



# **HUMBERSIDE POLICE AUTHORITY**

## **FINANCIAL STATEMENTS**

**2010-2011**

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# FOREWORD TO THE STATEMENT OF ACCOUNTS

## INTRODUCTION

This document sets out the published statement of accounts for the Authority for 2010/11.

The financial statements have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting which follows International Financial Reporting Standards (IFRS) to the extent that they are meaningful and appropriate to local authority accounts as determined by HM Treasury. This has required a significant change to terminology and to the format of the accounts.

The Authority's Accounting Policies have been updated and reordered to better reflect the new CIPFA Code given the change from UK GAAP (Generally Accepted Accounting Practice) to IFRS. The substantive changes relate to employee benefits, the treatment of leases and capital grants and disclosures in relation to financial instruments. Members are aware of detailed work that has been undertaken in connection with the above, as the Finance Committee received detailed reports on progress on the action plan used in connection with the implementation of IFRS.

Arrangements have been put in place to determine the provision for employee benefits, all leases have been examined and categorised as either finance or operating leases and contracts have been reviewed to assess the potential for conditions which would require disclosure as a financial instrument. The work in respect of contracts did not lead to the need for any additional disclosures and on leases, only the helicopter lease has had to be reclassified as a finance lease. The required changes have been made in relation to the treatment of capital grants and to the analysis of income and expenditure across operating divisions and branches (segmental reporting). Consideration has also been given to recognising individual elements of large assets (componentisation) but at this stage no action has been deemed to be required.

The introduction of IFRS has made the accounts even more lengthy and perhaps more difficult to interpret. However, as this is the first year in which the IFRS based code has been adopted, the financial statements include a specific note on the transition to IFRS which seeks to explain the need for the restatement of various balances and transactions shown in the 2009/10 financial statements, together with appropriate reconciliations in order to assist the reader. This explanatory note will not be repeated in future years.

Whilst In previous years reference has been made to the difficulties in comparing the final accounts with the day to day budget management and monitoring arrangements that have been compiled on a different basis, segmental reporting within IFRS does provide an opportunity to reconcile these differences.

The financial statements comprise of:-

- Statement of Responsibilities for the Statement of Accounts

*This sets out details of the responsibilities of the Authority and those of the Treasurer in relation to the statement of Accounts*

- Movement in Reserves Statement

*This statement shows the movement in the year in the different reserves held by the Authority. These reserves are analysed between those that can be used to support local expenditure or to reduce taxation and other reserves which cannot be used in this way. It replaces the Statement of Movement on the General Fund Balance shown in previous years.*

- Comprehensive Income and Expenditure Statement

*This Statement reports the net cost of providing services in the year and how that cost has been financed from General Government Grant and local taxation. It now includes the Statement of Total Recognised Gains and Losses used in previous years.*

- Balance Sheet

*This shows the value of the assets and liabilities recognised by the Authority as at 31 March 2011. The net assets of the Authority are matched by its reserves. The Balance Sheet includes long term liabilities associated with defined benefit pension schemes for employees.*

- Cashflow Statement

*The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the year.*

- Statement of Accounting Policies

*This sets out details of the accounting policies adopted in compiling the Statement of Accounts*

- Police Pension Fund Accounts

*This sets out the position of the Police Pension Fund Accounts at 31 March 2011.*

Notes to the Accounts analyse the financial statements and provide more detailed additional information and a glossary of terms is provided which seeks to explain technical terms used within the document.

In previous years, the Annual Governance Statement has been included within the financial statements. For 2010/11 this has been published and reported separately and is available on the Police Authority web-site ([www.humberside-pa.org.uk](http://www.humberside-pa.org.uk)).

## **BACKGROUND**

The Police Authority at its meeting on 16 February 2010 agreed a revenue budget of £184.593m and set a Band D equivalent precept for 2010/11 of £166.47, an increase of 2.5% over the figure for 2009/10.

At that stage, the Authority continued to work with the Chief Constable to identify savings with a target for permanent budget reductions of £15m by 2013/14. Due to revised assumptions within the Medium Term Financial Strategy (MTFS), this was an increase over the target of £12.8m set a year earlier, when the Chief Constable instigated “the Choices Programme”, a corporate capacity and capability review of the Force designed to identify budget reductions whilst maintaining and improving performance.

Following the General Election in May 2010, the Coalition Government announced its intention to give priority to tackling the UK’s budget deficit. An Emergency Budget was introduced in June 2010. This included proposals to make in-year budget savings in 2010/11 totalling £6.2bn and the Police Service had to take its share. As a result, the specific grants announced in the Grant Settlement at the time the Authority’s budget was approved in February were reduced by £1.8m.

The Authority agreed to reduce its revenue budget by £1.8m after receiving recommendations from the Chief Constable for cuts over a range of budget headings.

## **FINANCIAL PERFORMANCE 2010/11**

### **REVENUE OUTTURN**

The Authority declared a spend of £177.4m in the scorecard reported to members in May 2011, against the revised budget of £181.8m, an underspend of £4.4m. This figure was reduced to £3.5m after taking into account holding account balances, particularly that relating to the Police Pay Holding Account.

The original financial plans for 2010/11 anticipated the need to use reserves to underwrite risks that growth would come through and savings would not be achieved. However, in the final analysis, the budget reduction targets were achieved with only a very limited call on the monies set aside. This contributed to the underspend.

The target for budget reductions in 2010/11 in connection with the Choices Programme was achieved.

In setting the budget for 2011/12, it was anticipated that £2m would be available to be contributed to reserves at the end of the financial year. Again this was delivered.

Full details of the underspend were reported to the Authority's Resources Committee on 24 May 2011 and that Committee agreed to carry forwards into 2011/12.

### CAPITAL OUTTURN

During 2010/11, capital spending totalled £4.3m. This was a substantial underspend against the approved estimate. The main reason for this was the delay in implementing the major scheme for the provision of new custody facilities and Divisional Headquarters in Hull. This scheme has been included in the Authority's financial plans since 2007/08 with land being acquired and significant work undertaken on design in previous years. On 22 March 2011, the Police Authority considered tenders for the main contract with BAM Construction being selected to undertake the work.

In May 2011 the Resources Committee agreed to carry forward the bulk of the underspend to meet costs in future years.

Capital expenditure in 2010/11 was principally financed through a combination of capital grant and internal borrowing. Internal borrowing has been used as a result of the Authority's ability to use its own cash resources to temporarily fund capital spending during a period of unprecedented low interest rates. This has reduced costs. The cash resources used for this purpose will need to be replenished by borrowing externally in the future as the pace of capital spend increases and reserves and balances are used to support ongoing revenue costs.

Presently, the Authority has loans from the Public Works Loans Board totalling £8.2m at 31 March 2011 but its Capital Financing Requirement (CFR) at that date was £29.5m, with the capacity to take on additional loans within prudential limits.

The Authority's plans for borrowing and investment are detailed in its Treasury Management Strategy Statement. This includes details of the agreed Prudential Indicators and Treasury Management Indicators which are designed to ensure that spending plans are affordable.

The Treasury Management Annual Report for 2010/11 will be presented to the Police Authority at its September meeting.

### PENSION LIABILITY

The Authority's accounts reflect actuarial valuations of assets and liabilities in accordance with IAS 19 (formerly FRS 17), in respect of both Police Pensions for police officers and for the Local Government pensions for police staff.

The valuations for the former are provided by the Government Actuaries' Department (GAD). Police staff are members of the East Riding of Yorkshire Council's Pension Fund and information is provided in respect of their pension liabilities by Hymans Robertson, the East Riding's Fund actuaries.

In the Budget statement in June 2010, the Chancellor of the Exchequer announced that with effect from 1 April 2011, public service pensions would in future be uprated in line with the Consumer Price Index (CPI) as opposed to the Retail Price Index (RPI). Whilst this has no impact on the General Fund, it has given rise to a significant reduction in the Authority's pension liabilities. This is reflected within the Comprehensive Income and Expenditure Account in line with the accounting treatment set out in the Local Authority Accounting Panel (LAAP) Bulletin 89.

The impact on the financial standing of the Authority of pension liabilities has led to the negative net worth shown in the balance sheet at £1,348m, an improvement of £137m. The net worth excluding these pension liabilities would be £56m.

### VOLUNTARY EARLY RETIREMENT AND SEVERANCE

During the year, the Authority introduced a Voluntary Early Retirement and Severance (VER) Scheme and agreed to utilise £4.4m of the Performance Improvement Reserve (PIR) to meet expenditure associated with severance and redundancy as well as the costs of retraining and redeployment. The VER Scheme remained open until 31 March 2011 and the balance of the monies set aside within the PIR for this purpose will be used to meet Scheme costs in 2011/12 and later years.

### ICELANDIC BANKS

The Authority has reported regularly on the implications of the failure of two of the UK subsidiaries of the Icelandic banks, Heritable Bank and Kaupthing Singer and Friedlander (KSF) with which the Authority had investments at the time of their collapse in October 2008 and in particular on progress with the recovery action being taken.

The financial statements update the calculations of the impairment of those investments to reflect the most up to date projections of the relevant administrators on likely levels of recovery.

These currently show the potential recovery of up to 85p/£ in connection with Heritable and 86p/£ in respect of KSF. The basis for the calculation is set out in the latest LAAP bulletin, LAAP 82. As LAAP 82 was received in May 2011, the financial implications are shown as a post balance sheet event.

### **RESERVES AND BALANCES**

The Authority has sought to use the MTFs to ensure that over the medium term the Force can live within its means i.e. that expenditure can be contained within realistic assumptions of Government funding and modest increases in Council Tax. The MTFs identifies gaps between the quality and costs of the services that the Police Authority and the Force want to provide to local communities and the actual and predicted level of resources available so that the service is sustainable and affordable. It also considers and risk assesses the options available for bridging those gaps.

At the end of the financial year the balances on the Authority's four usable reserves were:

<b>Reserve</b>	<b>2010/11 £'000</b>
Performance Improvement Reserve	26,303
Partnership Reserve	335
Risk Management Reserve	1,800
General Reserve	5,429
<b>TOTAL</b>	<b>33,867</b>

The Authority has continued to maintain a significant level of reserves and balances, primarily within the PIR, to cushion the impact of impending budget cuts, to support business change and to meet the costs of the VER Scheme.

This position will be monitored regularly throughout 2011/12 through budget monitoring and the continuous review of issues affecting the MTFs.

## **OUTLOOK FOR THE FUTURE**

The Authority and the Force have consistently made annual budget decisions in the context of the MTFs which has included financial projections covering 5 years. This has been the main tool to drive the need for business change within the organisation.

Using the MTFs, the Police Authority and the Force recognised a number of years ago that it would have to address the likelihood that there would be significant reductions in funding from Central Government.

In response, the Chief Constable introduced a programme of Business and Workforce Modernisation (BWFM) followed by the Choices Programme. In the summer of 2010 and in anticipation of further cuts he commissioned work to develop options for savings of £20m and £30m per annum, in addition to those already required.

On 20 October 2010, the Government set out details of its Spending Review covering the period 2011/12 – 2014/15, where again the emphasis was on addressing the budget deficit. This high level information indicated “front loaded” cuts in Police funding of around 20% over the period of the Review. This was followed with the Local Government and Police Grant Settlement in December, confirmed in February, which set out details of reductions in Government funding for this Authority of 5.1% in 2011/12 and a further reduction of 6.7% in 2012/13. Indicative information on Police Grants for 2013/14 and 2014/15 was also provided. A scheme to provide an additional specific grant to authorities that agreed to freeze Council Tax in 2011/12 was also introduced. The Authority took advantage of this arrangement.

The Settlement saw the absorption of a number of specific grants within General Grant but maintained a commitment to the continuation of support for Neighbourhood Policing for the next two years, after which this funding will also be incorporated into the Police Grant. In addition to the uncertainty around funding that this generates, a Local Government Resource Review exercise is also now under way.

The work commissioned by the Chief Constable proved its worth when formulating the budget proposals for 2011/12. BWFM, the Choices Programme and potential savings from this exercise are now being combined within a single “CSR 2015 Savings Plan” designed to identify ways of bridging the projected gap between expenditure and likely levels of resources.

In parallel with all of this activity, the Chief Constable continued to develop the process of “Integrated Business Management (IBM)” within the Force. This process involved examining demands for service on a four weekly basis in order to seek to identify ways in which these demands can be addressed without the need for additional resources. This clearly resulted in fewer demands for additional funding to support growth in 2010/11 than in previous years. This contributed to the managed underspend. It has now been determined that the IBM process will be used to deliver the CSR 2015 Savings Plan.

Whilst there has been considerable change, some things have remained the same. Interest rates have continued to be held at historically low rates with the Base Rate remaining at 0.5% throughout the last year. The final year of the 3 year pay deal for the Police Service was honoured as planned but with pay freezes proposed for the next two years.

## **COLLABORATION**

The Police Authority and the Force have continued to support collaboration with the other Forces and Authorities within the Yorkshire and Humberside Region. The Joint Police Authorities’ Committee (JPAC), and the Authorities individually, have approved a Regional Efficiency and Productivity Strategy. This is in the process of being implemented alongside continuing operational initiatives to address the issues of serious and organised cross-border crime. A consultancy exercise was undertaken by Deloitte which highlighted areas of policing for closer study where it was considered efficiency savings could be achieved. Work has commenced on the detailed examination of the business areas involved with lead officers being appointed to undertake reviews and to develop business cases for changes that deliver savings.

Two projects, Scientific Support and Procurement, are in the process of being implemented with the aim of delivering substantial savings to Authorities, in addition to those that can be delivered in-Force.

## **POLICE OFFICERS AND STAFF TERMS AND CONDITIONS**

The end of the financial year saw action being taken to review Police pay with the publication of the first part of the Winsor Review of Remuneration and Conditions for Police Officers and Police Staff. In addition, Lord Hutton's Inquiry into the Public Sector Pensions and Will Hutton's Review of Fair Pay in the Public Sector were published.

The full extent of the financial implications of these important reports has yet to be determined and it has now been announced that Part 2 of the Winsor Review, which was originally planned for publication in June 2011, will not be published until 31 January 2012.

## **PROPOSED LEGISLATIVE CHANGE**

The Police Authority is currently focused on the implications of the Police Reform and Social Responsibility Act 2011. The Act received Royal Assent on 15 September 2011. Its enactment will see police authorities replaced by directly elected Police and Crime Commissioners (PCCs). The elections for PCCs will take place on 15 November 2012. The Act also requires a Police and Crime Panel (PCP) to be established which will in turn hold the PCC to account. The Police Authority has changed its governance structure to reflect the changes ahead and to manage the period of transition. It should be noted however that the Authority will retain the responsibility for taking key decisions in terms of developing the Policing Plan and setting the Council Tax precept for 2012/13.

## **GOING CONCERN**

The uncertainty over the future of the Police Authority raises a question regarding its status as a going concern. It is considered that the Authority can be considered a going concern for the forthcoming financial year in view of its current financial standing.

In any event, if or when it is abolished, its assets and liabilities will be transferred to another body that will have the responsibility for raising and the financial management of the funds for policing in the Humberside Police Force area.

## **OTHER ISSUES**

Last year, I referred to the arrangements that took effect from 1 April 2010 for the Internal Audit Team from the West Yorkshire Police Authority to take over the provision of Internal Audit Services from the North Lincolnshire Council. I am grateful to the staff from both Authorities for the professional way in which this transition has been successfully managed.

I would also like to take this opportunity to thank the Finance Team within the Force principally responsible for compiling the financial statements and for the support from operational managers assisting in their completion. Their efforts in achieving completion by the deadline of 30 June are particularly appreciated this year given the extra effort needed to ensure compliance with International Financial Reporting Standards for the first time.

**John Bates CPFA**

Deputy Chief Executive and Treasurer

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

## **Opinion on the Authority and Pension Fund accounting statements**

I have audited the accounting statements and the police pension fund accounting statements of Humberside Police Authority for the year ended 31 March 2011 under the Audit Commission Act 1998. The accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the 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. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

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 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

## **Respective responsibilities of the Treasurer and auditor**

As explained more fully in the Statement of the Treasurer's Responsibilities, the Treasurer is responsible for the preparation of the Authority's Statement of Accounts, including the police pension fund accounting statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements sufficient to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority and Pension Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authority and the Pension Fund; and the overall presentation of the accounting statements. I read all the information in the explanatory foreword to identify material inconsistencies with the audited accounting statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

## **Opinion on accounting statements**

In my opinion the accounting statements:

- give a true and fair view of the state of Humberside Police Authority's affairs as at 31 March 2011 and of its income and expenditure for the year then ended;
- give a true and fair view of the financial transactions of the police pension fund during the year ended 31 March 2011 and the amount and disposition of the fund's assets and liabilities as at 31 March 2011,; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

## **Opinion on other matters**

In my opinion, the information given in the explanatory foreword for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

## **Matters on which I report by exception**

I have nothing to report in respect of the governance statement on which I report to you if, in my opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

## **Conclusion on Authority's 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 to review regularly the adequacy and effectiveness of these arrangements.

### **Auditor's responsibilities**

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements 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 relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. 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.

## **Basis of conclusion**

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

## **Conclusion**

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, I am satisfied that, in all significant respects, Humberside Police Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

## **Certificate**

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

Mark Kirkham  
Officer of the Audit Commission

Audit Commission  
3 Leeds City Office Park  
Holbeck  
Leeds  
West Yorkshire  
LS11 5BD

10 October 2011

## 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 Deputy Chief Executive and Treasurer.
- To manage its affairs to ensure economic, efficient and effective use of resources and to safeguard its assets.
- To approve the Statement of Accounts.

**I confirm that these accounts were approved at the Authority's Resources Committee meeting held on 10 October 2011.**

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

**Date:** \_\_\_\_\_

### Treasurer's Responsibilities

The Deputy Chief Executive and Treasurer is responsible for the preparation of the Authority's statement of accounts which, in accordance with the *Code of Practice on Local Authority Accounting in Great Britain* (the 'Code of Practice'), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) is required to present fairly the financial position of the Authority at the accounting date, and its income and expenditure for the year ended 31 March 2011.

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.

**I certify that the attached Statement of Accounts present a true and fair view of the position of the Authority as at 31 March 2011 and its income and expenditure for the year.**

**Date:** \_\_\_\_\_

**John Bates**  
Deputy Chief Executive and Treasurer

## MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting purposes. The Net Increase / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

	Performance Improvement Reserve	Partnership Reserve	Risk Management Reserve	General Fund Balance	Total Usable Reserves	Pensions Reserve	Capital Adjustment Account	Revaluation Reserve	Financial Instruments Adjustment Account	Collection Fund Adjustment Account	Accumulated Absences Adjustment Account	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2010</b>	28,970	335	1,800	5,353	<b>36,458</b>	(1,547,920)	19,501	9,376	(1,194)	763	(2,638)	<b>(1,485,654)</b>
Surplus or (Deficit) on Provision of Services (accounting basis)	-	-	-	90,390	<b>90,390</b>	-	-	-	-	-	-	<b>90,390</b>
Other Comprehensive Expenditure and Income	-	-	-	-	-	47,599	-	(677)	-	-	-	<b>46,922</b>
<b>Total Comprehensive Income &amp; Expenditure</b>	-	-	-	<b>90,390</b>	<b>90,390</b>	<b>47,599</b>	-	<b>(677)</b>	-	-	-	<b>137,312</b>
Adjustments between Accounting Basis & Funding Basis under Regulations	-	-	-	(92,981)	<b>(92,981)</b>	95,573	(2,561)	(123)	292	(94)	(106)	-
<b>Net Increase / Decrease before Transfers to Earmarked Reserves</b>	-	-	-	(2,591)	<b>(2,591)</b>	143,172	(2,561)	(800)	292	(94)	(106)	<b>137,312</b>
Transfers to /from Earmarked Reserves	(2,667)	-	-	2,667	-	-	-	-	-	-	-	-
<b>Increase / Decrease in Year</b>	<b>(2,667)</b>	-	-	<b>76</b>	<b>(2,591)</b>	<b>143,172</b>	<b>(2,561)</b>	<b>(800)</b>	<b>292</b>	<b>(94)</b>	<b>(106)</b>	<b>137,312</b>
<b>Balance at 31 March 2011</b>	<b>26,303</b>	<b>335</b>	<b>1,800</b>	<b>5,429</b>	<b>33,867</b>	<b>(1,404,748)</b>	<b>16,940</b>	<b>8,576</b>	<b>(902)</b>	<b>669</b>	<b>(2,744)</b>	<b>(1,348,342)</b>

Restated

	Performance Improvement Reserve £'000	Partnership Reserve £'000	Risk Management Reserve £'000	General Fund Balance £'000	Total Usable Reserves £'000	Pensions Reserve £'000	Capital Adjustment Account £'000	Capital Grants Unapplied Reserve £'000	Revaluation Reserve £'000	Financial Instruments Adjustment Account £'000	Collection Fund Adjustment Account £'000	Accumulated Absences Adjustment Account £'000	Total Authority Reserves £'000
<b>Balance at 31 March 2009</b>	31,892	654	1,400	4,959	<b>38,905</b>	(1,008,487)	25,235	223	3,522	(1,837)	593	(3,033)	<b>(944,879)</b>
<b>Adjustments for IFRS £000s</b>													
Surplus or (Deficit) on Provision of Services (accounting basis)	-	-	-	(61,202)	<b>(61,202)</b>	-	-	-	-	-	-	-	<b>(61,202)</b>
Other Comprehensive Expenditure and Income	-	-	-	-	-	(485,451)	-	-	5,878	-	-	-	<b>(479,573)</b>
<b>Total Comprehensive Income &amp; Expenditure</b>	-	-	-	<b>(61,202)</b>	<b>(61,202)</b>	<b>(485,451)</b>	-	-	<b>5,878</b>	-	-	-	<b>(540,775)</b>
Adjustments between Accounting Basis & Funding Basis under Regulations	-	-	-	58,755	<b>58,755</b>	(53,982)	(5,734)	(223)	(24)	643	170	395	-
<b>Net Increase / Decrease before Transfers to Earmarked Reserves</b>	-	-	-	(2,447)	<b>(2,447)</b>	(539,433)	(5,734)	(223)	5,854	643	170	395	<b>(540,775)</b>
Transfers to / from Earmarked Reserves	(2,922)	(319)	400	2,841	<b>0</b>	-	-	-	-	-	-	-	-
<b>Increase / Decrease in Year</b>	<b>(2,922)</b>	<b>(319)</b>	<b>400</b>	<b>394</b>	<b>(2,447)</b>	<b>(539,433)</b>	<b>(5,734)</b>	<b>(223)</b>	<b>5,854</b>	<b>643</b>	<b>170</b>	<b>395</b>	<b>(540,775)</b>
<b>Balance at 31 March 2010</b>	<b>28,970</b>	<b>335</b>	<b>1,800</b>	<b>5,353</b>	<b>36,458</b>	<b>(1,547,920)</b>	<b>19,501</b>	-	<b>9,376</b>	<b>(1,194)</b>	<b>763</b>	<b>(2,638)</b>	<b>(1,485,654)</b>

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

Restated 2009-10 £'000 Net	Year ended 31 March 2011			
	Note	£'000 Expenditure	£'000 Income	£'000 Net
109,128 Local Policing		128,202	(11,329)	<b>116,873</b>
15,867 Dealing with the Public		18,967	(174)	<b>18,793</b>
12,608 Criminal Justice Arrangements		15,910	(1,460)	<b>14,450</b>
9,510 Road Policing		14,548	(2,762)	<b>11,786</b>
11,509 Specialist Operations		11,718	(1,538)	<b>10,180</b>
3,067 Intelligence		3,494	(44)	<b>3,450</b>
14,395 Specialist Investigations		17,377	(1,345)	<b>16,032</b>
8,042 Investigative Support		7,731	(38)	<b>7,693</b>
990 National Policing		3,240	(812)	<b>2,428</b>
1,664 The Corporate and Democratic Core		1,603	(34)	<b>1,569</b>
59 Non Distributed Cost	<b>42</b>	<b>(174,803)</b>	<b>-</b>	<b>(174,803)</b>
<b>186,839 Cost of Services - Continuing Operations</b>	<b>1 &amp; 3</b>	<b>47,987</b>	<b>(19,536)</b>	<b>28,451</b>
566 Other Operating Expenditure	<b>7</b>	668	-	<b>668</b>
68,697 Financing and Investment Income and Expenditure	<b>8</b>	80,689	(477)	<b>80,212</b>
(194,900) Taxation and Non-Specific Grant Income	<b>9</b>		(199,721)	<b>(199,721)</b>
<b>61,202 (Surplus) or Deficit on Provision of Services</b>				<b>(90,390)</b>
(5,878) (Surplus) or Deficit on Revaluation of Non Current Assets				677
485,451 Actuarial (Gains) / Losses on Pension Assets / Liabilities	<b>46</b>			(47,599)
<b>479,573 Other Comprehensive Income and Expenditure (Surplus)/Deficit</b>				<b>(46,922)</b>
<b>540,775 Total Comprehensive Income and Expenditure (Surplus)/Deficit</b>				<b>(137,312)</b>

## BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing difference shown in the Movement in Reserves Statement line 'Adjustments between Accounting Basis and Funding Basis under Regulations'.

Restated 01-Apr-09 £'000	Restated 31-Mar-10 £'000	Note	31-Mar-11 £'000	
51,017	57,019	Property, Plant & Equipment	21	54,267
636	539	Intangible Assets	22	513
3	2	Long Term Debtors	25	2
<b>51,656</b>	<b>57,560</b>	<b>Long Term Assets</b>		<b>54,782</b>
5	295	Assets Held for Sale	21	217
599	567	Inventories	26	459
22,691	2,453	Short Term Investments		1,812
13,349	12,217	Short Term Debtors	27 & 28	13,801
5,602	16,239	Cash and Cash Equivalents	49	14,000
<b>42,246</b>	<b>31,771</b>	<b>Current Assets</b>		<b>30,289</b>
2,586	2,306	Bank Overdraft		2,953
15,361	14,104	Short Term Creditors	29 & 30	15,077
886	888	Short Term Borrowing	31	826
876	340	Provisions	32	1,134
<b>19,709</b>	<b>17,638</b>	<b>Current Liabilities</b>		<b>19,990</b>
10,241	9,427	Long Term Borrowing	33	8,675
1,008,831	1,547,920	Other Long Term Liabilities	41	1,404,748
<b>1,019,072</b>	<b>1,557,347</b>	<b>Long Term Liabilities</b>		<b>1,413,423</b>
<b><u>(944,879)</u></b>	<b><u>(1,485,654)</u></b>	<b>Net Assets/ (Liabilities)</b>		<b><u>(1,348,342)</u></b>
38,905	36,458	Usable Reserves	34	33,867
(983,784)	(1,522,112)	Unusable Reserves	35	(1,382,209)
<b><u>(944,879)</u></b>	<b><u>(1,485,654)</u></b>	<b>Total Reserves</b>		<b><u>(1,348,342)</u></b>

## CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

<b>Restated</b>		
<b>31-Mar-10</b>		<b>31-Mar-11</b>
<b>£'000</b>	<b>Note</b>	<b>£'000</b>
61,202 Net (Surplus) or Deficit on the Provision of Services		(90,390)
Adjustments to Net Surplus or Deficit on the Provision of (60,157) Services for Non Cash Movements	<b>48</b>	90,781
Adjustments for items included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing (2,545) Activities		(114)
(1,500) Net Cash Flows from Operating Activities		277
(9,948) Investing Activities	<b>51</b>	1,148
811 Financing Activities	<b>52</b>	814
(10,637) Net (Increase) or Decrease in Cash and Cash Equivalents		2,239
Cash and Cash Equivalents at the Beginning of the Reporting 5,602 Period		16,239
16,239 Cash and Cash Equivalents at the End of the Reporting Period	<b>49</b>	14,000

## **STATEMENT OF ACCOUNTING POLICIES**

### **1. Accounting Policies**

The Police Authority's Financial Statements must meet the accounting requirements of the CIPFA Code of Practice on Local Authority Accounting which has been agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting 2010/11. The accounting policies contained in the CIPFA Code of Practice follow International Financial Reporting Standards to the extent that they are meaningful and appropriate to Local Authority accounts, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the CIPFA Code of Practice on Local Authority Accounts permits a choice of accounting policy, the accounting policy which is judged to be the most appropriate to the particular circumstances of the Authority for the purpose of presenting fairly the position of the Authority has been selected. The particular policies adopted by the Authority are described below. They have been applied consistently in dealing with items considered material in relation to the financial statements.

#### **1.1 Accounting convention**

These financial statements have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets and inventories. Where appropriate financial assets and liabilities have been impaired or discounted to bring them to fair value.

#### **1.2 Acquisitions and discontinued operations**

Activities are considered to be 'acquired' only if they are transferred from outside the public sector. Activities are considered to be 'discontinued' only if they cease entirely. They are not considered to be 'discontinued' if they transfer from one public sector body to another.

#### **1.3 Going Concern**

After making enquires, the Authority has formed a judgement at the time of approving the financial statements that there is a reasonable expectation that the Authority or its successors has access to adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements. The liabilities for pensions are unrealised liabilities at the balance sheet date and will fall due as employees retire over their working lives.

#### **1.4 Critical Judgements In Applying Accounting Policies**

In the application of the Authority's accounting policies, management is required to make judgements about complex transactions involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

There is a degree of uncertainty about future levels of central government funding and the impact of budget cuts to be achieved. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities or reduce levels of service provision.

#### **1.4.1 Assumptions Made About the Future and Other major Sources of Estimation Uncertainty**

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

##### Short Term Employee Benefits (See paragraph 1.7 and note 35)

In calculating the accrual for the above, the uncertainty is that the number of days annual leave, or the rate used to cost the accrual are incorrect. A 10% movement in the number of days would see a £274k increase/decrease in the accrual.

##### Property, Plant and Equipment – (See paragraph 1.9 and note 21)

###### Depreciation

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. If in the current economic climate the Authority was unable to sustain its current spending on repairs and maintenance, the useful lives assigned to assets would be brought into doubt. If the useful life of assets is reduced depreciation increases and the carrying amount of assets falls.

###### Componentisation Thresholds (See paragraph 1.9 Accounting Policies)

If in applying the policy in paragraph 1.9, an incorrect judgement is made regarding the threshold, this would result in a possible misstatement of asset depreciation and asset assumed useful life.

##### Pensions Liability and Reserve – (See paragraph 1.7 and note 41)

Estimates for pensions liabilities are determined and sourced through pensions actuaries, who apply a number of assumptions on future inflation, mortality rates etc. If estimates/assumptions used, are too conservative, the estimated pensions liability will be understated, and overstated if too high.

#### **1.5 Revenue**

Revenue in respect of services provided is recognised when performance occurs, and is measured at the fair value of the consideration receivable.

Where income is received for a specific activity that is to be delivered in the following year that income is deferred.

Goods are sold on an incidental basis. Income is recognised at the point the sale transaction occurs.

## **1.6 Agency income**

Council Tax / Precept income is collected on behalf of the Authority by the four unitary authorities (East Riding of Yorkshire Council, Kingston Upon Hull City Council, North East Lincolnshire Council and North Lincolnshire Council); this income is collected under an agency arrangement with the Authority including an appropriate share of taxpayer transactions within the financial statements.

## **1.7 Employee Benefits**

### **Short-term employee benefits**

Employee benefits are those due to be settled within 12 months of the year-end. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

### **Retirement benefit costs**

The Authority participates in three pension schemes, two for Police Officers and one for Police staff. All of the schemes provide members with defined benefits related to pay and service.

#### **Police Officers**

The 1987 Police Pension Scheme involves officers paying contributions of 11%. The 2006 Police Pension Scheme was introduced in 2006 and provides different benefits to the 1987 scheme. The 2006 scheme which all new recruits can join has a contribution rate of 9.5%. The Police Authority accounts for Police pensions through the Police Pension Fund Accounts. The cost to the Authority is via an employers' contribution and a charge for Officers who retire on ill health. Any balance on the Pension Fund Accounts is received from or paid to Central Government.

Injury awards are not part of the Police Pension Fund and are paid out of the Authority's budget.

#### **Police Staff**

The Police Authority is an admitted body to the East Riding Pension Fund, which is administered by the East Riding of Yorkshire Council. Police staff are eligible to join the Local Government Pension Scheme which has varying contribution rates based on members' salaries. The Authority makes employers' contributions as required into the East Riding Pension Fund.

The Authority has fully adopted IAS 19 Employee Benefits. The financial statements reflect the commitment to make up any shortfall in attributable net assets in the pension fund. The overall pension liability is included in the Balance Sheet and service costs are reflected in the Comprehensive Income and Expenditure Statement.

## **1.8 Expenses**

Expenses are recognised when, and to the extent that, the goods or services have been received. They are measured at the fair value of the consideration payable.

## **1.9 Property, plant and equipment**

### **Recognition**

Property, plant and equipment is capitalised if:

- it is held for use in delivering services or for administration purposes;
- it is probable that service potential will be provided to the Authority;
- it is expected to be used for more than one financial year;
- the cost of the item can be measured reliably; and
- the item has a cost of at least £10,000

Where a large asset, for example a building, includes a number of components with significantly different asset lives, the components are treated as separate assets if they have a cost of over 25% of the whole asset, and they are depreciated over their own useful economic lives. This is applied to all property, plant and equipment, as at 31 March 2011.

### **Valuation**

All property, plant and equipment are measured initially at cost, representing the cost directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management. All assets are measured subsequently at fair value.

Land and buildings used by the Authority are stated in the Balance Sheet at their revalued amounts, being the fair value at the date of valuation less any subsequent accumulated depreciation and impairment losses. Revaluations are performed so that all the Authority's premises are revalued on a five year rolling programme with all major police buildings, i.e. those with a value in excess of £1m, being revalued every year. Revaluations are also carried out when new buildings have been completed or when major building work has been undertaken. This is to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period. Fair values are determined as follows:

- Land and non specialised buildings – market value for existing use
- Vehicles, plant and equipment – historic cost less accumulated depreciation (as a proxy for current replacement cost)

Properties in the course of construction are carried at cost, less any impairment loss. Cost includes professional fees but not borrowing costs, which are recognised as expenses immediately, as allowed by IAS 23 for assets held at fair value. Assets are revalued and depreciation commences when they are brought into use.

An increase arising on revaluation is taken to the Revaluation Reserve except when it reverses an impairment previously recognised in expenditure, in which case it is credited to expenditure to the extent of the decrease previously charged there. A decrease on revaluation is recognised as an impairment charged to the

Revaluation Reserve to the extent that there is a balance on the reserve for the asset, and, thereafter, to expenditure. Gains and losses recognised in the Revaluation Reserve are reported as other comprehensive income in the Comprehensive Income and Expenditure Statement.

### **Disposals**

Capital receipts over £10,000 from the sale of non-current 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 £10,000 are shown as income within the Comprehensive Income and Expenditure Statement. Gains and losses on the disposal of non-current assets are recognised in the Comprehensive Income and Expenditure Statement.

## **1.10 Intangible Assets**

### **Recognition**

Intangible assets are non-monetary assets without physical substance, which are capable of sale separately from the rest of the Authority's business or which arise from contractual or other legal rights. They are recognised only when it is probable that future economic benefits or service potential will be provided to the Authority; where the cost of the asset can be measured reliably, and where the cost is at least £10,000.

Intangible assets acquired separately are initially recognised at fair value. Software that is integral to the operating of hardware, for example an operating system, is capitalised as part of the relevant item of property, plant and equipment. Software that is not integral to the operation of hardware, for example application software, is capitalised as an intangible asset. Expenditure on research is not capitalised: it is recognised as an operating expense in the period in which it is incurred. Internally-generated assets are recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use
- the intention to complete the intangible asset and use it
- the ability to sell or use the intangible asset
- how the intangible asset will generate probable future economic benefits or service potential
- the availability of adequate technical, financial and other resources to complete the intangible asset and sell or use it
- the ability to measure reliably the expenditure attributable to the intangible asset during its development

### **Measurement**

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the criteria above are initially met. Where no internally-generated intangible assets can be recognised, the expenditure is recognised in the period in which it is incurred.

Following initial recognition, intangible assets are carried at fair value by reference to an active market, or where no active market exists, at amortised replacement

cost (modern equivalent assets basis). Internally-developed software is held at historic cost to reflect the opposing effects of increases in development costs and technological advances.

### **1.11 Depreciation, amortisation and impairments**

Freehold land, properties under construction and vehicles in the process of preparation for operational use are not depreciated.

Otherwise, depreciation and amortisation are charged to write off the costs or valuation of property, plant and equipment and intangible non-current assets, less any residual value, over their estimated useful lives, on a straight line basis. Depreciation and amortisation are not taken on additions to the capital base for the year. The estimated useful life of an asset is the period over which the Authority expects to obtain economic benefits or service potential from the asset. This is specific to the Authority and may be shorter than the physical life of the asset itself. Estimated useful lives and residual values are reviewed each year end, with the effect of any changes recognised on a prospective basis. Assets held under finance leases are depreciated over their estimated useful lives. The approximate average useful lives (depreciation periods) are included below:

- Buildings 25 to 50 years
- Small/medium size vehicle 1 to 5 years
- Large Vehicle 6 to 8 years
- Boat 10 years
- Helicopter 15 years
- Equipment 5 years

At each reporting period end, the Authority checks whether there is any indication that any of its tangible or intangible non-current assets have suffered an impairment loss. If there is indication of an impairment loss, the recoverable amount of the asset is estimated to determine whether there has been a loss and, if so, its amount.

If there has been an impairment loss, the asset is written down to its recoverable amount, with the loss charged to the Revaluation Reserve to the extent that there is a balance on the Reserve for the asset and, thereafter, to expenditure. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable amount but capped at the amount that would have been determined had there been no initial impairment loss. The reversal of the impairment loss is credited to expenditure to the extent of the decrease previously charged there and thereafter to the Revaluation Reserve.

The Authority is not required to raise Council Tax to cover depreciation, impairment or amortisation. However it is required to make an annual provision from its revenue budget to contribute towards the reduction in its overall borrowing requirement, the minimum revenue provision (MRP). This is equal to 4% of the adjusted capital financial requirement at 31 March 2008 and subsequent supported borrowing. The Authority has adopted, from 1 April 2008 the Asset Life Method to provide for MRP, for any capital expenditure funded from unsupported borrowing. MRP is not provided for assets in the course of construction.

### **1.12 Government Grants**

All grants and contributions will only be credited to the Comprehensive Income and Expenditure Statement, when all the grant conditions for the discharge of its specific use have been met. Grants where the conditions have not been satisfied are carried in the Balance Sheet as creditors. When the conditions have been satisfied, the grant or contribution will be credited to the Comprehensive Income and Expenditure Statement, either to cost of services or taxation and non specific grant income. Assets purchased from Government grants are valued, depreciated and impaired as described for purchased assets.

### **1.13 Non-current assets held for sale**

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met when the sale is highly probable, the asset is available for immediate sale in its present condition and management is committed to the sale, which is expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Fair value is open market value including alternative uses.

The profit or loss arising on the disposal of an asset is the difference between the sale proceeds and the carrying amount and is recognised in the Comprehensive Income and Expenditure Statement. On disposal, the balance for the asset on the Revaluation Reserve is transferred to the Capital Adjustment Account.

Property, plant and equipment that is to be scrapped or demolished does not qualify for recognition as held for sale. Instead, it is retained as an operational asset and its economic life is adjusted. The asset is de-recognised when it is scrapped or demolished.

### **1.14 Leases**

Leases are classified as finance leases when substantially all of the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases.

#### **The Authority as a lessee**

The Authority has one asset held under a finance lease (a helicopter).

Property, plant and equipment held under finance leases are initially recognised, at the inception of the lease, at fair value or, if lower, at the present value of minimum lease payments, with a matching liability for the lease obligation to the lessor. Lease payments are apportioned between finance charges and a reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in calculating the Authority's surplus/deficit.

Operating lease payments are recognised as an expense on straight-line basis over the lease term. Lease incentives are recognised initially as a liability and subsequently as a reduction of rentals on a straight-line basis over the lease term.

Where a lease is for land and buildings, the land and building components are separated. Leased land is treated as an operating lease. Leased buildings are assessed as to whether they are operating or finance leases.

### **1.15 Inventories**

Inventories are valued at the lower of cost and net realisable value using the average cost method. This is considered to be a reasonable approximation to fair value.

### **1.16 Cash and cash equivalents**

Cash is cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

### **1.17 Provisions**

Provisions are recognised when the Authority has a present legal or constructive obligation as a result of a past event, it is probable that the Authority will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. In establishing a provision a charge is made as an expense to the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties. The provision stays on the Balance Sheet, and when payments are made, the charge is made against the provision. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

### **1.18 Contingencies**

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Authority, or a present obligation that is not recognised because it is not probable that a payment will be required to settle the obligation or the amount of the obligation cannot be measured sufficiently reliably. A contingent liability is disclosed unless the possibility of payment is remote.

A contingent asset is a possible asset that arises from past events and existence of which will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Authority. A contingent asset is disclosed where an inflow of economic benefits is probable.

Where the time value of money is material, contingencies are disclosed at their present value.

## 1.19 Reserves

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

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority. Details of these reserves are provided in the relevant note to the financial statements.

## 1.20 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.

### 1.20 (i) Financial assets

Financial assets are classified into two types:

#### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. After initial recognition, they are measured at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method.

Fair value is determined by reference to quoted market prices where possible, or failing that by reference to similar arms length transactions between knowledgeable and willing parties.

The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the initial fair value of the financial asset.

At the end of the reporting period the Authority assesses whether any financial assets, other than those held at 'fair value through profit and loss' are impaired. Financial assets are impaired and impairment losses recognised if there is objective evidence of impairment, as a result of one or more events which occurred after the initial recognition of the asset and which has an impact on the estimated future cash flows of the asset.

For financial assets carried at amortised cost, the amount of the impairment loss is measured as the difference between the assets carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. The loss is recognised in expenditure and the carrying amount of the asset reduced directly.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through expenditure to the extent that the carrying amount of the receivable at the date of the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

#### **Available-for Sale Assets**

The Authority does not have or plan to have this category of financial assets.

#### **1.20 (ii) Financial liabilities**

Financial liabilities are recognised on the Balance Sheet when the Authority becomes party to the contractual provisions of the financial instrument or, in the case of trade payables, when the goods or services have been received. Financial liabilities are de-recognised when the liability has been discharged, that is, the liability has been paid or has expired.

Financial liabilities are recognised at fair value.

#### **1.21 Foreign currencies**

The Authority's functional currency and presentational currency is GBP sterling. Transactions denominated in a foreign currency are translated into GBP sterling at the exchange rate ruling on the date of transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the exchange rate on 31 March. Resulting exchange gains and losses from either of these are recognised in the Authority's surplus/deficit in the period in which they arise.

#### **1.22 Jointly Controlled Operations – Regional Working**

The Authority engages in collaborative working in partnership with the other Yorkshire forces to deliver a number of specific services on a regional basis. The governance for this Regional programme of activity is via the Joint Police Authority Committee (JPAC) in accordance with the Heads of Agreement. The administration of activities is via the Regional Programme Team including the financial administration of Regional budgets which is led by West Yorkshire Police Authority (WYPA).

The participating Authorities use their own resources to undertake this venture and the accounting arrangements for Regional working are to account for this as a Joint Arrangement Not an Entity ('JANE') in line with CIPFA guidance:

The Authority accounts in its financial statements for the assets it controls, the liabilities it incurs, the expenses that it incurs and the income receivable in relation to amounts re-charged to the venture.

Humberside Police Authority has lead responsibility within the regional programme for property matters. Two properties have been leased under these arrangements and are disclosed in these financial statements.

WYPA have produced memorandum accounts within their financial statements summarising all pertinent transactions.

- 1.23 Accounting standards that have been issued but have not yet been adopted**  
All accounting standards that are relevant to the Authority, issued by the IASB and IFRIC, have been adopted.
- 1.24 Accounting standards issued that have been adopted early**  
There are no accounting standards issued that have been adopted early.
- 1.25 Exceptional items**  
Exceptional items shall be included in the costs of the service to which they relate and noted accordingly.
- 1.26 Extraordinary items**  
Extraordinary items shall be disclosed on the face of the Comprehensive Income and Expenditure Statement and explained in a note.
- 1.27 Prior period adjustments**  
Unless otherwise sanctioned by the CIPFA Code of Practice on Local Authority Accounting, material prior period adjustments shall result in restatement of prior year figures and disclosure of the effect.
- 1.28 Events after the balance sheet date**  
Material events after the balance sheet date, both favourable and unfavourable, that occur between the end of the reporting period and the date when Statement of Accounts is for issue shall be disclosed as a note to the financial statements and the financial statements amended as required. Other events after the balance sheet date will be disclosed in a note with an estimate of the likely effect.  
Two types of event can be identified as:
- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

### **1.29 Group accounts**

Each reporting period the Authority will review its interests and influence on all types of entities including, but not limited to, other authorities and similar statutory bodies, common good trust funds, charities, companies, joint committees and other joint arrangements. If appropriate, then group accounts will be prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting.

### **1.30 Value Added Tax**

Most of the activities of the Authority are outside the scope of VAT and, in general, output tax does not apply. Input tax on purchases is largely recoverable from Her Majesty's Revenue and Customs. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase costs of property, plant and equipment. Where output tax is charged or input tax is recoverable, the amounts are stated net of VAT.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 1. SUMMARY SPENDING DETAILS

Restated Expenditure 2009-10 £'000		Expenditure 2010-11 £'000
	<u>Employees</u>	
144,727	Pay and Other Employment Costs	152,059
19,850	Police Pensions Current Service Cost	33,676
164,577		185,735
	<u>Running Expenses</u>	
5,930	Premises	6,060
5,789	Transport	5,767
18,328	Supplies and Services	17,838
2,465	Agency Services*	1,752
338	Special Constables	61
10,596	Capital Charges & Impairment of Assets	5,577
59	Non Distributable Cost	(174,803)
43,505		(137,748)
<b>208,082</b>	<b>Total Expenditure</b>	<b>47,987</b>
<b>(21,243)</b>	Income	<b>(19,536)</b>
<b>186,839</b>	<b>Net Spending after Income</b>	<b>28,451</b>

\* Agency Services relate to the cost of the Forensic Science and Forensic Pathology charges incurred by the Authority for the provision of these services.

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

<u>Amounts included in the Comprehensive Income and Expenditure Statement but required by statute to be excluded when determining the Movement on the General Fund Balance for the year.</u>	<b>2009-10 Restated £'000</b>	<b>2010-11 £'000</b>
Depreciation/Amortisation	(3,820)	(4,095)
Impairment	(4,612)	(1,482)
Employee benefits	395	(106)
Impairment of Financial Assets	643	292
Capital Grant Received and Applied	2,164	2,007
Net(Loss)/Gain on the Sale of Non Current Assets	(566)	(668)
Collection Fund Account Adjustment	170	(94)
Net Charges Made for Retirement Benefits in Accordance with IAS 19	(93,430)	52,386
	(99,056)	48,240
 <u>Amounts not included in the Comprehensive Income and Expenditure Statement but required to be included by statute when determining the Movement on the General Fund Balance for the year.</u>		
MRP (Minimum Revenue Provision)	796	1,123
Capital Expenditure Charged to Revenue	57	431
Employers Contribution to Pensions	25,296	26,215
Additional Contribution to the Pension Fund to balance the deficit on the Fund Account	14,152	16,972
	40,301	44,741
 <u>Net Adjustments between Accounting Basis and Funding Basis under Regulations.</u>	 <b>(58,755)</b>	 <b>92,981</b>
 <u>Transfers to or from the General Fund Balance that are required.</u>		
Net Transfers to/from Performance Reserve	(2,922)	(2,667)
Net Transfers to/from Risk Management Reserve	400	-
Net Transfers to/from Partnership Reserve	(319)	-
	(2,841)	(2,667)
 <u>Net Additional Amount Required to be (Credited) /Charged to the General Fund Balance for the Year</u>	 <u>(61,596)</u>	 <u>90,314</u>

### 3. OPERATING SEGMENTS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by Best Value Accounting Code of Practice (BVACOP). However, decisions about resource allocation are taken by the Authority's Finance Committee on the basis of budget reports analysed across operating divisions and branches. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- a. No charges are made in relation to capital expenditure (whereas depreciation, amortisation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve are charged to services in the Comprehensive Income and Expenditure Statement)
- b. The cost of retirement benefits is based on cash flows (payment of employer's pension contributions) rather than the current service cost of benefits accrued in the year.

The net expenditure of the Authority's principal operating divisions and branches recorded in the budget reports for the year is as follows:

<b>2009-10</b> <b>£'000</b>		<b>2010-11</b> <b>£'000</b>
18,020	A Division (North East Lincolnshire)	17,401
13,738	B Division (North Lincolnshire)	14,093
22,092	C Division (East Riding of Yorkshire)	21,805
33,886	D Division (Kingston upon Hull)	32,447
20,591	Crime Management branch	18,823
26,893	Operations branch	27,015
17,474	Support Services branch	21,661
<u>152,694</u>		<u>153,245</u>

Budget reports analyse categories of income and expenditure at a total level for the Authority as a whole and not at an operating division or branch level. Further details of income and expenditure are included in note 1 to the financial statements.

## Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement

2009-10 £'000		2010-11 £'000
152,694	Net expenditure of principal operating branches and divisions	153,245
27,549	Net expenditure of other operating branches and divisions	24,199
<u>180,243</u>	Net expenditure as reported to management	<u>177,444</u>
	Amounts included in Comprehensive Income and Expenditure Statement not reported to management:	
3,820	Depreciation	4,095
4,404	Impairments	1,482
(1,485)	Retirement benefits (IAS 19)	(158,726)
(839)	Other items	1,152
<u>5,900</u>		<u>(151,997)</u>
	Amounts not included in Comprehensive Income and Expenditure Statement but reported to management:	
5,633	Transfers from reserves to revenue	6,754
(4,020)	Transfers from revenue to reserves	(1,501)
(796)	Minimum revenue provision	(1,123)
(525)	Interest payable	(489)
404	Other	(637)
<u>696</u>		<u>3,004</u>
<u>186,839</u>	Net Cost of Services in Comprehensive Income and Expenditure Statement	<u>28,451</u>

#### 4. PENSIONS INCOME & EXPENDITURE ACCOUNT

The cost of retirement benefits is recognised in the Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement and Statement of Movement in the General Fund Balance during the year:

	Local Government Pension Scheme				Police Pension Schemes			
			11%		9.5%		Injury Awards	
	31 March	31 March	31 March	31 March	31 March	31 March	31 March	31 March
	2011	2010	2011	2010	2011	2010	2011	2010
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Comprehensive Income and Expenditure Statement</b>								
Net Cost of Service								
Current Service Cost (Gross)	8,615	3,507	30,486	18,450	2,180	850	1,010	550
Non Distributed Costs	(16,653)	59	(151,290)	-	(1,580)	-	(5,280)	-
	(8,038)	3,566	(120,804)	18,450	600	850	(4,270)	550
Net Operating Expenditure								
Interest Cost	8,267	5,885	75,360	65,000	810	410	2,500	2,050
Expected Return on Assets in the Scheme	(6,811)	(4,034)	-	-	-	-	-	-
	1,456	1,851	75,360	65,000	810	410	2,500	2,050
	(6,582)	5,417	(45,444)	83,450	1,410	1,260	(1,770)	2,600
<b>Statement of Movement in the General Fund Balance</b>								
Reversal of Net Charges made for Retirement Benefits in Accordance with IAS 19								
	6,582	(5,417)	45,444	(83,450)	(1,410)	(1,260)	1,770	(2,600)
<b>Actual amount charged against the General Fund Balance for Pensions in the Year:</b>								
Employer's Contributions Payable to Scheme	7,127	6,285	17,874	16,930	1,239	1,092	-	-
Retirement Benefits Payable to Pensioners (Gross)	-	-	-	-	-	-	690	565

## 5. OPERATING LEASES

The Authority has a number of operating leases of buildings (see the glossary of accounting terms for definitions of lease types).

The future minimum lease payments due under non-cancellable operating leases in future years are:

<b>Restated</b>		<b>2010 - 11</b>
<b>2009 - 10</b>		<b>£' 000</b>
<b>£' 000</b>		<b>£' 000</b>
631	Not later than one year	805
1,777	Later than one year and not later than five years	1,977
1,617	Later than five years	2,653
<u>4,025</u>		<u>5,435</u>

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

<b>Restated</b>		<b>2010 - 11</b>	<b>Term left on</b>
<b>2009 - 10</b>	<b>Minimum lease payments - Buildings</b>	<b>£' 000</b>	<b>lease</b>
<b>£' 000</b>			
58	Lairgate, Beverley	58	1 year
25	Foster Street, Hull	28	3 years
28	D Division Property Store, Hull	28	2 years
39	Disclosure Unit, Hessle	39	2 years
43	Winn House, Beverley	32	10 years
80	Derringham Street, Hull	80	3 years
32	Vehicle Shop, George Street, Hull	32	*See below
55	Humberside Airport, Kirmington	65	19 years
50	Layerthorpe Road, Hull	50	3 years
-	Freedom Centre, Preston Road, Hull	14	8 years
-	Sensor House, Beverley	43	17 years
93	Regional Property, Leeds **	93	2 years
-	Regional Property, Castleford **	19	14 years
85	Bridgeview Units, Hessle	134	8 years
63	Other	75	
<u>651</u>		<u>790</u>	

\* Lease extended by agreement, on a rolling lease

\*\* Regional Working - Humberside Police is the lead authority for the Yorkshire region for property matters and has entered into these leases. The other Police Authorities: West Yorkshire, South Yorkshire and North Yorkshire have agreed to share in the costs and other obligations relating to these leases. The other Authorities have identified this as a Contingent Liability in their accounts.

Expenditure is reflected in the total costs reported by West Yorkshire Police Authority.

## 6. FINANCE LEASES

The Authority acquired a helicopter under a finance lease. This asset is carried as Property, Plant and Equipment in the balance sheet at the following net amounts:

<b>Restated 2009-10 £'000</b>	<b>2010-11 £'000</b>
<u>1,413</u>	<u>1,211</u>

The Authority is committed to making minimum payments under this finance lease comprising settlement of the liability for the helicopter acquired and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments comprise the following amounts:

	<b>Restated 2009-10 £'000</b>	<b>2010-11 £'000</b>
Finance lease liabilities:		
Current	294	233
Non current	<u>1240</u>	<u>1081</u>
	1534	1314
Finance costs payable in future years	231	157
Minimum lease payments	<u>1765</u>	<u>1471</u>

The minimum lease payments will be payable over the following periods:

	<b>Restated 2009-10 £'000</b>	<b>2010-11 £'000</b>
Not later than one year	294	294
Between one and five years	1,177	1,177
In more than five years	<u>294</u>	<u>-</u>
	<u>1,765</u>	<u>1,471</u>

## 7. OTHER OPERATING EXPENDITURE

(Gain) / Loss on the Sale of Non Current Assets:

2009-10 £'000		2010-11 £'000		
		Net Book Value	Receipt	Total
0	Buildings	0	0	0
0	Vehicles	0	0	0
<u>0</u>	<b>Gain from the Sale of Non Current Assets</b>	<u>0</u>	<u>0</u>	<u>0</u>
0	Buildings	287	(277)	10
357	Vehicles	328	0	328
0	Printing Equipment	0	0	0
185	Communications Equipment	111	0	111
24	I.T. Equipment	219	0	219
<u>566</u>	<b>Loss on the Sale of Non Current Assets Sold</b>	<u>945</u>	<u>(277)</u>	<u>668</u>
<u>566</u>	<b>(Gain) / Loss on the Sale of Non Current Assets</b>	<u>945</u>	<u>(277)</u>	<u>668</u>

The Comprehensive Income and Expenditure Statement includes an amount of £149k revenue income in respect of vehicles sold during 2010-11 (£192k during 2009-10). Income from the sale of non current assets with a value of less than the de minimis limit of £10k is not classed as a capital receipt, and is excluded from the calculation of gains and losses on the Disposal of Non Current Assets.

## 8. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

Restated 2009-10 £'000		2010-11 £'000
599	Interest payable and similar charges	563
69,311	Pensions interest cost and expected return on pension assets	80,126
(778)	Interest receivable	(319)
(435)	Impairment of financial assets	(158)
<u>68,697</u>		<u>80,212</u>

## 9. TAXATION AND NON SPECIFIC GRANT INCOMES

Restated 2009-10 £'000		2010-11 £'000
46,796	Council Tax Income	48,065
49,036	Non Domestic Rate Income	53,941
82,752	General Government Grants	78,736
14,152	Police Pensions Top Up Grant receivable	16,972
2,164	Capital Grants	2,007
<u>194,900</u>		<u>199,721</u>

## 10. POLICE AUTHORITY

Police Authority expenditure is included in the Comprehensive Income and Expenditure Statement within corporate and democratic core costs

2009-10 £'000		2010-11 £'000
236	Members Allowances	224
650	Support Staff	680
32	Premises	27
19	Transport	12
431	Supplies and Services	345
12	ACPO Subscription	12
129	Third Party Payments	139
(1)	Fees & Charges and Other Income	(34)
<u>1,508</u>		<u>1,405</u>

## 11. OFFICER'S EMOLUMENTS

The number of employees whose remuneration, excluding employer's pension contributions was £50,000 or more in bands of £5,000 was:

2009-10 £'000	Remuneration band £	2010-11		£'000
		Police Officers No.s	Support Staff No.s	
Total No.s				Total No.s
135	50,000 - 54,999	134	10	144
73	55,000 - 59,999	81	1	82
8	60,000 - 64,999	9	3	12
10	65,000 - 69,999	3	1	4
5	70,000 - 74,999	5	1	6
12	75,000 - 79,999	6	2	8
4	80,000 - 84,999	7	-	7
1	85,000 - 89,999	1	1	2
-	90,000 - 94,999	1	-	1
1	95,000 - 99,999	-	-	-
2	100,000 - 104,999	-	1	1
1	105,000 - 109,999	-	1	1
-	110,000 - 114,999	2	-	2
1	115,000 - 119,999	1	-	1
-	120,000 - 124,999	-	-	-
-	125,000 - 129,999	-	-	-
-	130,000 - 134,999	-	-	-
-	135,000 - 139,999	-	-	-
1	140,000 - 144,999	-	-	-
-	145,000 - 149,999	1	-	1
<u>254</u>		<u>251</u>	<u>21</u>	<u>272</u>

The Officers disclosed separately in Note 12 are included in the bands above.

## 12. SENIOR OFFICERS & RELEVANT POLICE OFFICERS EMOLUMENTS

Senior Officers and Relevant Police Officers whose salary is less than £150,000 but equal to or more than £50,000 per year:

		2010 - 2011				
Post Holder		Salary (Including Fees & Allowances) £'000	Compensatory Grant £'000	Total Remuneration excluding Pension Contributions £'000	Pension Contributions £'000	Total Remuneration including Pension Contributions £'000
Chief Constable		143	4	147	33	180
Deputy Chief Constable		119	-	119	27	146
Assistant Chief Constable	Operations Support	112	-	112	25	137
Assistant Chief Constable	Operations	113	-	113	25	138
Assistant Chief Officer	Human Resources	108	-	108	18	126
Assistant Chief Officer	Support	105	-	105	18	123
Chief Executive	Police Authority	87	-	87	15	102
Deputy Chief Executive & Treasurer	Police Authority	78	-	78	13	91
		<b>865</b>	<b>4</b>	<b>869</b>	<b>174</b>	<b>1,043</b>

  

		2009 - 2010				
Post Holder		Salary (Including Fees & Allowances) £'000	Compensatory Grant £'000	Total Remuneration excluding Pension Contributions £'000	Pension Contributions £'000	Total Remuneration including Pension Contributions £'000
Chief Constable		140	4	144	34	178
Deputy Chief Constable		117	0	117	28	145
Assistant Chief Constable	Operations Support	106	0	106	26	132
Assistant Chief Constable	Operations	98	0	98	24	122
Assistant Chief Officer	Human Resources	102	0	102	18	120
Assistant Chief Officer	Support	102	0	102	18	120
Chief Executive	Police Authority	85	0	85	15	100
Deputy Chief Executive & Treasurer	Police Authority	74	0	74	13	87
		<b>824</b>	<b>4</b>	<b>828</b>	<b>176</b>	<b>1,004</b>

A shared service agreement with South Yorkshire Police Authority (SYPA) in respect of the emoluments (and travel and subsistence expenses) of the Assistant Chief Constable Human Resources commenced on 22 November 2010 for an 18 month period, subject to periodic reviews. 50% of all these costs are recoverable from SYPA. The emoluments included above which are recoverable from SYPA for 2010-11 amount to £26.2 K.

No bonuses, expense allowances, compensation for loss of office or other benefits were paid to Senior Officers during 2010/11 or 2009/10.

### **13. RELATED PARTY TRANSACTIONS**

In accordance with the reporting requirements of IAS 24, 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 as stated below:

Stephen Beasant – North East Lincolnshire Council

John Black – Hull City Council

Arthur Bunyan – North Lincolnshire Council

Stephen Hull – Hull City Council

Jawaid Ishaq – North Lincolnshire Council

Chris Matthews – East Riding of Yorkshire Council

John Parsons – East Riding of Yorkshire Council

David Rudd - East Riding of Yorkshire Council

Yvonne Uzzell – Hull City Council

The Chief Executive of the Humberside Association of Neighbourhood Watch Groups (HANWAG) was the Chair of the Police Authority until 16 May 2010. During 2010-11 the Police Authority provided funding to HANWAG, relating to the SLA (Service Level Agreement) of £75.6k (£98k during 2009-10). Premises were hired from HANWAG at the cost of £6.4k (£2k during 2009-10) and Rents of £Nil (£16k during 2009-10) were paid. In line with the members Code of Conduct, the related party was not involved in any discussions or decision making process relating to transactions with HANWAG.

The Authority's Strategic Development Manager, Communities & Partnerships, declared that a close family member is a director of Oxley Garage Doors Limited. The Authority has leased premises for use as the D Division Property Store from the Trustees of the Oxley Holdings Limited Directors' Retirement Plan since 2007. Information relating to the lease is shown in note 5 to the financial statements. The staff member, who was a serving officer at the time the lease was approved, had no involvement with the lease negotiations.

There are direct relationships between the Police Authority and a number of central and local government organisations, the main ones being 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 (Council Tax / Precepts). These are disclosed elsewhere in the statement of accounts.

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.

## 14. ADDITIONAL GRANTS

In 2010-11 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:

	2010-11 £
Community Police Support Officers (Home Office)	4,762,100
Crime Fighting Fund (Home Office)	3,962,530
Safety Camera Project (East Riding of Yorkshire Council)	1,236,432
DSP Port Security (Home Office /ACPO TAM)	1,137,523
Criminal Justice Intervention Programme (Home Office)	719,395
Speed Seminar (East Riding of Yorkshire Council)	445,244
Basic Command Unit 2010 (Home Office)	312,586
Local Criminal Justice Board (Home Office / Ministry Of Justice)	243,946
C Division (Home Office)	133,829
Tackling Knives and Violent Crime Project (Home Office)	132,000
B Division Basic Command Unit - All (Home Office)	131,264
Prison Intelligence Officer (Home Office)	129,831
NPIA Mobile Data Project (West Yorkshire Police)	121,036
Comprehensive Spending Review, Prevent (Home Office)	109,686
Continuing Pcu Costs (North East Lincolnshire Council)	89,611
Basic Command Unit, Mobile Cctv (Home Office)	68,087
Basic Command Unit, Asbo Co-Ordinator (Home Office)	52,645
Operation Sage (Home Office)	52,363
Operation Ketch (Home Office)	51,631
Basic Command Unit, Domestic Violence (Home Office)	49,282
Youth Crime Action Plan, Youth Diversion (North East Lincolnshire Council)	37,009
Police Authority (Home Office)	33,000
Youth Action Plan (North Lincolnshire Council)	31,490
Domestic Violence Unit Assistants (North East Lincolnshire Council)	29,696
Operation Argent (Hull City Council, City Safe)	25,528
Multi Agency Risk Assessment Conference Co-ordinator (North East Lincolnshire Council)	24,313
Family Intervention Programme (Home Office)	22,798
Bid Project (Hull City Centre Bid)	22,185
Family Intervention Project Research ( North East Lincolnshire Council)	21,094
Public Probation Officer - Probation Funding (Humberside Probation Trust)	19,558
European Rural Development Fund (People United Against Crime)	18,942
GOYH Sexual Assault Referral Centres (Home Office & Primary Care Trust)	18,668
Prevent (West Yorkshire Police)	17,518
Sexual Exploitation Team (Hull City Centre Bid)	17,130
Football Banning Order Unit (Home Office)	16,056
City Safe General (City Safe)	15,228
Covert Operations Room (West Yorkshire Police)	13,828
Brighowgate Drug Intervention Programme (North East Lincolnshire Council)	12,437
	<u><u>14,337,499</u></u>

The above excludes the Pension Fund Grant.

## 15. PRECEPT/COUNCIL TAX

2010-11

Band	A	B	C	D	E	F	G	H
Rate £	110.98	129.48	147.97	<b>166.47</b>	203.46	240.46	277.45	332.94

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

2009-10		2010-11
£'000		£'000
19,328	East Riding of Yorkshire Council	19,889
11,330	Hull City Council	11,720
7,803	North East Lincolnshire Council	7,888
8,335	North Lincolnshire Council	8,568
<u>46,796</u>		<u>48,065</u>

## 16. EXTERNAL AUDIT FEES

In 2010-11 Humberside Police Authority incurred the following fees relating to external audit and inspection:

2009-10		2010-11
£'000		£'000
86	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor.	83
-	Fees payable to the Audit Commission for work carried out on behalf of the Chief Constable.	-
<u>86</u>		<u>83</u>

## 17. THE EURO

During 2010-11 there was no impact on the Police Authority as a consequence of the European single currency. This will continue to be reviewed during 2011-12 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.

## 18. GENERAL GOVERNMENT GRANTS

		2009-10	2010-11
		£'000	£'000
<b>Analysis of General Government Grants</b>			
Police Revenue Grant	(Home Office)	68,022	69,994
Revenue Support Grant	(Home Office)	11,318	7,833
Other Grants (Rule 2)	(Home Office)	2,719	910
Counter Terrorism	(Home Office)	693	-
<b>Total General Government Grants</b>		<b>82,752</b>	<b>78,736</b>

## 19. Joint Police Authorities Committee (JPAC)

The Regional Collaboration Programme was developed following the Home Office withdrawal of its plans in 2005 to merge Police Forces. Regional collaboration is very different to a formal merger and will bring opportunities to the participating Forces across many policing activities whilst retaining local Police Force, local identity and local accountability and local accountability.

Governance arrangements are in place to support regional collaboration. A Joint Police Authority Committee (JPAC) is constituted under section 101 and 107 of the Local Government Act 1972. JPAC is a sub-committee of each participating Police Authority and was the first of its kind in the country. It comprises the chairs, vice-chairs and other members from each of the four police authorities and was formed to support Section 23 of the Police Act 1996/Police & Justice Act 2006.

Regional Collaboration is funded from contributions made by the four participating Authorities and the level of contribution from each Authority is dependant upon an assessment of the benefit to be derived from each specific project or initiative.

The West Yorkshire Police Authority have produced memorandum accounts within its Financial Statements. Humberside Police Authority's expenditure of £1,280k in respect of Regional Working is included in the Comprehensive Income and Expenditure Statement at Page 3. The Authority is the regional lead for property and has leased premises for Joint Working as detailed in Note 5.

With effect from the financial year 2008/09, accounts have been provided for the Regional Collaboration Programme by West Yorkshire Police and the expenditure and income charged to the accounts is in accordance with the Financial Regulations and Standing Orders of West Yorkshire Police Authority, and are shown in the following table:

2009-10 £'000		2010-11 £'000	2010-11 £'000
	<u>Expenditure</u>		
4,455	Staff Costs	5,006	
182	Property Related Expenses	845	
667	Supplies and Services	1,136	
395	Transport Related Expenses	696	
<u>5,699</u>			<u>7,683</u>
	<u>Income</u>		
470	Other Income	1,528	
5,529	Contributions	6,295	
<u>5,999</u>			<u>7,823</u>
<u>300</u>	Surplus in Year		<u>140</u>
	<u>Contributions</u>		
565	Home Office		-
2,150	West Yorkshire		2,366
1,355	South Yorkshire		1,558
779	North Yorkshire		1,091
680	Humberside		1,280
<u>5,529</u>			<u>6,295</u>

## 20. PUBLICITY

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

2009-10 £'000		2010-11 £'000
41	Recruitment Advertising	8
3	Publicity	7
<u>44</u>		<u>15</u>

## 21. PROPERTY, PLANT & EQUIPMENT

	Operational Assets		Non Operational Assets			TOTAL
	Land & Buildings	Vehicles, Plant & Equipment	Assets under Construction	Vehicles, Plant & Equipment	Surplus Assets for Disposal	
	£'000	£'000	£'000		£'000	
<b>Gross Book Value</b>						
As at 1st April 2010	36,835	31,279	3,789	-	295	72,198
Transfers	(125)	-	-	-	125	-
Additions & Enhancements	321	2,598	1,227	91	-	4,237
Disposals	(135)	(3,530)	-	-	(155)	(3,820)
Impairment	-	(40)	-	-	-	(40)
Revaluations	(2,493)	-	-	-	(48)	(2,541)
<b>As at 31st March 2011</b>	<b>34,403</b>	<b>30,307</b>	<b>5,016</b>	<b>91</b>	<b>217</b>	<b>70,034</b>
<b>Depreciation</b>						
To 31st March 2010	12	14,871	-	-	-	14,883
In Year	594	3,371	-	-	-	3,965
On Assets Revalued	(405)	(17)	-	-	-	(422)
On Assets Sold	(3)	(2,873)	-	-	-	(2,876)
<b>As at 31st March 2011</b>	<b>198</b>	<b>15,352</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,550</b>
<b>Net Book Value</b>						
<b>As at 31st March 2011</b>	<b>34,205</b>	<b>14,955</b>	<b>5,016</b>	<b>91</b>	<b>217</b>	<b>54,484</b>
Net Book Value						
As at 31st March 2010	36,822	16,408	3,789	-	295	57,315

## PROPERTY, PLANT & EQUIPMENT (RESTATED)

	Operational Assets		Non Operational Assets			TOTAL
	Land & Buildings	Vehicles, Plant & Equipment	Assets under Construction	Vehicles, Plant & Equipment	Surplus Assets for Disposal	
	£'000	£'000	£'000		£'000	
<b>Gross Book Value</b>						
As at 1st April 2009	34,731	32,311	10	572	5	67,629
Transfers	(235)	822	-	(822)	235	-
Additions & Enhancements	1,802	3,447	3,779	250	-	9,279
Disposals	-	(5,187)	-	-	-	(5,187)
Impairment	-	(114)	-	-	-	(114)
Revaluations	536	-	-	-	55	591
<b>As at 31st March 2010</b>	<b>36,835</b>	<b>31,279</b>	<b>3,789</b>	<b>0</b>	<b>295</b>	<b>72,198</b>
<b>Depreciation</b>						
To 31st March 2009	2	16,605	-	-	-	16,607
In Year	723	2,965	-	-	-	3,688
On Assets Revalued	(713)	(79)	-	-	-	(792)
On Assets Sold	-	(4,620)	-	-	-	(4,620)
<b>As at 31st March 2010</b>	<b>12</b>	<b>14,871</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,883</b>
<b>Net Book Value</b>						
<b>As at 31st March 2010</b>	<b>36,822</b>	<b>16,408</b>	<b>3,789</b>	<b>0</b>	<b>295</b>	<b>57,315</b>
Net Book Value						
As at 31st March 2009	34,730	15,705	10	572	5	51,022

## TANGIBLE FIXED ASSETS

	Operational Assets		Non Operational Assets			TOTAL
	Land & Buildings	Vehicles, Plant & Equipment	Assets under Construction	Vehicles, Plant & Equipment	Surplus Assets for Disposal	
	£'000	£'000	£'000		£'000	
<b>Gross Book Value</b>						
As at 1st April 2009	34,731	29,282	10	572	5	64,600
Transfers	(235)	822	-	(822)	235	-
Additions & Enhancements	1,802	3,447	3,779	250	-	9,279
Disposals	-	(5,187)	-	-	-	(5,187)
Impairment	-	(114)	-	-	-	(114)
Revaluations	536	-	-	-	55	591
<b>As at 31st March 2010</b>	<b>36,835</b>	<b>28,249</b>	<b>3,789</b>	<b>0</b>	<b>295</b>	<b>69,169</b>
<b>Depreciation</b>						
To 31st March 2009	2	14,989	-	-	-	14,991
In Year	723	2,763	-	-	-	3,486
On Assets Revalued	(713)	(79)	-	-	-	(791)
On Assets Sold	-	(4,620)	-	-	-	(4,620)
<b>As at 31st March 2010</b>	<b>12</b>	<b>13,053</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,066</b>
<b>Net Book Value</b>						
<b>As at 31st March 2010</b>	<b>36,822</b>	<b>15,197</b>	<b>3,789</b>	<b>0</b>	<b>295</b>	<b>56,103</b>
Net Book Value						
As at 31st March 2009	34,730	14,292	10	572	5	49,609

## Statement of Physical Assets

<u>31 March 2010</u>		<u>31 March 2011</u>	
57	Police Stations	57	
5	Non-Operational Premises	3	
4	Police Houses	2	
678	Vehicles	657	
1	Helicopter	1	

## 22. INTANGIBLE ASSETS

	£'000		£'000
Original Cost at 1st April 2010	1,959	Original Cost at 1st April 2009	1,925
Less: Amortisation to 1st April 2010	(1,420)	Less: Amortisation to 1st April 2009	(1,289)
Balance at 1st April 2010	539	Balance at 1st April 2009	636
Add: Expenditure in the Year	104	Add: Expenditure in the Year	35
Less: Written off to Revenue in Year	(130)	Less: Written off to Revenue in Year	(132)
<b>Balance at 31st March 2011</b>	<b>513</b>	<b>Balance at 31st March 2010</b>	<b>539</b>

The Intangible Assets relate to computer software capitalised.

## 23. PROPERTY VALUATIONS

The Authority carries out a five year rolling programme of valuations of its Land and Buildings. The basis for valuation is set out in the Statement of Accounting Policies. Valuations were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. All valuations have been carried out by external valuers.

### Summary by effective date of latest valuation

	Land and Buildings £'000	Assets Under Construction £'000	Surplus Assets for Disposal £'000
Carried at historical cost	77	5,016	-
Valued at fair value as at:			
31 March 2007	-	-	-
31 March 2008	-	-	-
31 March 2009	-	-	-
31 March 2010	12,431	-	-
31 March 2011	21,895	-	217
Total Gross Book Value	<u>34,403</u>	<u>5,016</u>	<u>217</u>

## 24. SUMMARY OF CAPITAL EXPENDITURE AND SOURCES OF FINANCE

The note below shows the movement in the Capital Financing Requirement due to capital expenditure for 2010-11, 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 at the end of the financial year.

<b>Restated</b>		<b>2010-11</b>
<b>2009-10</b>		<b>£'000</b>
<b>£'000</b>		
22,903	Opening Capital Financing Requirement	28,979
	<u>Capital Investment</u>	
9,313	Operational Assets	4,341
	<u>Sources of finance</u>	
(57)	Revenue funding of Capital	(431)
(1,016)	Revenue Provision	(1,123)
(2,164)	Capital Grant	(2,007)
-	Capital Receipts	(277)
<u>28,979</u>	Closing Capital Financing Requirement	<u>29,482</u>
	<u>Explanation of Movements in Year</u>	
6,076	Increase in underlying need to borrowing (supported by Government financial assistance).	503
<u>6,076</u>	Increase in Capital Financing Requirement	<u>503</u>

## 25. LONG TERM DEBTORS

<b>2008-09</b>	<b>2009-10</b>		<b>2010-11</b>
<b>£'000</b>	<b>£'000</b>		<b>£'000</b>
3	2	Car Loans to Staff	2
<u>3</u>	<u>2</u>		<u>2</u>

## 26. INVENTORIES

2008-09 £'000	2009-10 £'000		2010-11 £'000
13	11	Printing	14
97	127	Fuel	116
35	52	General Store and Supplies	44
454	377	Uniforms	285
<u>599</u>	<u>567</u>		<u>459</u>

## 27. PREPAYMENTS AND DEBTORS/ACCRUALS

2008-09 £'000	2009-10 £'000		2010-11 £'000
7,064	5,276	Government Departments	5,292
1,288	1,659	Other Police and Local Authorities	3,213
4,997	5,282	Other *	5,296
<u>13,349</u>	<u>12,217</u>		<u>13,801</u>

\* Includes prepayments of £4,261k (2008-09), £4,016k (2009-10) and £3,574k (2010-11) relating to pay, paid in advance.

## 28. SHORT TERM DEBTORS

2008-09 £'000	2009-10 £'000		2010-11 £'000
8,826	7,538	Debtors & Accruals	8,781
2	20	Prepayments Other Police & Loan	10
4,521	4,659	Prepayments Other	5,010
<u>13,349</u>	<u>12,217</u>		<u>13,801</u>

## 29. INCOME IN ADVANCE AND CREDITORS/ACCRUALS

2008-09 Restated £'000	2009-10 Restated £'000		2010-11 £'000
3,725	4,265	Government Departments	4,048
1,269	1,196	Other Police and Local Authorities	1,998
10,367	8,643	Other	9,031
<u>15,361</u>	<u>14,104</u>		<u>15,077</u>

### 30. SHORT TERM CREDITORS

2008-09 Restated £'000	2009-10 Restated £'000		2010-11 £'000
1,583	1,339	Income in Advance	1,415
13,778	12,765	Creditors & Accruals	13,662
<u>15,361</u>	<u>14,104</u>		<u>15,077</u>

### 31. SHORT TERM BORROWING

This relates to borrowing due for maturing with 12 months.

Restated	Balance at 1st April 2010 £'000	Movement 2010-11 £'000	Balance at 31st March 2011 £'000
Public Works Loan Board	594	(1)	593
Finance Lease Payable	294	(61)	233
	<u>888</u>	<u>(62)</u>	<u>826</u>

Restated	Balance at 1st April 2009 £'000	Movement 2009-10 £'000	Balance at 31st March 2010 £'000
Public Works Loan Board	592	2	594
Finance Lease Payable	294	-	294
	<u>886</u>	<u>2</u>	<u>888</u>

### 32. PROVISIONS

The Authority has provided funds for the following:

Restated	Balance at 1st April 2010 £'000	Contributions To/From the Provision £'000	Expenditure Met from the Provision £'000	Balance at 31st March 2011 £'000
Compensatory Grant	340	184	(261)	263
Voluntary Redundancy Scheme	-	871	-	871
	<u>340</u>	<u>1,055</u>	<u>(261)</u>	<u>1,134</u>

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 Voluntary Redundancy and Early Retirement (VER) Scheme provision is in respect of the amounts expected to be paid under the scheme for redundancies and pension strain costs during the following financial year.

<b>Restated</b>	Balance at 1st April 2009	Contributions To/From the Provision	Expenditure Met from the Provision	Balance at 31st March 2010
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Compensatory Grant	520	161	(341)	340
Insurance - short term liability	356	(356)	-	-
	876	(195)	(341)	340
Insurance - long term liability (see note 41)	344	(344)	-	-
	1,220	(539)	(341)	340

The Insurance Provisions at 1 April 2009 were based on the number of outstanding claims and the estimated costs to settle the claims. The provisions were removed during 2009/2010 and funds placed within the Risk Management Reserve to meet these claims.

### 33. LONG TERM BORROWING

This relates to borrowing that will need to be repaid after more than one year.

<b>Restated</b>	Balance at 1st April 2010	Loans Raised	Loans Repaid	Transferred to Short Term Borrowing	Balance at 31st March 2011
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Public Works Loan Board	8,187	-	-	(593)	7,594
Finance Lease Payable	1,240	-	-	(159)	1,081
	9,427	-	-	(752)	8,675

<b>Restated</b>	Balance at 1st April 2009	Loans Raised	Loans Repaid	Transferred to Short Term Borrowing	Balance at 31st March 2010
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Public Works Loan Board	8,781	-	-	(594)	8,187
Finance Lease Payable	1,460	-	-	(220)	1,240
	10,241	-	-	(814)	9,427

Analysis of Loans by Maturity			Analysis of Finance Leases		
Debt at 31st March 2010	Debt at 31st March 2011		Debt at 31st March 2010	Debt at 31st March 2011	
<b>£'000</b>	<b>£'000</b>		<b>£'000</b>	<b>£'000</b>	
593	581	1 - 2 years	233	247	1 - 2 years
1,742	1,732	2 - 5 years	787	834	2 - 5 years
2,787	2,726	5 - 10 years	220	-	5 - 10 years
2,001	1,769	10 - 15 years	-	-	10 - 15 years
1,064	786	> 15 yrs	-	-	> 15 yrs
8,187	7,594		1,240	1,081	

### 34. USABLE RESERVES

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement.

The Authority has four revenue 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.

#### Partnership Reserve

This Reserve was created to allow the Authority to continue schemes that were previously funded by partner agencies and to support partnership work.

#### Risk Management Reserve

This Reserve will allow the Force and the Authority to assist in meeting the cost of items highlighted through the Force and the Authority's risk management process.

#### General Fund Balance

This Reserve is currently being maintained at 3% of the net revenue budget and is designed to cushion the Authority against unforeseen expenditure pressures.

### 35. UNUSABLE RESERVES

Restated 2008-09 £'000	Restated 2009-10 £'000		2010-11 £'000
(1,008,487)	(1,547,920)	Pensions Reserve	(1,404,748)
25,235	19,501	Capital Adjustment Account	16,938
223	-	Capital Grants Unapplied Reserve	-
3,522	9,376	Revaluation Reserve	8,578
(1,837)	(1,194)	Financial Instruments Adjustment Account	(902)
593	763	Collection Fund Adjustment Account	669
(3,033)	(2,638)	Accumulated Absences Adjustment Account	(2,744)
<u>(983,784)</u>	<u>(1,522,112)</u>	<b>Total Unusable Reserves</b>	<u><b>(1,382,209)</b></u>

Movements in the Authority's unusable reserves are detailed in the Movement in Reserves Statement.

#### Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service,

updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pay any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

### **Capital Adjustment Account**

The Capital Adjustment Account is credited with amounts set aside by the Authority to finance expenditure on non-current assets and absorbs the timing differences that might arise as a result of setting aside of resources being out of line with accounting charges for depreciation and impairment losses.

The Capital Adjustment Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

### **Capital Grants Unapplied Reserve**

The Capital Grants Unapplied Reserve holds balances of capital grants received where the conditions for recognising the income have been met but the related expenditure has not yet been incurred.

### **Revaluation Reserve**

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. 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 increases in value. The balance is also reduced when assets with accumulated gains are revalued downwards or impaired and the gains are lost, or when assets with accumulated gains are disposed of and the gains are realised.

The Revaluation Reserve contains only revaluation gains accumulated since 1 April 2007, the date the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

### **Financial Instruments Adjustment Account**

The Financial Instruments Adjustment Account bears any impairment to the value of financial instruments of the Authority, such as Icelandic investments.

### **Collection Fund Adjustment Account**

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

## Accumulated Absences Adjustment Account

The Accumulated Absences Adjustment Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Funding Balance is neutralised by transfers to or from the Account.

## 36. POLICE PROPERTY ACT FUND

2009-10 £'000		2010-11 £'000
13	Opening Balance	5
7	Income (in Year)	5
<u>20</u>		<u>10</u>
(15)	Less Expenditure	(14)
<u>5</u>		<u>(4)</u>

## 37. CONTINGENT LIABILITIES

A number of potential civil and other claims could be brought against the Authority. The total estimated liability is £462k (2009-10 £192k). The timing of these claims is very unpredictable and is likely to be over a number of years.

### Regional Working – Employment of Staff

The Joint Police Authorities' Committee have agreed to the adoption of a lead force/authority model to provide managers and staff/officers engaged in Regional Working with consistent Human Resources policy and practices. South Yorkshire Police Authority (SYPA) has agreed to act as the lead authority. Under this arrangement SYPA will employ police staff on a permanent, substantive basis and Police officers will be seconded to South Yorkshire Police.

Humberside Police Authority has agreed to indemnify SYPA for its share of any costs in the event of any employment tribunal or civil court claims related to regional employment. This indemnity is unlimited. At this time, it is not possible to predict the value or timing of any obligations falling due as a result of this indemnity.

## 38. PROCEEDS OF CRIME ACT 2002

Humberside Police hold funds relating to the above Act which have been seized from 3<sup>rd</sup> parties, as suspected proceeds of crime. At the 31<sup>st</sup> March 2011 the balance of funds seized is £366k (2009-10 £304k). These funds are included in the Authority's Balance Sheet within Cash and Cash Equivalents and within Creditors until such time as monies are paid over to the Home Office. Following the receipt of monies, the Home Office then makes the necessary arrangements for the distribution of the agreed shares of the final proceeds to be paid to forces and partners.

## 39. SIGNIFICANT COMMITMENTS UNDER CAPITAL CONTRACTS

The estimated value of significant commitments under capital contracts at 31<sup>st</sup> March 2011 totalled £1.18m, which relates to £830k for the contract with design consultants for the Bridewell development, £250k for Computers and £100k for Communication Commitments.

## 40. SPONSORSHIP

### Lifestyle

Lifestyle is an initiative, established as part of the crime reduction strategy of Humberside Police. The initiative, which has been in operation since 1989, has been adopted by South Yorkshire and West Mercia Police, and police departments in America and South Africa have also showed significant interest. 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 young people running projects that not only benefit the local community but benefit the young people 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 short term creditor on the Balance Sheet.

### Lifestyle Income and Expenditure Statement

2009-10 £'000		2010-11	
		£'000	£'000
	<b><u>Income</u></b>		
119	Sponsorship	91	
<u>119</u>	<b>Total Sponsorship monies received</b>		91
	<b><u>Expenditure</u></b>		
43	Holidays and prizes	63	
45	Advertising & Promotions	14	
15	Award/Launch Ceremony	21	
6	Miscellaneous	2	
<u>109</u>	<b>Total Expenditure for the year</b>		<u>100</u>
<u>10</u>	<b>Balance of Income over Expenditure</b>		<u>(9)</u>

## 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 short term creditor in the Balance Sheet.

## Lifestyle Rock Challenge Income and Expenditure Statement

2009-10 £'000		2010-11	
		£'000	£'000
	<b><u>Income</u></b>		
81	Sponsorship	62	
<u>81</u>	<b>Total Sponsorship monies received</b>		62
	<b><u>Expenditure</u></b>		
75	Events Organisation	40	
<u>75</u>	<b>Total Expenditure for the year</b>		<u>40</u>
<u>6</u>	<b>Balance of Income over Expenditure</b>		<u>21</u>

## 41. ASSETS AND LIABILITIES IN RELATION TO RETIREMENT BENEFITS

The underlying assets and liabilities for retirement benefits to the Authority at 31 March 2011, 31 March 2010 and 1 April 2009 are as follows:

	Local Government Pension Scheme		Police Pension Schemes						Totals	
	31 March 2011	31 March 2010	11% Scheme		9.5% Scheme		Injury Awards		31 March 2011	31 March 2010
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Estimated Liabilities in the Scheme	(134,528)	(158,744)	(1,322,240)	(1,417,934)	(15,900)	(13,880)	(39,380)	(47,040)	(1,512,048)	(1,637,598)
Estimated Assets in the Scheme	107,300	89,678	-	-	-	-	-	-	107,300	89,678
Net Asset/(Liability)	(27,228)	(69,066)	(1,322,240)	(1,417,934)	(15,900)	(13,880)	(39,380)	(47,040)	(1,404,748)	(1,547,920)

	Local Government Pension Scheme		Police Pension Schemes			Totals
	1 April 2009	1 April 2009	11% Scheme	9.5% Schem	Injury Awards	1 April 2009
	£'000	£'000	£'000	£'000	£'000	£'000
Estimated Liabilities in the Scheme	(83,254)	(948,594)	(5,360)	(29,970)	(1,067,178)	
Estimated Assets in the Scheme	58,691	-	-	-	58,691	
Net Asset/(Liability)	(24,563)	(948,594)	(5,360)	(29,970)	(1,008,487)	

Other Long Term Liabilities at 1 April 2009 include £0.344m Provisions (see note 32) in addition to the Pension liabilities of £1008.487m shown above.

The liabilities show the Authority's long term commitments to pay retirement benefits. The total liability of £1,405m has a substantial impact on the net worth of the Authority as recorded in the balance sheet, resulting in a negative overall balance of £1,348m. 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 on the Local Government Pension Scheme in March 2008, and employers' contribution rates remained the same. The next actuarial review takes place in March 2012 and may adjust the employers' contribution rates from April 2012.

## 42. RECONCILIATION OF PRESENT VALUE OF SCHEME LIABILITIES

	Unfunded Liabilities: Police		Funded Liabilities: Local Government	
	Pension Scheme		Pension Scheme	
	£'000		£'000	
	2010-11	2009-10	2010-11	2009-10
1st April	(1,478,854)	(984,144)	(158,744)	(83,254)
Current service cost	(33,676)	(19,850)	(8,182)	(3,507)
Interest cost	(78,670)	(67,460)	(8,267)	(5,885)
Contributions by scheme participants	(7,650)	(8,440)	(2,635)	(2,294)
Curtailment costs	-	-	(433)	-
Actuarial gains and losses	19,470	(440,080)	24,875	(65,455)
Benefits paid	43,710	41,120	2,205	1,710
Past service costs	158,150	-	16,653	(59)
31st March	<u>(1,377,520)</u>	<u>(1,478,854)</u>	<u>(134,528)</u>	<u>(158,744)</u>

The expected contributions to the ERYC Fund for 2011/12 are £6.423m (2010/11 was £6.339m). The expected contributions to the Police Pension Fund for 2011/12 are £17.889m (2010/11 was £18.771m).

In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). This has the effect of reducing the Authority's pension fund liabilities by £174.803m and has been recognised as a gain to past service costs (as indicated above) in accordance with guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact upon the General Fund.

## 43. RECONCILIATION OF PRESENT VALUE OF SCHEME ASSETS

	Local Government	
	Pension Scheme	
	£'000	
	2010-11	2009-10
1st April	89,678	58,691
Expected return on assets	6,811	4,034
Actuarial gains and losses	3,254	20,084
Employer contributions	7,127	6,285
Contributions by scheme participants	2,635	2,294
Benefits paid	(2,205)	(1,710)
31st March	<u>107,300</u>	<u>89,678</u>

#### 44. 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 Schemes have 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					
			11% Scheme		9.5% Scheme		Injury Awards	
	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10
	%	%	%	%	%	%	%	%
Rate of Inflation	2.8	3.8	3.0	3.9	3.0	3.9	3.0	3.9
Rate of Increases in Salaries	5.1	5.3	5.3	5.4	5.3	5.4	5.3	5.4
Rate of Increase for Pensions	2.8	3.8	3.0	3.9	3.0	3.9	3.0	3.9
Rate for Discounting Scheme Liabilities	5.5	5.5	5.7	5.8	5.7	5.8	5.7	5.8
Take up option to convert annual pension into retirement grant	30	30						

The Police Pension Schemes have no assets to cover the liabilities incurred. 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:

	Expected return on Assets at 31 March 2011		Assets at 31 March 2011		Expected return on Assets at 31 March 2010		Assets at 31 March 2010	
	%	£'000			%	£'000		
Equity investments	7.5	83,694			7.8	72,639		
Bonds	4.9	10,730			5.0	8,968		
Property	5.5	5,365			5.8	3,587		
Cash	4.6	7,511			4.8	4,484		
Total	6.9	107,300			7.3	89,678		

The actual return on assets held within the ERYC fund was £8,312,000 for 2010-11 (£24,147,000 for 2009-10).

## 45. ASSUMED MORTALITY RATES

Mortality rates are projected to 2008 using the standard '92-series' mortality improvements and rated down one year. Future mortality improvements from 2008 are in line with the 2008-based UK principal population projections.

### Police Pension Fund

Current Pensioners			Future Pensioners		
Exact Age	Expectation of life (in years) for existing pensioners		Exact Age	Expectation of life (in years) for existing pensioners	
	Males	Females		Males	Females
65	24.1	27.3	65	26.1	29.2

### East Riding of Yorkshire Pension Fund

Current Pensioners			Future Pensioners		
Exact Age	Expectation of life (in years) for existing pensioners		Exact Age	Expectation of life (in years) for existing pensioners	
	Males	Females		Males	Females
65	22.9	25.7	65	24.9	27.7

## 46. ACTUARIAL GAINS AND LOSSES

The actuarial gains identified as movements on the Pensions Reserve in 2010-11 can be analysed into the following categories, measured as absolute amounts and as percentages of assets or liabilities at 31 March 2011:

### Local Government Pension Scheme

	2007-08		2008-09		2009-10		2010-11	
	£'000	%	£'000	%	£'000	%	£'000	%
Differences between the expected and actual return on assets	(1,492)	(2.11)	(23,231)	(39.58)	20,084	22.40	3,254	3.03
Difference between actuarial assumptions about liabilities and actual experience	782	0.95	23	0.03	(58)	(0.06)	3,760	2.79
Changes in the demographic and financial assumptions used to estimate liabilities	12,841	18.14	9,996	17.03	(65,397)	(72.92)	21,115	19.68
Total Actuarial Gain/(Loss)	<u>12,131</u>	14.79	<u>(13,212)</u>	(1.58)	<u>(45,371)</u>	(28.58)	<u>28,129</u>	20.91

### Police Pension Scheme 11% Employee's Contribution

	2007-08		2008-09		2009-10		2010-11	
	£'000	%	£'000	%	£'000	%	£'000	%
Difference between actuarial assumptions about liabilities and actual experience	23,910	2.27	7,150	0.80	25,540	1.70	(3,700)	(0.30)
Changes in the demographic and financial assumptions used to estimate liabilities	202,610	20.09	114,660	12.10	(443,770)	(31.30)	18,030	1.40
Total Actuarial Gain/(Loss)	<u>226,520</u>	22.36	<u>121,810</u>	12.90	<u>(418,230)</u>	(29.60)	<u>14,330</u>	1.10

### Police Pension Scheme 9.5% Employee's Contribution

	2007-08		2008-09		2009-10		2010-11	
	£'000	%	£'000	%	£'000	%	£'000	%
Difference between actuarial assumptions about liabilities and actual experience	(3,580)	(78.90)	(120)	(2.20)	(370)	(2.70)	(540)	(3.40)
Changes in the demographic and financial assumptions used to estimate liabilities	1,790	39.50	1,210	22.50	(6,410)	(46.10)	480	3.00
Total Actuarial Gain/(Loss)	<u>(1,790)</u>	(39.40)	<u>1,090</u>	20.30	<u>(6,780)</u>	(48.80)	<u>(60)</u>	(0.40)

### Police Pension Injury Awards

	2007-08		2008-09		2009-10		2010-11	
	£'000	%	£'000	%	£'000	%	£'000	%
Difference between actuarial assumptions about liabilities and actual experience	370	3.90	60	0.70	(860)	(2.87)	2,560	6.50
Changes in the demographic and financial assumptions used to estimate liabilities	750	7.85	750	8.30	(14,210)	(47.41)	2,640	6.70
Total Actuarial Gain/(Loss)	<u>1,120</u>	11.75	<u>810</u>	9.00	<u>(15,070)</u>	(50.28)	<u>5,200</u>	13.20

	2007-08	2008-09	2009-10	2010-11
	£'000	£'000	£'000	£'000
Total Actuarial Gain/(Loss)	<u>237,981</u>	<u>110,498</u>	<u>(485,451)</u>	<u>47,599</u>

## 47. EVENTS AFTER THE BALANCE SHEET DATE

The Authority has reviewed events occurring between 31 March and 30 June 2011, and has identified one event that is an adjusting event as the conditions existed at the Balance Sheet date. A LAAP bulletin, LAAP 82, was received from CIPFA on 26 May 2011 detailing the latest position on Icelandic Investments. This event has been reflected in the Comprehensive Income and Expenditure Statement and Balance Sheet. A Credit of £158,000 was entered in the Comprehensive Income and Expenditure Statement as a reversal of the previous impairment due to the expected returns receivable from the Authority's investments in Heritable and Kaupthing Singer and Friedlander being more than previously anticipated. This amount is then debited on the Statement of Movement in General Fund Balance to negate the effect on the General Fund Account. The Financial Instrument Adjustment Account has been credited on the Balance Sheet with £158,000. In summary the Authority is likely to recover £158,000 more than previously anticipated from the investments with Icelandic institutions.

The Authority at its meeting on 22 March 2011 agreed to the appointment of BAM Construction Ltd. for the main contract works in connection with the development of Custody Facilities and a Divisional Headquarters at Clough Road, Hull. After the year end the Authority and the Force completed letters of intent and formal contract documentation for works to the value of £17,931,281 based on the adjusted contract sum agreed at the March meeting.

## 48. CASH FLOW STATEMENT – ADJUSTMENTS FOR NON CASH MOVEMENTS

2009-10 £'000	2010-11 £'000
Notional Pension Costs (in excess of ) / less than	
(53,982) actual pensions paid	95,573
(8,432) Depreciation and Impairments	(5,577)
2,257 Other non cash movements	785
<u>(60,157)</u>	<u>90,781</u>

## 49. CASH FLOW STATEMENT – CASH AND CASH EQUIVALENTS

Restated 2008-09 £'000	Restated 2009-10 £'000	2010-11 £'000
120	359	110
	Bank imprest and current accounts	
5,482	15,880	13,890
	Short term deposits with banks and building societies	
<u>5,602</u>	<u>16,239</u>	<u>14,000</u>

## 50. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows from operating activities include the following items:

<b>Restated</b>		<b>2010-11</b>
<b>2009-10</b>		<b>£'000</b>
<b>£'000</b>		
(1,425)	Interest received	(172)
599	Interest paid	563

## 51. CASH FLOW STATEMENT – INVESTING ACTIVITIES

<b>Restated</b>		<b>2010-11</b>
<b>2009-10</b>		<b>£'000</b>
<b>£'000</b>		
8,953	Purchase of Property, Plant and Equipment	4,262
35	Purchase of Intangible Assets	104
(2,164)	Capital Grant received	(2,007)
-	Proceeds from sale of Property, Plant and Equipment	(277)
<u>(16,772)</u>	Proceeds from Investments	<u>(934)</u>
<u>(9,948)</u>	Net cash flows from investing activities	<u>1,148</u>

## 52. CASH FLOW STATEMENT – FINANCING ACTIVITIES

<b>Restated</b>		<b>2010-11</b>
<b>2009-10</b>		<b>£'000</b>
<b>£'000</b>		
591	Repayment of PWLB loans	594
<u>220</u>	Repayment of Finance Lease liabilities	<u>220</u>
<u>811</u>	Net cash flows from financing activities	<u>814</u>

## 53. 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 straight forward Financial Assets and Liabilities such as trade receivables and trade payables and the most complex ones such as derivatives and embedded derivatives.

Examples of the categories of Financial Instruments, Assets and Liabilities are identified below:

### Assets

Bank deposits  
Trade receivables  
Loans receivables  
Other receivables and advances  
Investments

### Liabilities

Trade payables and other payables  
Borrowings (PWLB)

Trade creditors and debtors included as financial instruments are less than the creditors and debtors included in the Balance Sheet as those that are not contractual or are not due to be settled in cash or by another financial instrument are excluded.

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

	<u>Financial Liabilities</u>			
	31-Mar-10		31-Mar-11	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
Trade Creditors	5,884	5,884	6,325	6,325
Cash Overdrawn	2,306	2,306	2,953	2,953
PWLB Loans	8,781	9,890	8,187	9,376
<b>Total</b>	<b>16,971</b>	<b>18,080</b>	<b>17,465</b>	<b>18,654</b>

The fair value is greater than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the markets at the balance sheet date. The fair value measurement for loans payable has been provided by the PWLB.

	<u>Financial Assets</u>			
	31-Mar-10		31-Mar-11	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
Trade Debtors	5,339	5,339	6,751	6,751
Deposits with Banks and Financial Institutions	18,692	18,692	15,812	15,812
<b>Total</b>	<b>24,031</b>	<b>24,031</b>	<b>22,563</b>	<b>22,563</b>

#### Financial Liabilities

These relate to loans from the PWLB, which are included in the Balance Sheet as outstanding principal (carrying value) and accrued interest, shown separately within current liabilities. Trade creditors and other payables are shown at the invoiced amounts.

#### Financial Assets

Temporary investments that have fixed or determinable payments, but are not quoted in an active market, and trade debtors and receivables based on the invoiced/billed amounts.

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. No early repayment has been undertaken.

### Collateral

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

### Impairment, Income and Expenses

Impairments, income and expenses recognised in the Comprehensive Income and Expenditure Statement, in relation to financial instruments are made up as follows:

#### **Icelandic Banks Investments**

Early in October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration. Humberstone Police authority had £5.57m deposited across two of these institutions, with varying maturity dates and interest rates as follows:

<b>Institution</b>	<b>Amount (£)</b>	<b>Maturity Date</b>	<b>Interest Rate</b>
Kaupthing Singer and Friedlander	1,000,000	22 <sup>nd</sup> December 2008	6.45%
Heritable	1,000,000	22 <sup>nd</sup> October 2008	5.92%
Heritable	2,000,000	3 <sup>rd</sup> July 2009	6.52%
Heritable	1,570,000	21 <sup>st</sup> September 2009	6.35%

All monies within these institutions are currently subject to the respective administration processes. The amounts and timing of payments to depositors such as the authority will be determined by the administrators.

The current situation with regards to recovery of the sums deposited varies between each institution. Based on the latest information available the Authority considers that it is appropriate to consider an impairment adjustment for the deposits, and has taken the action outlined below. As the available information is not definitive as to the amounts and timings of payments to be made by the administrators, it is likely that further adjustments will be made to the accounts in future years.

#### **Heritable Bank**

Heritable bank is a UK registered bank under Scottish law. The company was placed in administration on 7 October 2008. The creditor progress report issued by the administrators Ernst and Young, in January 2010 outlined that the return to creditors was projected to be 85p in the £ by end of 2012. Prior to 2010/11 the Authority received 35% of the amount claimed. During 2010/11 further amounts were received of 15.08%. Therefore in calculating the impairment the Authority has made the following assumptions regarding the timing of recoveries:

April 2011 – 6.25%	April 2012 – 5%
July 2011 – 5%	July 2012 – 5%
October 2011 – 5%	October 2012 – 3.65%
January 2012 – 5%	

Recoveries are expressed as a percentage of the Authority's claim in the administration, which includes interest accrued up to 6 October 2008.

## Kaupthing Singer and Friedlander Ltd

The creditor progress report issued by the administrators Ernst and Young, in April 2010 outlined that the return to creditors was projected to be between 65p to 78p but was likely to be 71p in the £ but no timescale was indicated. In the April 2011 report to creditors the amount recoverable has improved and is estimated to be between 78p to 86p in the £. Prior to 2010/11 the Authority received 30% of the amount claimed. During 2010/11 further amounts were received of 23%. Therefore in calculating the impairment the following assumptions have been made regarding the timing of recoveries:

May 2011 – 5%  
January 2012 – 8%

July 2012 – 8%  
January 2013 – 8%

This provides an average recovery of 82%, being the mid point of the expected range (above). Recoveries are expressed as a percentage of the Authority's claim in the administration, which includes interest accrued up to 7 October 2008.

### Effect of Financial Instruments on the Comprehensive Income and Expenditure Statement

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

	Liabilities	Assets	
	PWLB Loans £'000	Deposits with Banks and Financial Institutions £'000	Total £'000
Interest Expense	489		489
Impairment reversal		(158)	(158)
Interest Income		(320)	(320)
Net Affect for the Year	489	(478)	11

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 Strategy 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 made in accordance with the treasury management practices and associated schedules approved as part of the treasury management policy statement.

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 2011, includes £8.5m 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 Three Months	311
More than Three Months	16
	327

- **Liquidity Risk**

As at the 31 March 2011 the Authority has balances on revenue reserves of £33.9m and deposits with banks and financial institutions of £15.8m. 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 its financial commitments.

As part of the Treasury Management Strategy 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 31<sup>st</sup> March 2011 is as follows:

	Actual at 31-Mar-10 £'000	Actual at 31-Mar-11 £'000
One Year	888	826
Between One and Two Years	826	828
Between Two and Five Years	2,528	2,566
Between Five and Ten Years	3,006	2,726
Between Ten and Fifteen Years	2,001	1,769
More than Fifteen Years	1,066	786
	10,315	9,501

- **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 Strategy Statement.  
  
Fluctuations in market interest rates are 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
- **Unrecognised Gains or losses relating to Financial Instruments**  
The Authority has no financial assets with unrecognised gains or losses at the balance sheet date.

## 54. TRANSITION TO IFRS

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS-based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10.

The following tables and accompanying notes explain the material differences between the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 financial statements.

### Reconciliation of reserves at the date of transition to IFRS (1 April 2009)

	<b>£'000</b>
Total reserves at 31 March 2009 under UKGAAP	(926,017)
Adjustments for IFRS changes:	
Short - term accumulating compensated absences (note 1 below)	(3,033)
Police Pensions Injury Awards Scheme (note 2 below)	(20,980)
Leases (note 3 below)	(341)
Government grants (note 4 below)	5,492
Total reserves at 1 April 2009 under IFRS	<u>(944,879)</u>

### Reconciliation of reserves at the end of the most recent financial statements (31 March 2010)

	<b>£'000</b>
Total reserves at 31 March 2010 under UKGAAP	(1,451,792)
Adjustments for IFRS changes:	
Short - term accumulating compensated absences (note 1 below)	(2,638)
Police Pensions Injury Awards Scheme (note 2 below)	(36,170)
Leases (note 3 below)	(323)
Government grants (note 4 below)	5,269
Total reserves at 31 March 2010 under IFRS	<u>(1,485,654)</u>

### Reconciliation of income and expenditure of the most recent financial statements (year ended 31 March 2010)

	<b>£'000</b>
Deficit for the year under UKGAAP	59,465
Adjustments for IFRS changes:	
Short - term accumulating compensated absences (note 1 below)	(395)
Police Pensions Injury Awards Scheme (note 2 below)	1,930
Leases (note 3 below)	202
Deficit on Provision of Services for the year under IFRS	<u>61,202</u>

## 1. Short-term accumulating compensated absences

Short-term accumulating compensated absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Authority. The most significant benefit covered by this heading is holiday pay.

Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render services that increase their entitlement to future compensated absences. As a result, the Authority is required to accrue for any annual leave earned but not taken at 31 March each year. Under the previous accounting arrangements, no such accrual was required.

The government has issued regulations that mean authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

Accruing for short-term accumulating compensated absences has resulted in the following changes being made to the 2009/10 financial statements:

### Opening 1 April 2009 Balance Sheet

	<b>2009/10 Statements £'000</b>	<b>Adjustments made £'000</b>
Accruals	(10,420)	(3,358)
Provisions	(1,545)	325
Accumulated Absences Account	-	3,033

### 31 March 2010 Balance Sheet

	<b>2009/10 Statements £'000</b>	<b>Adjustments made £'000</b>
Accruals	(9,807)	(2,638)
Accumulated Absences Account	-	2,638

### Comprehensive Income and Expenditure Statement Cost of services (net)

	<b>2009/10 Statements £'000</b>	<b>Adjustments made £'000</b>
Local Policing	107,922	(231)
Dealing with the Public	15,865	(34)
Criminal Justice Arrangements	12,585	(27)
Road Policing	9,281	(20)
Specialist Operations	10,945	(23)
Intelligence	3,044	(7)
Specialist Investigations	14,178	(30)
Investigative Support	7,874	(17)
National Policing	974	(2)
The Corporate and Democratic Core	1,666	(4)
		<u>(395)</u>

## 2. Police Pensions Injury Awards Scheme

Under the Code, any obligation arising from other long term employee benefits that depend on length of service need to be recognised when service is rendered. As injury awards under the Police Pensions Injury Awards Scheme are dependent on service, the expected injury liability for active members has been recognised in these financial statements. As a consequence of adopting this change of accounting policy required by the Code, the following changes have been made to the 2009/10 financial statements:

### Opening 1 April 2009 Balance Sheet

	<b>2009/10 Statements £'000</b>	<b>Adjustments made £'000</b>
Other Long Term Liabilities - Pensions	(987,507)	(20,980)
Pensions Reserve	987,507	20,980

### 31 March 2010 Balance Sheet

	<b>2009/10 Statements £'000</b>	<b>Adjustments made £'000</b>
Other Long Term Liabilities - Pensions	(1,511,750)	(36,170)
Pensions Reserve	1,511,750	36,170

### Comprehensive Income and Expenditure Statement Cost of services (net)

	<b>2009/10 Statements £'000</b>	<b>Adjustments made £'000</b>
Local Policing	107,922	410
Dealing with the Public	15,865	18
Criminal Justice Arrangements	12,585	17
Road Policing	9,281	29
Specialist Operations	10,945	23
Intelligence	3,044	6
Specialist Investigations	14,178	39
Investigative Support	7,874	4
National Policing	974	4
Non Distributed Cost	129	(70)
Finance and Investment Income and Expenditure	67,172	1,450
		<hr/> 1,930
Actuarial (Gains) / Losses on Pension Assets / Liabilities	472,191	13,260
		<hr/> <hr/> 15,190

### 3. Leases

Under the Code, the Authority has been required to make an assessment of all leases existing at the transition date (1 April 2009) based on the facts and circumstances at that date. This can result in a lease being accounted for as an operating lease where it was previously treated as a finance lease; or as a finance lease where it was previously treated as an operating lease.

The government has issued regulations and statutory guidance in relation to accounting for leases. Under these arrangements, the annual charge to the General Fund (where the Authority is the lessee) will be unchanged.

The Authority has one lease where the accounting treatment has changed following the introduction of the Code. The Authority leases a helicopter from Santander Asset Finance plc. The lease term is 15 years from December 2000. The lease was previously classified as an operating lease, but under the Code, the lease has been classified as a finance lease.

As a consequence of classifying the lease as a finance lease, the financial statements have been amended as follows:

The Authority has recognised an asset (the helicopter) and a finance lease liability.

The operating lease charge within Net Cost of Services has been reduced by the amount that relates to the lease payments.

A depreciation charge has been included within Net Cost of Services.

The depreciation charge has been transferred from the General Fund to the Capital Adjustment Account, and the General Fund has been charged with the Minimum Revenue Provision (with the credit being made to the Capital Adjustment Account). These transfers are reflected in the balance sheets as at 1 April 2009 and 31 March 2010, and the adjustments that relate to 2009/10 are reported in the Movement in Reserves Statement for the year.

The interest element of the lease payment is charged to the Financing and Investment Income and Expenditure line in Surplus or Deficit on Provision of Services.

This has resulted in the following changes being made to the 2009/10 financial statements:

#### Opening 1 April 2009 Balance Sheet

	2009/10 Statements £'000	Adjustments made £'000
Property Plant & Equipment (leased assets)	-	1,413
Finance lease liability	-	(1,754)
Capital Adjustment Account	(20,084)	341

### 31 March 2010 Balance Sheet

	2009/10 Statements £'000	Adjustments made £'000
Property Plant & Equipment (leased assets)	-	1,211
Finance lease liability	-	(1,534)
Capital Adjustment Account	(14,551)	323

### Comprehensive Income and Expenditure Statement

#### Cost of services (net)

	2009/10 Statements £'000	Adjustments made £'000
Local Policing	107,922	118
Dealing with the Public	15,865	17
Criminal Justice Arrangements	12,585	14
Road Policing	9,281	10
Specialist Operations	10,945	(62)
Intelligence	3,044	3
Specialist Investigations	14,178	16
Investigative Support	7,874	9
National Policing	974	1
The Corporate and Democratic Core	1,666	2
Finance and Investment Income and Expenditure	67,172	74
		<u>202</u>

## 4. Government grants

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, grants were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

The balance on the Capital Grant Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 Balance Sheet.

Portions of government grants deferred were previously recognised as income in 2009/10; these have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures. This has resulted in the following changes being made to the 2009/10 financial statements:

This has resulted in the following changes being made to the 2009/10 financial statements:

#### Opening 1 April 2009 Balance Sheet

	2009/10 Statements £'000	Adjustments made £'000
Capital Grant Deferred account	(5,492)	5,492
Capital Adjustment Account	(20,084)	(5,492)
Capital Grants Unapplied Reserve	-	(223)
General Fund Balance	(5,182)	223

### 31 March 2010 Balance Sheet

	<b>2009/10 Statements £'000</b>	<b>Adjustments made £'000</b>
Capital Grant Deferred account	(5,269)	5,269
Capital Adjustment Account	(14,551)	(5,269)

### Comprehensive Income and Expenditure Statement Cost of services (net)

	<b>2009/10 Statements £'000</b>	<b>Adjustments made £'000</b>
Local Policing	107,922	911
Criminal Justice Arrangements	12,585	19
Road Policing	9,281	210
Specialist Operations	10,945	627
Intelligence	3,044	20
Specialist Investigations	14,178	192
Investigative Support	7,874	172
National Policing	974	13
Taxation and Non Specific Grant Income	(192,737)	(2,164)
		<u>-</u>

## 5. Cash and cash equivalents

The Code introduced a new Balance Sheet category of Cash and Cash Equivalents, a definition of which is disclosed in the Accounting Policies. This change of category has required cash in hand and certain investments previously shown as short term investments to be reclassified as cash and cash equivalents. The following changes have been made to the 2009/10 financial statements:

### Opening 1 April 2009 Balance Sheet

	<b>2009/10 Statements £'000</b>	<b>Adjustments made £'000</b>
Cash in Hand	120	(120)
Short Term Investments	28,173	(5,482)
Cash and Cash Equivalents	-	5,602

### 31 March 2010 Balance Sheet

	<b>2009/10 Statements £'000</b>	<b>Adjustments made £'000</b>
Cash in Hand	359	(359)
Short Term Investments	18,333	(15,880)
Cash and Cash Equivalents	-	16,239

## 6. Provisions

Under the Code, provisions for liabilities are required to be presented as those due to be settled within one year and those due to be settled beyond one year of the Balance Sheet date. All provisions existing at 1 April 2009 have been assessed as due to be settled within one year, resulting in the following changes being made to the 2009/10 financial statements:

### Opening 1 April 2009 Balance Sheet

	<b>2009/10 Statements £'000</b>	<b>Adjustments made £'000</b>
Provisions - Long Term	(1,545)	876
Provisions - Short Term	-	(876)

## 55. PRIOR PERIOD ADJUSTMENTS

The only Prior Period Adjustments affecting these financial statements are in respect of the transition to IFRS, full details of which are explained in note 54 to the financial statements.

## **POLICE PENSION FUND ACCOUNTS**

The Code of Practice on Local Authority Accounting sets out the accounting treatment for the Police Pension Fund Accounts in the financial year 2010-11.

### **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 PENSION FUND ACCOUNTS

<u>2009-10</u> £'000		<u>2010-11</u> £'000
	<b>CONTRIBUTIONS RECEIVABLE</b>	
	Police Authority:	
(18,039)	- contributions at 24.2% of pensionable pay	(17,874)
(101)	- early retirements - Ill Health	(525)
(7,961)	Officers' contributions	(7,942)
(26,101)		(26,341)
	<b>TRANSFERS IN</b>	
(330)	Transfers in from other Pension Schemes	(171)
	<b>BENEFITS PAYABLE</b>	
30,474	- pensions	31,943
9,383	- commutations and lump sum retirement benefits	<u>10,682</u>
		42,625
	<b>PAYMENTS TO AND ON ACCOUNT OF LEAVERS</b>	
263	- transfers out to other Pension Schemes	464
463	- transfers out to other Police Authorities: 1966 & 1974 arrangements	<u>395</u>
		<u>859</u>
14,152	<b>NET AMOUNT PAYABLE FOR THE YEAR</b>	16,972
(14,152)	<b>ADDITIONAL CONTRIBUTION (FROM) THE POLICE AUTHORITY</b>	(16,972)
0		0

## NET ASSETS STATEMENT

<u>2009-10</u> £'000		<u>2010-11</u> £'000
	<b>Current Assets</b>	
-	Police Fund Debtor	-
	<b>Current Liabilities</b>	
-	Unpaid Pensions Due	-
0		0

## NOTES TO THE POLICE PENSION FUND ACCOUNTS

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 being employee contributions, employer contributions, which for 2010-11 was 24.2% 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 Authority’s financial statements.

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 (IAS 19 Employee Benefits), which is a divergence from the accounting policy for the Police Fund Account as stated in the statement of accounting policies. Details of the long term pension obligations can be found in note 41 of the Authority’s financial statements.

Employees’ and employer’s contribution levels are based on percentages of pensionable pay set nationally by the Home Office and are subject to triennial revaluation by the Government Actuary’s Department.

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

There are no changes to the amounts reported for 2009-10 or for 2010-11 in the Police Pension Fund Accounts as a result of adopting the IFRS-based Code of Practice for the first time in these financial statements. The Net Assets Statement at 1 April 2009 also remains unchanged at a net £Nil, comprising Police Fund Debtor £1,280k less Unpaid Pensions Due £1,280k as previously reported.

## GLOSSARY OF ACCOUNTING TERMS

The Authority has adopted the International Financial Reporting Standards (“IFRS”) based Code of Practice on Local Authority Accounting from 1 April 2010 as its standard basis of accounting. This replaces the UK Generally Accepted Accounting Practice (“UK GAAP”) based Code which has been the basis for previous sets of financial statements and brings with it some notable changes in terminology:

<b>IFRS based Code</b>	<b>UK GAAP based Code</b>
Comprehensive Income and Expenditure Statement	Income and Expenditure Account
Non Current Assets	Fixed Assets
Property, Plant and Equipment	Tangible Fixed Assets
Inventories	Stocks

Definitions of accounting terms used is given below:

<b>Term</b>	<b>Definition</b>
<b>Accounting period</b>	The period of time covered by the financial statements, normally a period of twelve months.
<b>Accruals basis</b>	Under the accruals concept, expenses are recognised when incurred, not when the cash is actually paid out, and revenue is recognised when it is earned, not when the cash is actually received.
<b>Actuarial gain and loss</b>	For a defined benefit scheme, the changes in the actuarial deficits or surpluses that arise because : <ul style="list-style-type: none"> <li>▪ events have not coincided with actuarial assumptions made for the last valuation (experience gains and losses) or</li> <li>▪ The actuarial assumptions have changed.</li> </ul>
<b>Agency cost</b>	Services which are performed by or for another authority or public body, where the agent is reimbursed for the cost of the work done.
<b>Amortisation</b>	The term used for depreciation of intangible assets such as the annual charge in respect of computer licences the Authority has purchased.
<b>Asset</b>	An item owned or leased by the Authority, which has a value, for example, land and buildings, vehicles, equipment, cash.
<b>Assets held for sale</b>	Assets are held for sale if their value will be recovered through a sale transaction rather than through continuing use.
<b>Balance Sheet</b>	This represents a summary of all the assets and liabilities of the Police Authority.
<b>BVACOP</b>	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.
<b>Capital expenditure</b>	Expenditure on new assets or on the enhancement of existing assets so as to prolong their useful life or enhance value.

<b>Capital Financing Account</b>	This account represents amounts set aside from revenue or capital receipts to finance expenditure on property, plant and equipment or for the repayment of external loans and certain other capital financing transactions.
<b>Capital Financing Requirement (CFR)</b>	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.
<b>Capital receipts</b>	Proceeds from the sale of property, plant and equipment.
<b>Carry overs</b>	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.
<b>Cash and cash equivalents</b>	Cash includes cash held in bank accounts and cash in hand. Cash equivalents are assets that can be readily converted into cash such as deposits and certain short term investments.
<b>CIPFA</b>	The Chartered Institute of Public Finance and Accountancy. This is the main professional accountancy body relating to the public sector.
<b>Collection Fund</b>	Precept Income is collected on behalf of the Police Authority by the four billing Authorities (East Riding of Yorkshire Council; Kingston upon Hull City Council; North East Lincolnshire Council and North Lincolnshire Council). The precept income is then paid to the Police Authority as Precept Income.
<b>Contingent asset or liability</b>	An asset or liability that is not recognised in the financial statements due to the level of uncertainty surrounding it but is disclosed as it is possible that it may result in a future inflow or outflow of resources.
<b>Corporate &amp; Democratic Core costs</b>	These represent the costs of delivering public accountability and representation in policy-making and meeting our legal responsibilities.
<b>Current asset or liability</b>	An asset or liability that the Authority expects to hold or discharge for a period of less than one year from the Balance Sheet date.
<b>Debtors</b>	Sums of money due to the Authority for work done or services supplied but not received at the end of the financial year.
<b>Deferred liabilities</b>	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.
<b>Depreciation</b>	The accounting charge representing the use of property, plant and equipment assets which spreads the cost or value of the asset over its useful life.
<b>Employee benefits</b>	All forms of consideration given to employees for services rendered. These are salaries and wages, social security costs (national insurance), superannuation contributions, paid sick leave, paid annual and long service leave and termination payments.
<b>Financial instruments</b>	Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.

<b>Financial Regulations</b>	A written code of procedures approved by the Authority to provide a framework for the proper financial management of the Authority.
<b>Going concern basis</b>	The underlying assumption used in producing the financial statements that the Authority will continue to operate for at least 12 months from the Balance Sheet date.
<b>Impairment</b>	The fall in the value of an asset.
<b>Intangible assets</b>	Capital expenditure which does not create a tangible asset.
<b>Inventories</b>	Stocks held by the Authority such as uniforms, fuel etc.
<b>Joint Police Authorities Committee (JPAC)</b>	Committee comprising the four Police Authorities in the Yorkshire region (West Yorkshire, South Yorkshire, North Yorkshire and Humberside) to provide joint services.
<b>Leases</b>	A method of financing expenditure over a period of time. There are two types of lease: <ul style="list-style-type: none"> <li>▪ 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.</li> <li>▪ Operating lease, where the risks of ownership stay with the leasing company and the annual rental charges are made via the Comprehensive Income and Expenditure Statement.</li> </ul>
<b>Liability</b>	An amount owing to a third party such as a loan or unpaid invoice from a supplier.
<b>Local Authority Accounting Panel (LAAP) bulletin</b>	Latest update from CIPFA detailing amendments and guidance to changes in Local Authority Accounting Practice.
<b>Minimum Revenue Provision (MRP)</b>	The Minimum Revenue Provision is the amount required by statute that the Authority must fund to cover the redemption of external debt, including any supported or unsupported borrowing used to fund capital; the MRP amount being equal to the capital expenditure funded by the borrowing over the expected life of the assets.
<b>Medium Term Financial Strategy (MTFS)</b>	The MTFS covers a 5 year period and describes the financial direction of the Force and the Authority capturing known and estimated funding, financial pressures and development needs as well as seeking to identify financial risks. It is an indication of the likely direction of financial planning over the next year.
<b>Net assets</b>	Total assets less total liabilities.
<b>Non current asset or liability</b>	An asset or liability that the Authority expects to hold or discharge for a period of more than one year from the Balance Sheet date.
<b>Non Distributed Cost</b>	This is where overheads are not charged or apportioned to activities within the BVACOP service expenditure analysis.
<b>Police Property Act Fund</b>	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.

<b>Precept</b>	A levy which the Police Authority makes through the Council Tax to pay for services.
<b>Prepayment</b>	Where an amount of expenditure is paid in the current financial year, but the goods or services are a benefit in the next/following year.
<b>Proceeds Of Crime Act 2002</b>	This relates to cash seized which is believed to be the result of criminal activities.
<b>Provision</b>	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.
<b>Prudential Borrowing</b>	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.
<b>Reserves</b>	General reserves are accumulated balances available to support revenue or capital spending and meet unforeseen events. Earmarked reserves are amounts set aside for an agreed purpose in one financial year and carried forward to meet expenditure in future years.
<b>Revenue expenditure</b>	Spending on day to day items, including salaries, premises costs and supplies and services.
<b>Revenue Support Grant</b>	A grant paid by Central Government towards the costs of the service.
<b>The Code</b>	The Code of Practice published by CIPFA, relating to Local Authority Accounting in the United Kingdom and is issued each year.
<b>Unrealised gains and losses</b>	Unrealised gains and losses are those which have been recognised by the Authority in its financial statements but are only potential gains as they have yet to be realized, such as rises and falls in the value of land and buildings due to changes in the property market. The gain or loss only becomes realised when the property is sold.

## Acronyms

ACPO	Association of Chief Police Officers
APA	Association of Police Authorities
APACE	Association of Police Authority Chief Executives
BVACOP	Best Value Accounting Code of Practice
CDRP	Crime and Disorder Reduction Partnership
CFR	Capital Financing Requirement
CIPFA	Chartered Institute of Public Finance and Accountancy
CSP	Community Safety Partnership
CSR	Comprehensive Spending Review
DCLG	Department of Communities and Local Government
GAD	Government Actuaries Department
GMPA	Greater Manchester Police Authority
GOYH	Government Office for Yorkshire and the Humber
HANWAG	Humberside Association of Neighbourhood Working Groups
HMIC	Her Majesty's Inspector of Constabulary
HPA / HP	Humberside Police Authority / Humberside Police
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
IPCC	Independent Police Complaints Commission
ISIS	Information Systems Improvement Strategy
JANE	Joint Arrangement Not an Entity
JPAC	Joint Police Authorities' Committee
LAAP	Local Authority Accounting Panel
LCJB	Local Criminal Justice Board
LGYH	Local Government Yorkshire and the Humber
LSP	Local Strategic Partnership
MRP	Minimum Revenue Provision
MTFS	Medium Term Financial Strategy
NPT	Neighbourhood Policing Teams
NYP / NYPA	North Yorkshire Police Authority / North Yorkshire Police
OPPB	Operational Policing Programme Board
PASA	Police Authority Self Assessment Framework
PATS	Police Authority Treasurers' Society
PCSD	Police Crime Standards Directorate
PDR	Performance Development Review
PWLB	Public Works Loans Board
RIEP	Regional Improvement and Efficiency Partnership
SOLACE	Society of Local Authority Chief Executives
SYP / SYPA	South Yorkshire Police Authority / South Yorkshire Police
UITF	Urgent Issues Task Force of Accounting Standards Board
WYP / WYPA	West Yorkshire Police Authority / West Yorkshire Police