	
(40)	Compensatory Grant Provision	(235)	
	Insurance Provision	53	
-	Commuted Overtime Provision	-	
102,414		<u>102,992</u>	109,537
Add cash Transactions :			
(28,052)	Actual Pensions Paid	<u>(29,450)</u>	(29,450)
Add :			
1,973	Increase in Creditors	2,241	
-	Decrease in Pre-payments	579	
539	Increase in Receipts in Advance	-	
2,512		<u>-</u>	2,820
Less :			
(1,287)	Decrease in Creditors/Accruals		
(10)	Increase in Stocks	(185)	
(596)	Increase in Pre-payments		
	Increase In Debtors	(1,296)	
-	Decrease in Receipts in Advance	<u>(487)</u>	(1,968)
Add :			
(2,142)	Financing Items in Cashflow		<u>(2,127)</u>
<u>1,925</u>			<u>(1,001)</u>

41. RECONCILIATION OF FINANCING AND MANAGEMENT OF LIQUID RESOURCES

<u>2006-07</u>		<u>2007-08</u>	
£'000		£'000	£'000
(222)	Increase/(Decrease) in Cash	(5)	
(250)	Cash Used to Increase Liquid Resources	(4,250)	
(1,156)	New Loans Raised	-	
338	Loan Repaid	854	
(1,290)	Change in Debt	<u>854</u>	(3,401)
(32,225)	Net Debt at 1 April 2007		(30,935)
(30,935)	Net Debt at 31 March 2008		<u>(27,534)</u>
<u>(1,290)</u>			<u>(3,401)</u>

42. THE MOVEMENT IN CASH RECONCILED TO THE MOVEMENT IN NET DEBT

	Balance at 1st April 2007 £'000	Balance at 31st March 2008 £'000	Cashflows 2007-08 £'000
Cash			
Cash in Hand	222	92	(130)
Cash Overdrawn at Bank	(2,615)	(2,694)	(79)
Temporary Deposits	1,646	1,850	204
	<u>(747)</u>	<u>(752)</u>	<u>(5)</u>
Financing (PWLB)			
Debt Due/Paid within 1 Year	(854)	(591)	264
Debt Due/Paid after 1 Year	(9,965)	(9,375)	590
	<u>(10,819)</u>	<u>(9,966)</u>	<u>854</u>
Liquid Resources *			
Short Term Investments			
Balance	42,501	38,252	
Purchase of Investments			210,809
Redemption of Investments			(215,059)
	<u>42,501</u>	<u>38,252</u>	<u>(4,250)</u>
	<u>30,935</u>	<u>27,534</u>	<u>(3,401)</u>

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

43. ANALYSIS OF GOVERNMENT GRANTS

<u>2006-07</u>		<u>2007-08</u>	
£'000		£'000	£'000
9,077	Revenue Support Grant	8,490	
64,593	Police Specific Grant	65,278	
<u>73,670</u>			73,768
18,747	Other Grants	21,774	
2,408	Capital Grant	2,164	
<u>94,825</u>			<u>23,938</u>
			<u>97,706</u>

44. 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. The term 'Financial Instrument' covers both Financial Assets and Financial Liabilities and includes both the most straightforward Financial Assets and Liabilities such as trade receivables and trade payables and the most complex ones such as derivatives and embedded derivatives.

The 2007 SORP requires disclosure relating to Recognition, Measurement, Accounting and Disclosure of Financial Instruments.

Two categories of Financial Instruments, Assets and Liabilities are identified:

Assets

Bank deposits
Trade receivables
Loans receivables
Other receivables and advances
Investments

Liabilities

Trade payables and other payables
Borrowings
Financials guarantees

The carrying amount of financial assets and liabilities held by the Authority on the Balance Sheet are:

	Current		Long Term	
	31-Mar 2007 £'000	31-Mar 2008 £'000	31-Mar 2007 £'000	31-Mar 2008 £'000
<u>Financial Liabilities</u>				
Amortised Cost	12,589	14,947	9,965	9,374
<u>Financial Assets</u>				
Loans and Receivables	50,053	47,184	8	1

The carrying amounts for deposits and loans are assumed to approximate to the fair value and the debtors and creditors is taken to be the invoiced or billed amount.

PWLB loans are at fixed rates where the interest rate payable is lower than rates available for similar loans at the Balance Sheet date and therefore no adjustment is necessary.

The nature of the type of Financial Instruments held by the Authority is not significant in relation to the overall financial position of the Authority.

Reclassification / De-recognition

The Authority has not reclassified any Financial Instruments during the year as to how they are measured, i.e. at amortised cost rather than fair value and no financial assets have been transferred during the year, in such a way that part or all do not qualify for recognition.

Collateral

The Authority has not pledged any financial assets as collateral for liabilities during the year and holds no collateral as security.

Impairment

The Authority had no impairment of financial assets during the year.

Charges and income to the Income and Expenditure Account in relation to Financial Instruments are made up as follows:

	Financial Liabilities	Financial Assets	
	PWLB Loans £'000	Deposits with Banks and Financial Institutions £'000	Total £'000
Interest Expense	613		613
Interest Income		(3,108)	(3,108)
Net Affect for the Year	613	(3,108)	(2,495)

The Authority's activities expose it to a variety of financial risks:

- **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 and stock market movements

The Authority's overall Risk Management Policy in relation to financial instruments is embedded within the Treasury Management Policy Statement. The Policy has been prepared to include the requirements of the CIPFA Code of Practice in Treasury Management. In relation to specific risk categories set out above, the Authority's position is as follows:

- **Credit Risk**
Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers.

The Authority regards the prime objective of its Treasury Management activities to be the security of the principal sums it invests. Deposits are not made with banks and financial institutions unless they are rated independently with a minimum score of AAA.

The Authority has approved a list of Counterparties and limits as to the maximum amount that can be deposited at any one time with an individual counterparty. The amounts invested with individual counterparties is monitored on a day to day basis.

All deposits undertaken with counterparties are limited to a maximum period of 364 days and are invested on fixed rates of interest.

The Authority does not therefore expect any losses from non-performance or failure of any of its counter parties in relation to deposits.

Customers of the Authority are assessed, taking into account their latest financial standing and credit for customers is not generally allowed.

The Debtors at the 31st March 2008, includes £4.2m that relates to Central and Local Government organisations, and as such is not classed as a credit risk. The profile of the remaining debtors which are monitored on a regular basis is set out below:

	£'000
Up to Six Months	2,704
Six Months to One Year	16
More than One Year	27
	<u>2,747</u>

- **Liquidity Risk**

As at the 31 March 2008 the Authority has balances on revenue reserves of £42.2m and short term investments of £40m. The Authority also has access to borrowing from the Public Works Loan Board (PWLB). There is therefore no significant risk that the Authority would be unable to meet it's financial commitments.

As part of the Treasury Management Policy Statement the Authority considers the maturity analysis of borrowings at the beginning of the financial year in order to manage the profile of debt repayable. The position at 31st March 2008 is as follows:

	Actual at 31-Mar-07 £'000	Actual at 31-Mar-08 £'000
One Year	607	591
Between One and Two Years	1,183	592
Between Two and Five Years	1,769	1,769
Between Five and Ten Years	2,865	2,865
Between Ten and Fifteen Years	2,451	2,451
More than Fifteen Years	<u>1,697</u>	<u>1,697</u>
	<u>10,572</u>	<u>9,965</u>

- **Market Risk**

The Authority is not exposed to specific risk in terms of interest movements as both borrowings and investments are at fixed rates. The Authority manages its exposure to fluctuations in interest rates with a view to containing its costs within approved budgets within the arrangements set out in its Treasury Management Policy Statement.

Fluctuations in market interest rates is a factor that is considered when formulating the Authority's Medium Term Financial Strategy (MTFS) which provides a framework for investment and borrowing decisions.

- **Price Risk**

The Authority does not invest in equity shares and so has no exposure to risk arising from movements in the prices of shares.

- **Foreign Exchange Risk**

The Authority has no financial assets or liabilities denominated in foreign currencies and therefore has no exposure to loss arising from movements in exchange rates

POLICE PENSION FUND ACCOUNT

The 2007 SORP sets out the accounting treatment for the Police Pension Fund accounts in the financial year 2007-08.

TRANSACTIONS RELATING TO RETIREMENT BENEFITS

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 need to be disclosed at the time that employees earn their future entitlement.

The Authority participates in the following pension schemes:

- The Police Pension Schemes for police officers – two schemes are provided for police officers, the 1987 Scheme where officers' contributions are 11% and the scheme introduced from 1 April 2006, where all new entrants to the force will contribute 9.5% to the new scheme. Both schemes are unfunded schemes, i.e. no investment assets are built up to meet the pensions liabilities and cash has to be generated to meet actual pensions payments as they eventually fall due.
- The Local Government Pension Scheme for police staff, administered by the East Riding of Yorkshire Council – this is a funded scheme, i.e. the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

The accounting and funding arrangements for Police Pensions are detailed below:-

POLICE PENSIONS FUND ACCOUNT

<u>2006-07</u> £'000		<u>2007-08</u> £'000
	CONTRIBUTIONS RECEIVABLE	
	Police Authority:	
(17,727)	- contributions at 24.6% of pensionable pay	(18,418)
(140)	- early retirements - Ill Health	(536)
(7,716)	Officers' contributions	(7,968)
<u>(25,583)</u>		<u>(26,922)</u>
	TRANSFERS IN	
(668)	Transfers in from other Pension Schemes	(1,442)
	BENEFITS PAYABLE	
24,621	- pensions	25,854
6,334	- commutations and lump sum retirement benefits	6,461
		32,315
	PAYMENTS TO AND ON ACCOUNT OF LEAVERS	
355	- transfers out to other Pension Schemes	376
	- refunds of contributions	-
	- transfers out to other Police Authorities: 1966 & 1974 arrangements	<u>600</u>
		<u>976</u>
<u>5,059</u>	NET AMOUNT PAYABLE FOR THE YEAR	4,927
(5,059)	ADDITIONAL CONTRIBUTION FROM THE POLICE AUTHORITY	(4,927)
<u><u>0</u></u>		<u><u>0</u></u>

NET ASSETS STATEMENT

	<u>2007-08</u> £'000
Current Assets	
Police Fund Debtor	1,000
Current Liabilities	
Unpaid Pensions Due	(1,000)
	<u><u>0</u></u>

NOTES TO THE POLICE PENSION FUND ACCOUNT

The Police Pension Fund account was established during 2006-07 with legal status being given by the Police Pension Fund Regulations 2007 (SI 2007 no. 1932).

The Police Officer Pension Schemes make up the account:

- 1987 Police Pension Scheme, contribution rate 11%
- 2006 Police Pension Scheme, contribution rate 9.5%

Police Authorities are obliged to include the Pension Fund Account in their Statement of Accounts in accordance with regulation 7(1)(d) of the Accounts and Audit Regulations 2003. The Fund is administered and managed by the Humberside Police Finance Section.

The fund is charged with all pensions expenditure, in accordance with Home Office guidance with income to the amount being employee contributions, employer contributions, which for 2007-08 was 24.6% of pensionable pay.

Other income items within the fund are transfer payments from other pension schemes and a capital charge that is twice the average pensionable pay of officers that retire on ill health.

The Home Office provide a pension "top up" grant to fund differences on the fund account, 80% is received up front for the relevant financial year, with the balance provided on submission of the Authorities audited accounts.

There are no investment assets, the fund is balanced to nil at the year end by either a contribution from the Police fund, or if a surplus balance on the fund, a transfer to the Police fund.

The fund does not account for benefits payable in the future (FRS17 Pension Liability), which is a divergence from the accounting policy for the Police fund accounts.

The responsibility for future pension benefits still lies with the Police Authority, through the Police fund accounts. The responsibility for amounts due to/from the fund account and the Home Office is shown within the Police Fund, not the pensions fund.

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
Actuarial Gain and Loss	For a defined benefit scheme, the changes in the actuarial deficits or surpluses that arise because : <ul style="list-style-type: none"> ▪ events have not coincided with actuarial assumptions made for the last valuation (experience gains and losses) or ▪ the actuarial assumptions have changed.
Agency Cost	Services which are performed by or for another authority or public body, where the agent is reimbursed for the cost of the work done.
Asset	An item owned or leased by the authority, which has a value, for example, land and buildings, vehicles, equipment, cash.
Balance Sheet	This represents a summary of all the assets and liabilities of the Police Authority.
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 Account	This account 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.
Capital Financing Requirement	The capital financing requirement is a measure of the extent to which the Police Authority needs to borrow to support capital expenditure. It does not necessarily relate to the actual amount of borrowing at any point in time.
Carry Overs	These are underspends 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.
Corporate & Democratic Core Costs	These represent the costs of delivering public accountability and representation in policy-making and meeting our legal responsibilities.
Creditors	Amounts owed 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

BVACOP	The Best Value Accounting Code of Practice establishes 'proper practice' with regard to consistent financial reporting below the Statement of Accounts level. The guidance seeks to provide a means for the aggregation of the cost of policing.
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.
Impairments	This only relates to fixed assets. Impairment is caused by consumption of economic benefits or by a general fall in prices.
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.
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 Account	This account 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.
Income Received In Advance	Income received (cash, BAC'S etc) that should be classed as a benefit in the next financial year.
Intangible Assets	Capital expenditure which does not create a tangible asset.
Leases	A method of financing expenditure over a period of time. There are two types of lease: <ul style="list-style-type: none"> ▪ Finance Lease, where the risks of ownership are transferred to the lessee and where the assets are recorded in the authority's balance sheet at a current valuation. ▪ Operating Lease, where the risks of ownership stay with the leasing company and the annual rental charges are made via the Income & expenditure Account.
Liability	Is an amount shown on the balance sheet, that is a commitment on the authority, that some time in the future the authority will or may have to realise (pay).
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 capital financing requirement.
Medium Term Financial Strategy (MTFS)	The MTFS covers the period 2008-09 to 2012-13 describes the financial direction of the Force and Authority capturing known and estimated funding, financial pressures and development needs as well as seeking to encompass risks in financial consequences over the 5 year period. It is an indication of the likely direction of financial planning over the next year.
Non Distributed Costs	This is where overheads are not charged or apportioned to activities within the BVACOP service expenditure analysis.
Police Property Act Fund	This relates to amounts of cash and belongings taken in by the force, where no obvious owner has been ascertained in line with the Police Property Act 1897.

Precept	A levy which the Police Authority makes through the Council Tax, to pay for services
Pre Payment	The where an amount of expenditure is paid in the current financial year, but the goods or service was a benefit in the next/following financial year.
Proceeds Of Crime Act 2002	This relates to cash seized, which are believed to be the result of criminal activities.
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.
Prudential Borrowing	This is the borrowing as part of funding of capital expenditure, where no actual loan is taken out to match the element of expenditure incurred. The affect is shown through the capital financing requirement, and is the amount to be funded when all other funding types i.e. capital grant, revenue, capital receipts etc have been used.
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.
SoRP(Statement of recommended practice)	Code of practice published by CIPFA, relating to Local Authority accounting in the United Kingdom and is issued each year.