

## Statement of Accounting Policies

1. **General Principles** The Authority's accounts have been prepared in accordance with:
- the accounting principles contained within the Code of Practice on Local Authority Accounting 2005, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), as applicable to Police Authorities.
  - The accounts also reflect guidance notes issued on the application of Statements of Standard Accounting Practice (SSAPs) and Financial Reporting Standards (FRS's). Exceptions to this are disclosed where necessary.

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

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

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

- **Land and Buildings**

To reflect the requirements of the SORP (Statement Of recommended Practice) Land and Buildings are revalued on a roll programme every 5 years.

- **Vehicles, Information Technology and other equipment**  
Shown at purchase price.

- **Non operational Assets**

Valued as for operational assets.

- **Intangible Assets**

Software, shown at purchase price or written down value.

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

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

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

Tangible fixed assets

Buildings	25-50 years
Vehicles	
Small/medium sized	1-5 years
Large	6-8 years

Boat	10 years
Equipment	5 years

Intangible assets

Software	5 years
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From 2005-06 depreciation is calculated on balances brought forward, whereas in previous years was calculated on balances after disposals of assets and capitalization of expenditure.

- 5. Capital Charges**

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

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

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

The Authority raises loans to finance capital expenditure from the PWLB (Public Works Loans Board). Instalments of principal repayments are charged against the statutory Minimum Revenue Provision (MRP), with additional voluntary provision made, that equates to the amount of loan repayments required.
- 8. Capital Receipts**

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

Grants in respect of revenue expenditure are included in the accounts in the year in which the related expenditure was charged. Grants for capital expenditure are credited initially to the government grants deferred accounts. Amounts are released to the Asset Management Revenue Account over the useful life of the asset to match the depreciation charged on the asset to which it relates.
- 10. Provisions**

The Authority sets aside provisions for future expenses which are likely to be incurred but which cannot yet be determined precisely. At 31 March 2006 there were provisions for insurance, commuted police overtime and compensatory grant payments.
- 11. Accruals**

The Revenue Account of the Police Authority is maintained on an accruals basis. This means that sums due to or from the

Authority during the year are included in the accounts whether or not the cash has actually been received or paid in the year in question.

For 2005-06 a new method for determining accruals has been applied using a greater degree of estimation in order to achieve early closedown.

It should be noted that:

- Provision has been made for all known revenue and capital accruals for goods and services supplied both by and to the Authority during the year.
- Accruals for expenditure and income, relating to non pay items have been calculated from estimated outturn figures, provided by budget holders at the end of February 2006, (revised at the end of March) after taking account of final ledger position figures at 31<sup>st</sup> March 2006.
- Pay and overtime payments made in the following year, relating to 2005/06, have been fully accrued.

**12. Stocks and Work in Progress**

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

**13. Reserves**

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

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

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

**14. Interest on Investments**

Reflects the investments undertaken as part of the Authorities approved Treasury Management Policy, the interest received is credited to the Revenue Account.

## 15. Pensions

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

- **Police Officers**

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

- **Police Staff**

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

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

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

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

Revenue account

The overall amount to be met from Government grants and local taxation has remained unchanged, but the costs disclosed as the net service expenditure are 3.61% higher after the replacement of actual pensions expenditure by current service cost and net operating expenditure is 27.5% higher than it would otherwise have been.

Balance Sheet

The requirement to recognise the net pensions liability in The balance sheet has reduced the reported net worth of the authority by 1,457%