Hampshire Police Authority

Statement of Accounts 2009/10

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Treasurer's Explanatory Foreword - Introduction

Introduction

This foreword provides an introduction to Hampshire Police Authority's Statement of Accounts for 2009/10. It includes summaries of:

* the role of the Police Authority and the content of the Statement of Accounts;
* achievements and developments and the financial position relating to both revenue and capital expenditure over the course of the year.

The Role of the Police Authority

Hampshire Police Authority covers the whole of Hampshire and the Isle of Wight. In policing terms Hampshire Constabulary is one of the largest non-metropolitan forces in England and Wales. The combined population of Hampshire and the Isle of Wight is approximately 1.8m. The aims of the Authority are to:

* secure an efficient and effective police service for everyone in Hampshire and the Isle of Wight
* be a leading Police Authority that is recognised and respected at local, national and regional level.

The strategic objectives are set out in the Policing Plan which is on the Authority and Constabulary websites. Further updates on achievements and developments can also be found on the websites:

www.hampshirepoliceauthority.org
www.hampshire.police.uk

Statement of Accounts

The Police Authority's Statement of Accounts for 2009/10 consist of the:

* Statement of accounting policies
* Statement of Responsibilities for the Statement of Accounts
* The accounting statements:-
    * Income and Expenditure Account, presented in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy's Best Value Accounting Code of Practice;
    * Statement of Movement on the General Fund Balance;
    * Statement of Total Recognised Gains and Losses;
    * Balance Sheet as at 31 March 2010;
    * Cash Flow Statement
* Police Pension Fund Account and Net Assets Statement
* Notes to the accounts

The purpose of the main elements of the Statement of Accounts is described on the next page.

Annual Governance Statement

In addition to the Statement of Accounts, this publication includes the Annual Governance Statement which is required to be presented alongside the Statement of Accounts but which is not covered directly by the Treasurer's certification or the Audit report.

Treasurer's Explanatory Foreword - Introduction (continued)

The **Statement of Accounting Policies** outlines the accounting policies applied by the Authority in constructing the accounts. The Policies are in line with the CIPFA Statement of Recommended Accounting Practices (the 'SORP') and are applied so that the accounts are consistent one year with another.

The **Annual Governance Statement** explains how the Authority has complied with its code of corporate governance, which itself is consistent with the principles of the CIPFA/SOLACE Framework: *Delivering Good Governance in Local Government* . This also meets the requirements of the Accounts and Audit Regulations 2003 (Amended in 2006) in relation to the publication of a statement on internal control.

The **Income and Expenditure Account** shows a summary of the resources generated and consumed by the Authority in the year. It shows the net cost for the year of the functions for which the Authority is responsible and demonstrates how that cost has been financed from general Government grants and income from local taxpayers.

The **Statement of Movement on the General Fund Balance** shows adjustments that are needed to the Income and Expenditure Account to reflect the true effect on the General Fund.

The **Statement of Total Recognised Gains and Losses** shows gains and losses in the year that by their nature are not reflected in the Income and Expenditure Account. They reflect a combination of capital cash items and accounting transactions arising from movements in the Balance Sheet. The largest of these reflects the actuarial adjustment for pension's liabilities.

The **Balance Sheet** sets out the Authority's year end financial position. It shows the balances and reserves at the Authority's disposal and its long-term indebtedness, the fixed and net current assets employed in its operations, and summarised information on the fixed assets held.

The **Cash Flow Statement** summarises the inflows and outflows of cash arising with third parties for capital and revenue purposes.

Treasurer's Explanatory Foreword - Review of the Year

Overall crime reduced in the year by 10.4% (over 16,500 fewer offences) and detection rates increased by 8.3% from 25.27% to 27.37%. In the year to December 2009, 52% of the public were confident that the "police are dealing with anti-social behaviour and crime in their areas", according to the national measure contained in the British Crime Survey. This is an increase on the previous year and saw the Constabulary rise from 5th to 3rd in its group of most similar forces. Overall user satisfaction was 67%. A focus in the year on tackling anti-social behaviour and a particular emphasis on this during the peak summer months resulted in significant successes with reductions in criminal damage offences (17% or 1517 offences), rowdy and nuisance offences (16%, 3157 offences) and vehicle nuisance offences (22%, 816 offences).

Performance figures: Sanctioned detections

	All Crime			
	2006/07	2007/08	2008/09	**2009/10**
Recorded	**180,894**	**164,152**	**158,901**	**142,365**
Detected	**40,909**	**43,714**	**40,154**	**38,965**
Percentage	**22.6%**	**26.6%**	**25.27%**	**27.37%**

General Statistics:

Numbers of:	31 March 2009	31 March 2010
Employees (headcount)	6,817	6,767
Operational buildings	69	67
Vehicles	1,084	1,122
Dwellings	36	24

This performance was achieved at a time when the Force was operating in an uncertain and changing environment. The global economy was in the midst of a major downturn and confidence in financial institutions was low. Furthermore, with an election in prospect in the coming eighteen months and the likelihood of cuts to public sector budgets becoming stronger by the day, coupled with a capital programme of unprecedented levels, the Force continued the sustained action of controlling its discretionary expenditure which was necessary in the previous year. The emphasis on medium-term financial planning and the affordability of current services became more focussed. Recruitment was slowed down to keep the pressure on delivering savings, support departments began the task of service review and zero based budgeting was introduced in key non-pay spending areas. Despite this changing and unpredictable climate, the performance figures showed improvements in many areas and the Force budget was underspent by £7.8m at the year end.

The continuing unstable global economic climate had a number of effects on the financial position of the Authority:

* The value of fixed assets and values for vehicles and property which had been written down by almost £28m in 2008/09 were deemed not to have recovered by the year end.

* The Bank of England maintained the base rate of interest at the all-time record low of 0.5% in a bid to stimulate investment and aid recovery. This led to the Authority being able to borrow to finance its capital programme at very low rates. On the other side of the equation, however, the interest received on surplus cash balances, which is credited to the income and expenditure account - and which helps to reduce the burden on the council tax payer - reduced accordingly. In the end, external borrowing was only £3m, with cash reserves financing the remainder of the capital expenditure in the short-term. Interest on investments was in line with the reduced expectations.

Treasurer's Explanatory Foreword - Review of the Year (continued)

* The volatility in the banking sector and in the commercial sector which increased the risks on investments in 2008/09 was less pronounced in 2009/10 but there was no room for complacency. A focus on the stability of some debtors and creditors was maintained to ensure that any latent risks were mitigated. The Authority was not exposed to a loss of investments due to a sound treasury management policy which placed restrictions on which counterparties surplus cash could be placed with. Most debtors are other public sector organisations and thus the risk of default was less than in other parts of the economy. Those debtors from the private sector were managed accordingly: the provision for bad debts was decreased by £50,000 to reflect a reduced assessment of the potential for debts to go bad.

It was in this changed environment that the Authority borrowed £3m to support the development of a new headquarters for Southampton OCU and produced a business case to relocate the operational headquarters in Winchester to a site it had purchased in the previous year. Conscious that the medium-term financial funding prospects were uncertain, the Authority considered the savings it would need to finance these ambitious plans. At the year end, as well as making an underspend, the Authority had contributed a further £2.3m towards the 2010/11 budget and £0.4m into a 'Spend to Save' reserve to deliver operational efficiencies which require up-front investment to secure.

The Authority’s net pension liability has increased from £1,680m at 31 March 2009 to £2,211m at 31 March 2010. This change of £531.0m is net of a £33.1m increase in the Authority’s assessed share of the assets of the Local Government Superannuation scheme as a result of improved investment performance in 2009/10, which was more than offset by an increase in the assessed present value of the Authority’s liabilities on all pension schemes of £575.1m. The large negative FRS17 pension reserve is mainly due to the police pension scheme being an unfunded scheme i.e. with no fund assets to offset future liabilities when existing police officers have all retired. The statutory arrangements for funding the liability mean that the Authority's financial position remains sound.

The movement in the year is primarily the result of the interaction of the financial assumptions made in accordance with the requirements of Financial Reporting Standard 17 (FRS17), with assumed higher future inflation resulting in higher future pay increases in local government but a lower corporate bond rate used as the basis for discounting future liabilities. Variations in actuarial assumptions are quite volatile, as can be evidenced by a reported gain on the liabilities of £100.03m in 2008/09 and a reported gain of £360.73m in 2007/08. The increased deficit on the Pension Reserve is the main factor underlying the reduction in the Authority’s net worth from £1,557m to £2,074m during 2009/10.

The Force achieved £27.04m of efficiency savings towards the three year target of £30m in 2009/10. This includes the savings and the underspend already referred to.

Treasurer's Explanatory Foreword - Review of the Year (continued)

In 2009/10, the Authority spent £296.9m against a net expenditure budget of £304.7m on policing services for the people of Hampshire and the Isle of Wight. The general underspend of £7.8m at the year end was put into the general fund reserve and £3.84m of this was carried forward to fund specific bids from OCU Commanders and Department Heads, much of which was required to meet commitments already entered into or ongoing at the year end, such as IT projects.

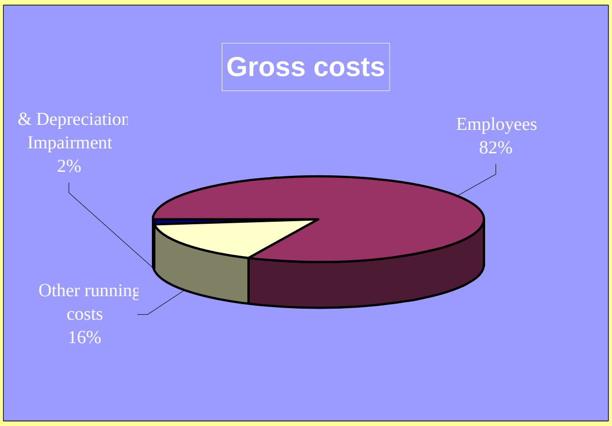
The main change in accounting policies in the year related to a requirement to show debtors and creditors in respect of council tax in the Authority's own accounts, whereas previously these balances were wholly accounted for by the billing authorities who collect the council tax on the Authority's behalf. The change was effective from 2008/09. However, in view of the relatively low size of the net adjustment required, the Authority accounted for the whole change in 2009/10. The impact of this was that the net debtors to the Authority at the end of 2009/10, totalling £1.272m, reduced the deficit on the Income and Expenditure Account by the same. However, the statutory basis for accounting for the council tax impact upon the General Fund was not changed. The charge to the Income and Expenditure Account was thus reversed out through the Statement of Movement on General Fund Balance in order that the overall General Fund balance was not affected by this change of policy.

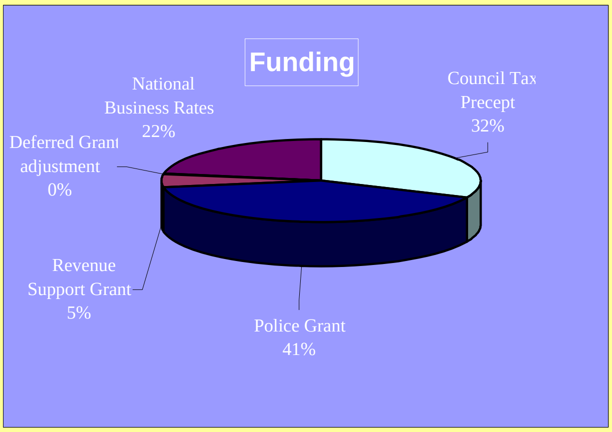
A summary of the revenue and capital expenditure and income follows this review of the year. The summary shows that the amount met from government grants and local taxpayers was £312m. Notwithstanding the fact that the Statement of Accounts is produced on a different basis from the management accounts, as explained in the notes to these accounts, the £15.2m difference from the net position reported in the summary compared to the figures reported to the Finance Committee is due to the different presentation of the general underspend and an adjustment in respect of capital grants received from the government and the balances on the collection fund accounts held by the billing authorities. Thus, the underspend of £7.8m is part of the 'Increase in General Fund' figure of £8.8m in the summary herein. Furthermore, a £0.5m adjustment in respect of capital grant received from the Government in a previous year and a £1.2m adjustment to Council tax precept income does not feature in the figures reported to the Finance Committee.

Notwithstanding the positive financial and operational performance achieved in the year, the medium term and the change of government presents some challenges which the Authority is bringing into, or is anticipating, in its projections and strategies. The new Conservative/Liberal Democrat coalition Government has announced its intention to reduce most of its grant funding to local authorities by at least 25% over the medium-term. Whilst these reductions will not be made clear until the Comprehensive Spending Review in the Autumn, the implications for government grants and other variables such as pay and price inflation, short and long-term interest rates, potential changes to capping limits all have to be factored into the medium-term projection and the impact upon service delivery assessed so that local and national policing priorities continue to be met.

Summary of Revenue and Capital Expenditure and Income

Revenue expenditure and income reflects the amount spent and received in respect of providing police services in the financial year.





Summary Income and Expenditure

	£m	£m
Gross cost of services		
Employees	282.4	
Other running costs	55.3	
Depreciation & Impairment	7.1	
Total police services		344.8
Income		
Service income	-20.6	
Additional grants	-23.4	
Govt Grant Deferred	-2.9	-46.9
Net Cost of Services		297.9
Other		
Levies	0.9	
Financing (net)	-0.2	
Pensions related	0.5	
Transfer to reserves	2.9	
Collection Fund adjustment	1.2	
Increase in General Fund	8.8	
Amount met from Government grants and local taxpayers		**312.0**
Council Tax Precept		-98.5
Police Grant		-127.3
Revenue Support Grant		-16.1
Deferred Grant adjustment		-0.5
National Business Rates		-69.6
		-312.0

Capital expenditure is incurred in the acquisition and enhancement of the Authority's assets which have a life of more than one year. Total expenditure in 2009/10 was £23.45m. The Home Office provided a general capital grant of £3.85m.

Capital receipts are the proceeds from the sale of capital assets. In 2009/10, £1.72m of general receipts were received from sales of police houses and vehicles. Receipts are used to finance capital expenditure.

Capital Income and Expenditure

	£m
Expenditure	
Land and buildings	18.4
Vehicles	3.9
IT & operational equipment	1.1
	23.4
Funded by	
Government grant	-3.9
Capital receipts	-3.5
Revenue contributions	-5.5
Borrowing (including internal)	-10.5
	-23.4

The Prudential Code allows the Authority to borrow money as long as it is prudent, affordable and sustainable. New loans totalling £3m were taken out in 2009/10 to finance a capital programme which added £23.4m of assets to the Authority's net worth. The Authority's total outstanding debt stood at £20.2m at the Balance Sheet date and anticipated external borrowing requirement in 2010/11 at the same date was £20m. Future borrowing was required to finance the completion of the new OCU Headquarters for Southampton and for the first phase of the redevelopment of Alpha Park, the site for the new Force Headquarters. These projections have been revised in the light of a decision made by the Authority to defer this redevelopment programme.

Statement of Accounting Policies and Estimation Techniques	
General Principles	The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (2009). This code is recognised by statute as representing proper accounting practices. Any significant non-compliance is explained in the following notes. The accounts have been compiled by applying the most appropriate policies and estimation techniques, taking into account the accounting concepts of qualitative characteristics of financial information (i.e. relevance, reliability, comparability and understandability), materiality and the pervasive accounting concepts (i.e. accruals, going concern and primacy of legislative requirements). All material income and expenditure including receipts, grants and employee costs have been accrued to the financial year to which they relate.
Service Expenditure Analysis	The Best Value Accounting Code of Practice specifies the headings to present the statutory income and expenditure accounts and defines those headings. The requirement for 2009/10 is to present the information in accordance with the new Police Objective Analysis which analyses the gross expenditure and gross income under nine headings which represent the main activities of the police service.
Central Support	The costs of support services are apportioned over all recipient services on a relevant basis e.g. premises costs based on floor areas, personnel support costs based on staff numbers and finance support costs based on budget.
VAT	VAT is not included as income or expenditure of the Authority in accordance with Statement of Standard Accounting Practice (SSAP) 5.
Precept Income	Precept income is included at the figure precepted on the collection funds of billing authorities in Hampshire and the Isle of Wight and is not subject to revision. Changes in the SORP 2009 mean that collection fund balances are accounted for on an accruals basis in the Income and Expenditure Account.
Specific Grants	Specific grants are included in the accounts on the basis of notification from the Government. Capital grants are credited to the Government grants deferred account and will be released over the life of the assets.
Investments	Surplus cash is invested in short term deposits to earn interest. Investments on deposit are valued at their nominal value. Investment income is recognised on receipt. The value of long-term (i.e. greater than one year) investments and loans is shown on the balance sheet with the 'current portion' of debt (i.e. that which is due in the following accounting period) being attributed to current liabilities (i.e. creditors) or current assets (i.e. debtors) in accordance with Local Authority Accounting Panel Bulletin 81. The balance on these long-term liabilities or assets is shown in the appropriate category on the balance sheet.
Interest	Interest payable on borrowings is accounted for in the year to which it relates, on a basis that reflects the overall effect of the loan or investment. Interest receivable is accounted for on the same basis.

Statement of Accounting Policies and Estimation Techniques

Debtors and Creditors

The accounts are maintained on an income and expenditure basis in accordance with the Code of Practice. That is, sums due to or from the Authority during the year are included, whether or not the cash has actually been received or paid in the year. As their value is not material, debtors and creditors of less than £1,000 are dealt with on a cash basis.

Pensions

Pension costs included in the income and expenditure account and balance sheet have been determined in accordance with FRS17 Retirement Benefits as required by the Code of Practice. The main impact of FRS17 is to include within the net cost of services the cost of actual retirement benefits earned in the financial year, as opposed to the amount paid. For the purpose of showing the impact on the General Fund, the value of benefits earned is replaced by the value of contributions in the Statement of Movement on the General Fund Balance. The net liability is shown in the balance sheet.

Police Pension Scheme (for Police Officers only)

There are currently two police pension schemes in operation, known as the Police Pension Scheme (PPS) and the New Police Pension Scheme (NPPS) which offer different terms and benefits. Both are unfunded schemes. The Authority and officers make contributions to the pensions account based on pensionable pay. This amount is included within employees costs. Pensions and lump sums are paid out of the pensions account. The difference between pension account incomings and outgoings each year is paid to or from the Home Office. The Authority is responsible for the costs of injury pensions. Ill-health pensions costs are met by a capital equivalent transfer from the Income and Expenditure Account to the Police Pension account when the officer retires.

Local Government Pension Scheme

Police staff are eligible to join the Local Government Pension Scheme administered by Hampshire County Council. This is a funded scheme. In 2009/10 the Authority paid an employer's contribution representing 18.6% of pensionable pay. The contribution rate is determined by the Fund's actuary based on valuations every three years. At the 31 March 2007 valuation the actuary recommended a phased increase in employer contribution rates over the next three years. The rate for 2010/11 will be 19.1% of pensionable pay.

Statement of Accounting Policies and Estimation Techniques	
	Additional contributions are payable to cover the cost of any early retirements except those due to ill-health. In addition the Authority is responsible for all pension payments relating to any added years' benefits, together with the related increases. The values for each scheme are shown separately in the notes. Assets are measured at fair value which is assessed on the basis of bid price. Liabilities are measured using the projected unit method. Liabilities are discounted at appropriate rates. Further details are in the notes to the accounts, the valuation report and the Hampshire Pension Fund Annual Report.
Liquid Resources	The Authority includes cash, stock and short-term investments in its categorisation of liquid resources, on the basis that these are either actually held as cash or are readily convertible to cash in the short-term.
Trading Account	The Authority has one trading account in respect of venue hire and functions at its Training and Support Headquarters. The income and expenditure is now included within the net cost of services to give clearer reconciliations between the financial ledger and the statement of accounts. Any net surplus or deficit is credited or debited to an earmarked reserve at the year end.
Changes in Account-ing Policies	The Authority has a pre-existing policy of preparing its accounts on an accruals basis - i.e. Income and expenditure is accounted for in the year which it relates to and not the year in which it is received or paid. The exception to this has been the treatment of the Collection Fund for the council tax income due to the Authority, as a preceptor, from the billing authorities. The SORP 2009 recognises that the billing authority is acting as an agent of the preceptor and that the Council Tax income included in the Income and Expenditure Account for the year shall be the accrued income for the year. The statutory basis for accounting for the amount to be credited to the General Fund is unchanged. Consequently, there are some adjustments through the Statement of Movement of General Fund Balance and a Collection Fund Adjustment Account has been set up on the Balance Sheet to mitigate the impact on the Income and Expenditure Account. The credit to the Income and Expenditure Account in the year was £1.272m and an equivalent adjustment to the new balance sheet account meant that there was no impact on the general fund reserve. Non-operational dwellings have been revalued in the year at market value, having previously been valued at existing use value. Given the nature of these assets, the differences between the valuation methodology is minimal and no adjustments to prior periods is required. Once there is a reasonable certainty that one of these dwellings will be sold in the forthcoming twelve months and is being marketed, the asset becomes categorised as a 'Surplus asset held for disposal' in the Balance Sheet.

Statement of Accounting Policies and Estimation Techniques	
Assets	Assets yield benefits to the Authority for a period of more than one year. Assets are shown in the balance sheet at their written-down value after taking account of depreciation. All expenditure above the de minimis limit of £10,000 (£6,000 for vehicles) on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis. Assets are valued on the basis recommended by the Chartered Institute of Public Finance and Accountancy in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS). All assets are initially valued at the depreciated historic cost until formally revalued. Intangible assets are valued at depreciated historical cost. Operational land and buildings are revalued at depreciated replacement cost. Houses and dwellings are revalued at their existing use value, except where non-operational, in which case they are valued at market value. Other non-operational assets are shown at their historic cost. Capital expenditure that enhances the useful life of the asset, but does not increase the value of the asset, is charged to the capital adjustment account. Assets are revalued if their use changes. Beat houses and police houses were revalued in 2009/10 in order to comply fully with the requirements of Financial Reporting Standard (FRS) 15, which requires revaluations to be carried out at a maximum interval of five years. All other operational assets were revalued during 2006/07. The revaluation of dwellings in Hampshire were carried out by Hampshire County Council's Estates Practice. All other valuations were undertaken by Hampshire Constabulary Business and Property Services Staff. Where assets are revalued, increases in the valuation over the current value on the Balance Sheet are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where there has previously been an impairment loss charged to the cost of services. The Revaluation Reserve contains revaluation gains recognised since 1 April 2007, the date of its formal implementation. Gains arising before that date have been consolidated into the opening balance on the Capital Adjustment Account.
Capital Receipts	For all receipts over a de minimis limit of £6,000, a Capital Receipts Reserve is maintained. This is used to fund future capital expenditure. Upon disposal of an asset the SORP requires the gain or loss on disposal to be recognised in the accounts. This gain or loss is the difference between the written down (i.e. 'book') value of the asset and the sale proceeds. When making this calculation, however, no distinction is drawn between receipts below and above the de minimis limit in the Income and Expenditure Account.

Statement of Accounting Policies and Estimation Techniques	
Depreciation	Depreciation is defined as the measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset. Depreciation is charged on all assets, with the exception of land where no depreciation is charged. Where is it charged, assets are depreciated on a straight line basis, although vehicles have an estimated residual value which is excluded from this calculation. Where a vehicle has reached the end of its expected life but the vehicle is retained, the residual value is revised and this forms the depreciation charge for the year. Buildings have a half year depreciation in the year of acquisition and sale. Vehicles have a full year of depreciation in the year of purchase but are not depreciated in the year of sale. This reflects the relative speed of depreciation of buildings and vehicles.
	Intangible fixed assets are amortised on a straight line basis and no residual value is assumed unless this can be measured reliably.
Leases	Leases are accounted for in accordance with SSAP 21 and FRS 5 where issues of substance over form need to be considered. A finance lease transfers substantially all the risks and rewards of ownership of an asset to the lessee. All other leases are operating leases.
Minimum Revenue Provision	The Authority is required by law to make a 'minimum revenue provision' for the repayment of debt. The regulations in place prior to 2007/08 required this MRP to be set at 4% of the Authority's capital financing requirement less the 'relevant amount', which is a statutory measure of the Authority's net indebtedness to fund capital expenditure.
	The Authority adopted a policy in June 2008 to calculate the minimum revenue provision for the repayment of debt - which is a statutory charge to the Income and Expenditure Account - on the basis of the previous regulations in respect of capital expenditure supported by Government grant. The MRP for all unsupported borrowing will be based on the asset life. This decision was based on options provided by a change of legislation which came into force on 31 March 2008.
Stocks	Stock accounts are maintained for uniforms, vehicle spares, fuel, vending provision, computer consumables, computer equipment and stationery and these are valued at latest buying price. This is a departure from SSAP 9, but the differences are not material to the
Reserves and Provisions	The general reserve represents the surplus of revenue income over expenditure. It can be used to supplement council taxes and grant income in future years, or to meet unforeseen items during the year.

Statement of Accounting Policies and Estimation Techniques	
Reserves and Provisions continued	The introduction of the police pension fund account in 2006/07 obviated the need for a pension reserve and the balance on that reserve was transferred into the general reserve. An FRS17 pension reserve is still required to display the pension liability calculated in accordance with FRS17. The FRS17 pension liability is a significant figure which represents the amount that the Authority would have to find if all officers and staff were able to claim their pension as at 31 March 2010. The figure is high for police officers as police pensions are unfunded. The new police pension scheme introduced by the Home Office for all new officers from April 2006 was designed to help address this issue. The Capital Adjustment Account is a credit balance which reflects the net surplus of resources set aside to finance capital expenditure and the depreciation, impairment and write-off of the historical cost of fixed assets. The Revaluation Reserve records the accumulated gains on assets held by the Authority arising from increases in value, netted off for disposals and certain depreciation adjustments A Financial Instruments Adjustment Account and an Available-for-sale Financial Instruments Reserve was set up in 2007/08 for the various entries required to account for financial instruments. Financial instruments should be shown at fair value or amortised cost and where the fair value is different to the carrying (i.e. book) value, the difference on initial recognition is charged to the Income and Expenditure Account and reversed out to ensure that the general fund balance is not affected. Subsequent to this entries are required in the accounts to write the asset or liability back up to the actual sum due or to be repaid at the end of its expected life. Unapplied grants and contributions holds capital grants that have been received, usually for a specific purpose, but have not been applied to finance capital expenditure yet. A Capital Receipts Reserve is maintained for the proceeds of the sale of capital assets such as the disposal of police houses and the sale of vehicles. Individual receipts of less than £6,000 have been credited to revenue income. Capital (Revenue Contributions) Reserve holds amounts of money that have been taken from revenue to fund future capital expenditure. Earmarked reserves have been established to enable budget holders under the devolved financial management scheme to carry forward over/underspendings, thereby promoting strategic management of budgets within the Constabulary.

Statement of Accounting Policies and Estimation Techniques	
Government Grants Deferred	The Home Office provide capital grants to the Authority which are initially put into a Government Grants Deferred account, which is a long-term liability on the Balance Sheet. These grants are applied to finance capital expenditure. As the assets to which this capital expendiutre relates are subsequently depreciated, the grant is amortised on the same basis. Both the depreciation and the amortised grant are shown in the Income and Expenditure Account. Where an asset is disposed and is written out of the accounts, where there is a balance on the grant which was applied to it, this is written down to the Income and Expenditure Account.
Prior period adjustments	Where there are material adjustments applicable to prior years which arise either from changes in accounting policies or from the correction of fundamental errors the results of such changes are disclosed and the impact on previous years' financial statements reported where practicable.
Treasury Manage-ment	The Authority approves an Annual Investment Strategy for cash balances and a borrowing strategy for long-term requirements to support planned capital expenditure in February each year for the following year.
Debtors and Creditors	Debtors and creditors are recorded in the Balance Sheet at their fair value which in both categories of financial instruments is the actual invoiced amount. No estimated techniques are used.
Cash investment capital losses	The Authority has agreed that any cash losses potentially arising from the failure of a bank or building society where cash had been deposited will be shared on a pro rata basis where this formed part of a pooled cash balance with other parties, such as Hampshire County Council. Where deposits are made specifically on behalf of the Authority the risk will be borne fully by the Authority.
Fair Value	For financial assets and financial liabilities carried in the statements at fair value, this has been assessed by using discounted cash flow analysis, using the most appropriate Public Works Loans Board (PWLB) rate at the time the transaction was entered into or recognised and measured.
Bad debt	The Authority reviews its exposure to debtors failing to pay amounts which are due to the Authority on an annual basis and has a policy of maintaining a provision for such eventualities. The provision for bad and doubtful debts is £150,000.

Statement of Responsibilities for the Statement of Accounts

The Police Authority's Responsibilities

The Police Authority is required to:

* make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Treasurer;
* manage its affairs to secure economic, efficient, and effective use of resources and safeguard its assets;
* approve the Statement of Accounts. In practice this is delegated to the Governance Committee.

The Treasurer's Responsibilities

The Treasurer is responsible for the preparation of the Authority's Statement of Accounts in accordance with the terms of the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code of Practice or SORP).

In preparing this Statement of Accounts, the Treasurer has:

* selected suitable accounting policies and applied them consistently;
* made judgements and estimates that were reasonable and prudent;
* complied with the SORP.

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.

The Chairman of Governance Committee's Statement:

I certify that the Statement of Accounts for 2009/10 was considered and approved by the Hampshire Police Authority's Governance Committee on 24 June 2010. The re-presented Statement of Accounts were approved by the same committee on 27 September 2010.

Signed: *Mrs J Venables*

Date: *27 September 2010*

The Treasurer's Certificate:

I certify that the Statement of Accounts for the year ended 31 March 2010 required by the Accounts and Audit Regulations are set out on the following pages. I further certify that the Statement of Accounts present a true and fair view of the financial position of the Hampshire Police Authority as at 31 March 2010 and its income and expenditure for the year then ended.

Signed: *Mrs Carolyn Williamson*

Date: *27 September 2010*

Annual Governance Statement for Hampshire Police Authority 2009/10

1 Scope of responsibilities

1.1 Hampshire Police Authority is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

1.2 In discharging this overall responsibility, the Authority is also responsible for putting in place proper arrangements for the governance of its affairs and facilitating the exercise of its functions, which includes ensuring a sound system of internal control is maintained through the year and that arrangements are in place for the management of risk.

1.3 The Authority has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework: *Delivering Good Governance in Local Government* . A copy is on its website at www.hampshirepoliceauthority.org or can be obtained from Hampshire Police Authority, Westgate Chambers, Staple Gardens, Winchester SO23 8AW. This statement explains how the Authority has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

2 The purpose of the governance framework

2.1 The governance framework comprises the systems and processes, and culture and values by which the Authority is directed and controlled and its activities through which it accounts to and engages with the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services, including achieving value for money.

2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable and foreseeable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risk to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

Annual Governance Statement for Hampshire Police Authority 2009/10

2.3 The governance framework has been in place at the Authority for the year ended 31 March 2010 and up to the date of approval of the Annual Report and Statement of Accounts.

3 The governance framework

3.1 The Police Authority's objectives are set by the Authority annually. These objectives take into account objectives set nationally by the Home Office and inform objectives set locally at Force and Command Unit/Department level. The achievement of Authority objectives is monitored through the relevant Authority committees. The achievement of Force objectives is monitored by the Chief Officers Group (ACPO Group), the relevant Force Boards and Committees.

3.2 The Authority has various plans and policies in place. In addition there are formal terms of reference, codes of conduct, Financial Regulations and Standing Orders to enhance the control framework.

3.3 The Force has supplemented these with policies and procedures. Each policy and procedure has a designated owner. There is a standard format for all Force policies and procedures. All policies and procedures are subject to consultation and must state how they are to be monitored and reviewed to ensure that they remain up to date. All policies and procedures are published on the Force intranet.

3.4 Compliance with Financial Regulations, Standing Orders, policies, procedures, laws and regulations is ensured through a variety of internal and external mechanisms using controls such as mandatory data entry, validation, clear forms, training, supervision, segregation of duties and inspection through self inspection, Professional Standards Department, Her Majesty's Inspector of Constabulary, Surveillance Commissioner, Home Office, internal audit, external audit, Her Majesty's Revenue and Customs and other professional and government bodies. In addition, monitoring reports are produced to ensure compliance.

3.5 The Force has established a strategic risk register to identify, monitor and manage significant risks. More detailed risks are identified in each policy and procedure, and in each operational order. It is each individual's responsibility to identify, assess and manage risk. Employees are trained in risk assessment. Whilst operational risk management is both dynamic and established, it is acknowledged that further work is required to improve organisational (i.e. business) risk management such as testing of business continuity plans and risk management training to embed risk management still further within the organisation.

Annual Governance Statement for Hampshire Police Authority 2009/10

3.6 The Governance Committee has responsibility for developing the corporate governance framework, reviewing internal audit and external audit plans, and for upholding the principles of good governance, making recommendations to the Authority as appropriate.

3.7 The Treasurer has overall responsibility for the administration of the Police Authority's financial affairs. The Finance Committee receives financial management reports and approves or recommends courses of action to take to ensure probity, stewardship and best value. The Director of Finance and Resources is responsible to the Chief Constable for financial activities undertaken within the Force. The Force's ACPO (i.e.Chief Officer) Group and key Members of the Authority also receive monthly financial management reports for information, comment and recommendations.

3.8 Performance is rigorously measured and managed at all levels of the Authority. The Performance Committee is a key contributor to monitoring the achievement of the Authority's objectives and challenging Force performance in the context of the annual Policing Plan. Financial monitoring, medium-term financial planning and monitoring the achievement of efficiency targets is the responsibility of the Finance Committee. The Chief Constable reviews performance through the Force Performance Review Group. The internal audit arrangements provide assurances regarding the effective, efficient and economic achievement of the Authority's objectives.

3.9 The Authority has utilised the CIPFA *'Rough Guide to the Annual Governance Statement'* and an accompanying Application note produced by CIPFA/SOLACE in response to CIPFA's *'Statement on the Role of the Chief Financial Officer in Local Government'* to compile the necessary assurances and evidence to support this statement. Corporate governance and the production of this statement is overseen by the Governance Committee.

4 Review of effectiveness

4.1 The Authority has responsibility for conducting, at least annually, a review of the effectiveness of the governance framework, including the system of internal audit and the system of internal control. These reviews have been informed by the work of the internal auditors and the executive managers within the Authority who have responsibility for the development and maintenance of the governance environment. The reviews are also informed by comments made by the external auditors and other review agencies and inspectorates in the annual audit letter and other reports.

4.2 The effectiveness of the system of internal control is reviewed through the submission of reports to the Police Authority and its committees. Reports are submitted by the Force, internal audit, external audit and other external agencies. Authority members scrutinise reports submitted and are able to question report owners. Members of the Authority have access to all information and may ask for additional work to be undertaken where they feel it is necessary. The Governance Committee monitors corporate governance and the effectiveness of the system of internal control. In particular, assurance is gained from the Treasurer's annual internal audit opinion report based on the work undertaken by internal audit during the course of the preceding financial year and culminating in an 'Annual Assurance Statement' for the year in question.

4.3 In addition to reviewing progress against 2008/09's areas of concern and the opinions and findings of internal and external audit, the Force and Authority undertake an internal review of its governance arrangements as a key part of preparing this Statement. This review is conducted at or around the year end and follows guidance issued by CIPFA (a 'Rough Guide') which is based on the CIPFA/SOLACE Framework. A comprehensive matrix is completed by all lead stakeholders and responsible officers in the Force and the Authority, this is then reviewed by the Force's ACPO Group and submitted to the Governance Committee as part of the underlying assurances offered for the AGS.

4.4 In response to CIPFA's *Statement of the Role of the Chief Financial Officer in Local Government* (June 2009), an Application Note was produced by CIPFA/SOLACE to advise on how the CIPFA Statement fits into the governance framework. This has been incorporated into the self-assessment matrix which has been reviewed by officers of the Constabulary and Authority for consideration by the Governance Committee. This identifies how compliance can be demonstrated to the CIPFA statement of the core activities and behaviours that CIPFA states belong to the role of the Chief Financial Officer (CFO) namely that:-

The Chief Financial Officer in a public service organisation:
- is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the authority's strategic objectives sustainably and in the public interest;
- must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the authority's financial strategy; and
- must lead the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

and that to deliver these responsibilities, the CFO:
- must lead and direct a finance function that is resourced to be fit for purpose
- must be professionally qualified and suitably experienced

The self-assessment has confirmed that the role of the Treasurer, as the CFO to the Police Authority, complies with the requirements of the CIPFA *Statement of the Role of the Chief Financial Officer in Local Government.*

4.5 Where weaknesses in governance arrangements or system contols are identified through any of the assurance activities, action plans are produced and progress against delivery is monitored by the Governance Committee.

5 Significant governance issues

5.1 The Annual Governance Statement for 2008/09 identified two areas which, whilst not being significant control issues, were areas where further improvements were required to strengthen the control framework. These were partnership governance and business risk management.

5.2 Preparatory work for this Statement identified that the ongoing creation of a partnership database was deemed over bureaucratic and was halted in the course of the year. Instead, a 'Framework for Partnership Working' guidance manual, which assists those involved in partnerships with governance arrangements, was produced. Additionally, partnership working is covered in training for those working with partnerships at a local, neighbourhood level. The Constabulary considers that this, highlight reports produced on specific partnerships, such as the ACPO Criminal Records Office, and the general risk management arrangements in the Force are sufficient to address the potential issues of working in partnership.

5.3 In relation to the issues of business risk management, it was reported in March 2010 that recent progress had been maintained and the Force is closer to having disaster recovery plans in place and tested for all of its major sites. That said, an ongoing vacancy for a permanent risk management co-ordinator and other priorities have taken resources away from co-ordinating risk management activity in the Force. It was concluded that nothing had taken a backward step but that forward progress had been slower than might have been anticipated. The strategic risk register and the work which has been achieved in identifying and managing risk in some major partnerships (e.g. ACRO and the Safer Roads Partnerships) provided evidence of this progress.

5.4 When planning its work for 2009/10, the Audit Commission proposed not to undertake any specific reviews and indicated that it would, instead, cover any emerging issues through its statutory audit work, which includes a review of the AGS. This area of work is comprehensive and covers most aspects of financial management and governance arrangements. As such, the Audit Commission's programme was deemed indicative that there were not thought to be any significant governance issues from the Audit Commission's viewpoint. Indeed, the outcome of the audit of the 2008/09 Statement of Accounts was an unqualified audit opinion and a positive value for money conclusion. Furthermore, the Use of Resources Assessment for 2008/09 awarded a score of '3', meaning that the organisation is "performing well".

Annual Governance Statement for Hampshire Police Authority 2009/10

5.5 Notwithstanding the positive outcomes from the Audit Commission's work in relation to 2008/09, the Commission highlighted that there are some areas where there is scope for further improvement. These included: embedding improvements in data quality, achieving greater consistency in data recording and developing risk management arrangements (including in relation to key partnerships). In addition in May 2011, the Audit Commission undertook a review of the appropriateness of the decision making process to buy Alpha Park. A number of recommendations have been made for which the Authority has produced an action plan to address. Finally, the Audit Commission's Annual Audit Letter, considered in December 2009, looked forwards to the challenging medium-term financial prospects concluding that "the Authority and the Constabulary need to ensure that a realistic and achievable financial plan is in place to close the increasing gap between expenditure and resources forecast in the medium-term financial strategy." This was considered by the Commission to be a key priority.

5.6 The Annual Internal Audit Opinion 2009/10 again states that the Authority "has an appropriate framework of control that provides reasonable assurance regarding the effective, efficient and economic achievement of the Authority's objectives". The opinion further reports that whilst this overall level of assurance is unchanged from 2008/09, the compliance with controls has remained comparable to the position reported last year. Whilst internal audit opinion cannot be definitive, it is nevertheless a valid and reliable indicator of the health of the organisation.

5.7 With reference to specific audits completed during 2009/10, an internal audit opinion of an incomplete framework of control was given in respect of the CARMS system used for managing staff resources, specifically the lack of a business continuity plan at the time of the audit (now subsequently in place). All other audits reported that the framework of control was appropriate with only minor exceptions in relation to individual controls. Management action has been taken or is proposed to address all of these issues and progress on outstanding audit recommendations was reported to the Force's Resource Management Board (now the Finance and Resources Board) on a regular basis.

5.8 In addition to reviewing progress against last year's areas of concern and the opinions and findings of internal and external audit, the Force and Authority undertake an internal review of its governance arrangements as a key part of preparing this Statement. This review is conducted at or around the year end and follows guidance issued by CIPFA (a 'Rough Guide') which is based on the CIPFA/SOLACE Framework. A comprehensive matrix is completed by all lead stakeholders and responsible officers in the Force and the Authority, this is then reviewed by the Force's ACPO Group and submitted to the Governance Committee as part of the underlying assurances offered for the AGS.

5.9 In relation to the requirement to demonstrate compliance with CIPFA's Statement on the *'Role of the Chief Financial Officer in Local Government'* , the Authority's self-assessment has confirmed compliance, with the Treasurer being a key member of the leadership team, suitably resourced and experienced with an active involvement in strategic decisions, financial planning and financial management.

5.10 The review noted that there were some significant improvements in the governance arrangements of the Authority. Thus, the appointment of a full-time Chief Executive had led to the production of a strategic risk register for the Authority, which was now considered alongside the Constabulary's strategic risk register at each meeting of the Governance Committee. Additionally, changes had been made with relation to the committee and board structures of the Authority and Constabulary, respectively, which will bring benefits from greater co-ordination.

5.11 Notwithstanding the improvements highlighted in the self-assessment, the review again concluded that progress over the year had been limited or had stalled in relation to partnership working and in relation to organisational risk management. The Constabulary's approach to partnerships has been outlined above. With regards to operational risk management, limited progress was identified in relation to a strategic review of risk and embedding this in the organisation through effective and extensive training, the use of appropriate information systems and regular testing of business continuity plans.

6 Conclusions

6.1 In reaching its conclusions in the formulation of this Statement, the Authority has taken account of the observations of internal and external audit and its own review using the CIPFA recommended methodology. Whilst there are some areas which need to be monitored to ensure that these do not become significant risks in the future, one area which is being developed or is most in need of development during the course of 2010/11 is operational or business risk management.

6.2 Business risk management is an area which has improved greatly over the years but is one which needs constant development and levels of awareness raising. Some business continuity plans for key sites need to be refreshed and tested. This is planned for later in 2010.

Signed by:

Cllr. Mrs Jacqui Rayment

Chair of Hampshire Police Authority

Mr Alex Marshall

Chief Constable of Hampshire Constabulary

Mrs Jenni Douglas-Todd

Chief Executive of Hampshire Police Authority

On behalf of the members and senior officers of the Hampshire Police Authority and Hampshire Constabulary

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Independent auditor's report to the Members of Hampshire Police Authority

Opinion on the accounting statements

I have audited the accounting statements, the police pension fund accounting statements and related notes of Hampshire Police Authority for the year ended 31 March 2010 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, Statement of Movement on the General Fund Balance, Balance Sheet, Statement of Total Recognised Gains and Losses, Cash Flow Statement, and the related notes. The police pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. The accounting statements and police pension fund accounting statements have been prepared under the accounting policies set out within them.

This report is made solely to the members of Hampshire Police Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

Respective responsibilities of the Treasurer and auditor

The Treasurer’s responsibilities for preparing the accounting statements, including the police pension fund accounting statements, in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities.

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

I report to you my opinion as to whether the accounting statements, the police pension fund accounting statements and related notes give a true and fair view, in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of:

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

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

Independent auditor's report to the Members of Hampshire Police Authority

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

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board.

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

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

Opinion

In my opinion:

- the accounting statements and related notes give a true and fair view, in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended; and
- the police pension fund accounting statements give a true and fair view, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial transactions of the police pension fund during the year ended 31 March 2010, and the amount and disposition of the fund's assets and liabilities as at 31 March 2010, other than liabilities to pay pensions and other benefits after the end of the scheme year.

Independent auditor's report to the Members of Hampshire Police Authority

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's Responsibilities

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

Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for police authorities published in May 2008 and updated in October 2009. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for police authorities specified by the Audit Commission and published in May 2008 and updated in October 2009, and the supporting guidance, I am satisfied that, in all significant respects, Hampshire Police Authority made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2010.

Certificate

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

Kate Handy, Officer of the Audit Commission
Audit Commission
Collins House, Bishopstoke Road, Eastleigh, Hampshire. SO50 6AD.

September 2010

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Income and Expenditure Account - Best Value Accounting Code of Practice

This statement summarises the revenue transactions of the Authority. It shows the day-to-day running costs of all services which are paid for by precepts, government grants and other revenue income. The service analysis of expenditure and income is based on guidance given by CIPFA in its Best Value Accounting Code of Practice. Note 1 presents the same information on a subjective basis. Note that the 2008/09 comparator has been restated to show Rule 2 Grant as part of the Police Grant (see Note 10).

Net Expenditure 2008/09 £'000	Service Expenditure Analysis	Gross Expenditure 2009/10 £'000	Gross Income 2009/10 £'000	Net Expenditure 2009/10 £'000
161,650	Local Policing	168,810	-21,968	146,842
33,167	Dealing with the Public	29,456	-1,021	28,435
31,571	Criminal Justice Arrangements	28,415	-1,044	27,371
18,835	Road Policing	19,867	-3,570	16,297
18,347	Specialist Operations	18,206	-2,146	16,060
16,787	Intelligence	17,530	-623	16,907
29,358	Specialist Investigation	28,854	-1,039	27,815
16,169	Investigative Support	14,981	-182	14,799
1,123	National Policing	16,429	-15,205	1,224
1,312	Corporate & Democratic Core	1,567	-46	1,521
2,590	Non-distributed costs	690	0	690
330,909	**Net Cost of Police Services**	**344,805**	**-46,844**	**297,961**
59	Net (gain)/loss on the disposal of fixed assets			-98
871	Levies to National Police Services			861
-20,602	Home Office Police Pension Fund Top-up Grant			-19,692
457	Interest payable and similar charges			898
0	Investment losses			0
-883	Interest and investment income			-178
114,160	Pensions interest cost and expected return on pension assets			112,690
424,971	**Net Operating Expenditure**			**392,442**
-91,944	Council Tax Precept			-98,456
-125,713	Police Grant			-127,238
-10,237	Revenue Support Grant			-16,065
0	Government Grant Deferred adjustment			-456
-73,533	Share of National Business Rates			-69,600
123,544	**(Surplus)/Deficit for the year**			**80,627**

Statement of Movement on the General Fund Balance

2008/09 £'000		2009/10 £'000
123,544	Deficit for the year on Income and Expenditure Account	80,627
-126,495	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	-89,395
-2,951	(Increase)/Decrease in General Fund Balance for the Year	-8,768
-4,155	General Fund Balance brought forward	-7,106
-7,106	General Fund Balance carried forward	-15,874

The Income and Expenditure Account shows the Authority's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the Authority is required to raise council tax on a different accounting basis, the main differences being:

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

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

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

Breakdown of reconciling items in the Statement of Movement on the General Fund Balance

2008/09 £'000		2009/10 £'000
	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year	
-11	Amortisation of intangible fixed assets	0
-34,871	Depreciation and impairment of fixed assets	-7,137
4,691	Government Grants Deferred Amortisation	3,344
-431	Net gain/(loss) on disposal of fixed assets	-306
31	Differences between statutory debits/credits recognised as income and expenditure in relation to financial instruments	33
0	Collection fund adjustment	1,272
-161,607	Net charges made for retirement benefits in accordance with FRS17	-155,900
-192,198		-158,694
	Amounts not included in the Income and Expenditure Account but required by statute when determining the Movement on the General Fund Balance for the year	
347	Minimum revenue provision	637
563	Capital expenditure charged to the General Fund Balance	2,348
42,318	Employer's contribution payable to the Pension Fund and retirement benefits payable direct to pensioners	43,681
20,602	Additional employer's contribution payable to the Pension Fund but offset by Home Office top-up grant	19,692
63,830		66,358
	Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year	
1,873	Net transfer to/(from) reserves	2,941
1,873		2,941
-126,495	Net additional amount required to be credited to the General Fund balance for the year	-89,395

The net gain/(loss) on the disposal of fixed assets excludes the impact of de minimis capital receipts (i.e. which total £0.430M but where each individual receipt is less than £6,000) and the costs of disposing these assets (£0.026m): these are included in the Income and Expenditure Account.

Statement of Total Recognised Gains and Losses

2008/09 £'000		2009/10 £'000
123,544	Deficit for the year on the Income and Expenditure Account	80,627
-35	(Surplus)/Deficit arising on revaluation of fixed assets	-2,431
0	Any other (gains) or losses	150
-100,030	Actuarial (gains)/losses on pension fund assets and liabilities	438,492
23,479	Total recognised (gains)/losses for the year	516,838
23,479	Movement on balance sheet	516,838

The Statement contains an exceptional entry in 2009/10 which relates to an adjustment in respect of a fixed asset which was found to have been duplicated in the Balance Sheet. Rather than charge this adjustment to the Income and Expenditure Account, the adjustment is instead made to the Balance Sheet which is reflected in this Statement. The adjustment is shown as under 'Any other (gains) or losses' and has a value of £150,000.

Balance Sheet

The balance sheet shows the Authority's net financial position at 31 March 2010	31 March 2009 £'000	31 March 2010 £'000	Note
Intangible fixed assets	0	0	
Tangible fixed assets			
Operational land and buildings	112,772	111,158	
Operational vehicles and plant	9,027	9,465	
Other operational assets	2,274	1,741	
Non-operational -Assets under construction	14,848	32,664	
Surplus assets held for disposal	0	456	
Total fixed assets	**138,921**	**155,484**	[11]
Long-term debtors	659	646	
Total long-term assets	**139,580**	**156,130**	
Current assets			
Stocks	610	892	
Debtors etc.	15,384	17,307	[17]
Short-term investments	16,308	15,103	[17]
Cash	953	4,572	
Total current assets	**33,255**	**37,874**	
Total assets	**172,835**	**194,004**	
Current liabilities			
Deposits	-1,200	-1,545	
Bank overdrawn	-218	-1,803	
Creditors	-21,117	-22,859	[17]
Total current liabilities	**-22,535**	**-26,207**	
Total assets less current liabilities	**150,300**	**167,797**	
Long-term liabilities			
Long-term borrowing	-17,200	-20,200	[17]
Government Grants Deferred	-7,856	-8,366	[20]
Deferred liabilities	-2,123	-1,911	
Liability related to pension schemes	-1,679,770	-2,210,807	[2]
Total assets less liabilities	**-1,556,649**	**-2,073,487**	
Financed by			
Capital Adjustment Account	106,669	110,339	[19]
Revaluation Reserve	243	2,639	[19]
Financial Instruments Adjustment Account	-183	-150	[17]
Collection Fund Adjustment Account	0	1,272	[19]
Available for sale Financial Instruments Reserve	0	0	
Unapplied Grants and Contributions	0	0	[19]
Capital Receipt Reserve	1,780	0	[19]
Capital (Revenue Contributions) Reserve	5,011	1,886	[19]
General Reserve	7,106	15,871	[19]
Insurance Reserve	394	394	[19]
Spend to Save Reserve	0	386	[19]
Earmarked Reserves	2,101	4,683	[19]
FRS17 Pensions Reserve	-1,679,770	-2,210,807	[19]
Total Equity	**-1,556,649**	**-2,073,487**	

Balance Sheet (continued)

These financial statements replace the unaudited financial statements authorised at the meeting of the Governance Committee on 24 June 2010.

In accordance with the SORP 2009, the Treasurer is required to sign and date the Balance Sheet. This is presented below:

The Treasurer's Certificate:

I certify that the Balance Sheet presents fairly the financial position of Hampshire Police Authority as at 31 March 2010

Signed:	*Mrs Carolyn Williamson*
Date:	*27 September 2010*

Cash Flow Statement

This statement shows the movement in cash during the year. It is consolidated and therefore, excludes significant internal transfers between accounts that do not involve transactions with third parties and excludes non-cash transactions. Note that the 2008/09 comparator has been restated to show Rule 2 Grant income as part of the Police Grant (See Note 10) and the net cash flow on the Police Pension Fund Top-Up Grant and the de minimis capital receipts.

2008/09		2009/10	
£'000	**Revenue Activities:**	£'000	£'000
	Cash Outflows:		
300,649	Employees	302,520	
61,162	Other	59,776	
361,811		362,296	
	Cash Inflows:		
-10,237	Revenue Support Grant	-16,065	
-73,533	Share of Business Rate	-69,600	
-123,859	Police Grant	-127,238	
-91,944	Council Tax	-97,183	
-22,931	Service Income	-18,047	
-19,760	Home Office Police Pension Fund Top-up Grant	-24,167	
-24,504	Additional Grant (see note 10)	-23,400	
-366,768		-375,700	
-4,957	**Net Revenue Activities:**		**-13,404**
	Returns on Investments and Servicing of Finance		
-883	Interest Received	-178	
457	Interest Paid	898	
0	Disposal of Investments	0	
-426		720	
-426	**Net Cash Inflow From Return on Investment and Servicing of Finance:**		**720**
	Capital Activities		
	Cash Outflows:		
19,014	Purchase of Fixed Assets	20,759	
0	Other capital payments	0	
	Cash Inflows:		
-1,580	Sales of Assets (including de minimis receipts)	-2,150	
-3,854	Government Grant	-3,854	
13,580		14,755	
13,580	**Net Cash Outflow/(Inflow) from Capital Activities:**		**14,755**
	Management of Liquid Resources		
	Net Increase/(Decrease) in		
8,308	Short-Term Investments	-1,205	
-110	Stock	282	
228	Deposits movement	-345	
8,426	**Net Cash Outflow/(Inflow) from Liquid Resources:**		**-1,268**
	Financing Transactions:		
0	Long-term debtors - loan repayments	-49	
425	Principal Repayments	212	
-13,970	New Loans raised	-3,000	
-13,545	**Net outflow/(inflow) from financing transactions:**		**-2,837**
3,078	**Decrease/(Increase) in Cash (reconciles to note 27):**		**-2,034**

Police Pension Fund Account

Fund Account	2008/09	2009/10
Contributions receivable	£'000	£'000
- from employer		
- normal	-29,993	-30,499
- early retirements	0	0
- ill-health capital equivalent charges	-452	-675
- from members	-13,510	-13,637
Transfers in		
- individual transfers in from other schemes	-769	-557
Benefits payable		
- pensions	46,635	50,979
- commutations and lump sum retirement benefits	18,037	13,145
- lump sum death benefits	124	274
Payments to and on account of leavers		
- refunds of contributions	23	20
- individual transfers out to other schemes	507	642
Net amount payable for the year	20,602	19,692
Additional contribution from the Police Authority	-20,602	-19,692
	0	0

Net Assets Statement	2008/09	2009/10
	£'000	£'000
Current Assets		
- contributions due from employer	2,253	0
- other current assets	0	0
Current Liabilities		
- unpaid pension benefits	-2,253	0
- amount due to sponsoring department	0	0
- other current liabilities	0	0
	0	0

The Pension Fund's financial statements do not take account of any liabilities to pay pensions and other benefits after the period end.

Most payments and employer contributions in respect of the police pension schemes are reported in the Police Pension Fund Account. Other pension costs are charged to the Income and Expenditure Account. This includes the ongoing costs and commuted lump sums in respect of officers who are awarded injury pensions, which totalled £1.14m in 2009/10. For officers who retire on the grounds of ill-health, the employer makes a contribution from the Income and Expenditure Account to the Police Pension Fund Account. This charge is the equivalent to two-years' pensionable pay and is a one off credit to the account. All ongoing payments are met by the Police Pension Fund.

The Police Pension Fund Account has been prepared in accordance with the extant Police Pensions Regulations and the accounting policies detailed on page 5.

Note 2 provides further details of the FRS17 entries and the pension schemes.

Notes to the Core Financial Statements

[1] This note restates the BVACOP Income and Expenditure Account Service Expenditure Analysis transactions on a subjective analysis. Note that the 2008/09 figures are restated to show Rule 2 Grants as part of the Police Grant

	2008/09	2009/10	Notes
Gross Expenditure	**£'000**	**£'000**	
Employees (including police pensions)	285,149	282,378	
Premises	13,174	12,086	
Transport	5,066	4,798	
Travel and Subsistence	4,600	4,036	
IT and Communications	13,284	13,999	
Supplies and Services	17,968	17,259	
Grants	1,472	1,562	
Cost of servicing Police Authority	1,419	1,550	
Depreciation and Impairment	34,882	7,137	(11)
Gross cost of services	**377,014**	**344,805**	
Service Income			
Service Income	-18,764	-20,556	
Additional Grants	-24,504	-23,400	(10)
Government Grant Deferred	-2,837	-2,888	(20)
Total Service Income	**-46,105**	**-46,844**	
Net Cost of Services	**330,909**	**297,961**	
Net (gain)/loss on the disposal of fixed assets	59	-98	
Levies to national policing agencies	871	861	(4)
Home Office Police Pension Fund Top-up Grant	-20,602	-19,692	
Interest payable and similar charges	457	898	
Investment losses	0	0	
Interest and investment income	-883	-178	
Pensions interest cost and expected return on pension assets	114,160	112,690	(2)
Net Operating expenditure	**424,971**	**392,442**	
Council Tax Precept	-91,944	-98,456	
Police Grant	-125,713	-127,238	(10)
Revenue Support Grant	-10,237	-16,065	
Government Grant Deferred adjustment	0	-456	(20)
Share of National Business Rates	-73,533	-69,600	
(Surplus)/Deficit for the year	**123,544**	**80,627**	

Notes to the Core Financial Statements

[2] FRS17 entries

Participation in pensions schemes

As part of the terms and conditions of employment of its officers and other employees, the Authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Authority participates in two pensions schemes:

- The Local Government Pension Scheme (LGPS) for support staff, administered by Hampshire County Council. This is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- The Police Pension Scheme for police officers. This is an unfunded defined benefit final salary scheme, meaning that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due. Under the Police Pension Fund Regulations 2007, if the amounts receivable by the pensions fund for the year is less than amounts receivable, the Police Authority must annually transfer an amount required to meet the deficit to the pension fund. Subject to parliamentary approval, up to 100% of this cost is met be central government pension top-up grant. If however the pension fund is in surplus for the year, the surplus is required to be transferred from the pension fund to the Police Authority which must then repay the amount to central government.

Notes to the Core Financial Statements

[2] FRS17 entries

Transactions relating to retirement benefits

The cost of retirement benefits is recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charges made against the precept are based on the cash payable in the year, so the economic cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year:

	Police Pension Scheme (PPS)		New Police Pension Scheme		LGPS (police staff)	
	2008/09 £'000	2009/10 £'000	2008/09 £'000	2009/10 £'000	2008/09 £'000	2009/10 £'000
Income and Expenditure Account						
Net Cost of Services						
Current service cost	36,270	32,060	1,740	2,410	6,820	8,050
Past service costs	2,520	670	0	0	70	20
Net Operating Expenditure						
Interest costs	109,890	105,000	320	610	9,950	11,350
Expected return on assets	0	0	0	0	-7,350	-5,590
Net Charge to the Income & Expenditure Account	**148,680**	**137,730**	**2,060**	**3,020**	**9,490**	**13,830**
Movement of General Fund Balance						
Reversal of above	**-148,680**	**-137,730**	**-2,060**	**-3,020**	**-9,490**	**-13,830**
Employer's contributions	**52,454**	**52,532**	**-1,170**	**-1,665**	**10,581**	**11,363**
Charge on General Fund	**52,454**	**52,532**	**-1,170**	**-1,665**	**10,581**	**11,363**

In addition to the above, the Authority paid £1.14m in ongoing injury pension payments which are a charge upon the operating account but are not a charge to the Police Pension Fund Account. The FRS17 disclosures for this element are as below:

Retirement benefits	Injury Pensions (police officers)	
	2008/09 £'000	2009/10 £'000
Income and Expenditure Account		
Net Cost of Services		
Current service cost	0	0
Past service cost	0	0
Net Operating Expenditure		
Interest costs	1,350	1,320
Expected return on assets	0	0
Net Charge to the Income & Expenditure Account	**1,350**	**1,320**
Movement of General Fund Balance		
Reversal of above	**-1,350**	**-1,320**
Employer's contributions	**1,055**	**1,143**
Charge on General Fund	**1,055**	**1,143**

Notes to the Core Financial Statements

[2] FRS17 entries

In addition to the gains and losses included in the Income and Expenditure Account, net actuarial losses of £438.51m (£100.03m gain in 2008/09) were included in the Statement of Total Recognised Gains and Losses. The cumulative net amount of losses recognised in the Statement of Total Recognised Gains and Losses is £28.44m.

[2] FRS17 assets and liabilities

The nature of the schemes is explained in the accounting policies and further information is also given in the police pension fund account. Under the projected unit method the current service cost will increase as the members of the scheme approach retirement.

There are no material prepaid or accrued pensions contributions at 31 March 2010.

The figures shown in this note are taken from the actuary's disclosure. The net liability shown in this note differs to the amount shown in the balance sheet as the entries in the revenue account and balance sheet have had the actuary's estimated contributions figure replaced by the actual figure. The difference is not material (£97,000), especially as all FRS17 figures are estimates.

The nature of the two police pension schemes in operation is explained in the accounting policies. In addition to the police pension schemes the costs of injury pensions falls upon the income and expenditure account.

Notes to the Core Financial Statements

[2] FRS17 assets and liabilities

The total assets and liabilities for retirement benefits attributable to the Authority were:

Reconciliation of present value of the scheme liabilities:

	Police Pension Scheme (PPS)		New Police Pension Scheme (NPPS)		Local Govt Pension Scheme	
	2008/09 £m	2009/10 £m	2008/09 £m	2009/10 £m	2008/09 £m	2009/10 £m
1 April	-1,622.68	-1,576.87	-3.28	-7.16	-142.64	-170.91
Current Service Cost	-36.27	-32.06	-1.74	-2.41	-6.82	-8.05
Interest Cost	-109.89	-105.00	-0.32	-0.61	-9.95	-11.35
Contributions by scheme participants	-12.46	-12.30	-1.03	-1.32	-3.83	-3.99
Actuarial gains/(losses)	142.04	-410.28	-0.65	-7.66	-10.95	-44.51
Benefits Paid	64.91	64.83	-0.14	-0.35	3.35	4.48
Past service costs	-2.52	-0.67	0.00	0.00	-0.07	-0.02
31 March	-1,576.87	-2,072.35	-7.16	-19.51	-170.91	-234.35

	Injury Pensions (police officers)		Total	
	2008/09 £m	2009/10 £m	2008/09 £m	2009/10 £m
1 April	-20.44	-20.28	-1,789.04	-1,775.22
Current Service Cost	0.00	0.00	-44.83	-42.52
Interest Cost	-1.35	-1.32	-121.51	-118.28
Contributions by scheme participants	0.00	0.00	-17.32	-17.61
Actuarial gains/(losses)	0.45	-3.58	130.89	-466.03
Benefits Paid	1.06	1.14	69.18	70.10
Past service costs	0.00	0.00	-2.59	-0.69
31 March	-20.28	-24.04	-1,775.22	-2,350.25

Reconciliation of fair value of the scheme assets:
(funded schemes only - i.e. LGPS)

	Local Govt Pension Scheme	
	2008/09 £m	2009/10 £m
1 April	107.71	95.45
Expected rate of return	7.35	5.59
Actuarial gains/(losses)	-30.71	27.52
Employer contributions	10.58	11.36
Contributions by scheme participants	3.83	3.99
Benefits Paid	-3.31	-4.44
31 March	95.45	139.47

Notes to the Core Financial Statements

[2] FRS17 assets and liabilities

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The actual return on scheme assets in the year was a gain of £33.11m (2008/09 £23.36m loss).

Scheme history

	2005/06 £m	2006/07 (Restated) £m	2007/08 (Restated) £m	2008/09 £m	2009/10 £m
Present value of liabilities:					
Local Government Pension Scheme	-137.60	-154.29	-142.64	-170.91	-234.39
Police Pension Schemes	-1,777.80	-1,826.90	-1,625.96	-1,584.03	-2,091.86
Police Injury Pensions	0.00	-23.12	-20.44	-20.28	-24.04
Fair value of assets in the LGPS	90.98	106.04	107.71	95.45	139.58
Surplus/(deficit) in the scheme					
Local Government Pension Scheme	-46.62	-48.25	-34.93	-75.46	-94.81
Police Pension Schemes	-1,777.80	-1,826.90	-1,625.96	-1,584.03	-2,091.86
Police Injury Pensions	0.00	-23.12	-20.44	-20.28	-24.04
Total	-1,824.42	-1,898.27	-1,681.33	-1,679.77	-2,210.71

The Authority has elected not to restate fair value of scheme assets for 2005/06 as permitted by FRS17 and the SORP 2009

Note that prior to 2006/07 there was only one Police Pension Scheme which included injury pensions. Whilst not being part of the Police Pension Schemes, injury pensions are shown above for the purposes of completeness

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £2,210m has a substantial impact on the net worth of the Authority as recorded in the balance sheet, resulting in a negative overall balance of £2,075m.

However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- the deficit on the Local Government Pension Scheme will be made good by increased contributions over the remaining working life of employees as assessed by the scheme actuary
- finance is only required to be raised to cover police pensions when the pensions are actually paid. At present, 100% of the difference between what is paid out to retired members and the sum of contributions from current members and the Authority is met by additional grant from the Home Office.

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2011 is £12.35m. Expected contributions for the Police Pension Schemes are £51.87m. In addition, the Authority expects to pay £1.14m directly to beneficiaries of injury pensions.

Notes to the Core Financial Statements

[2] FRS17 assets and liabilities

Basis for estimating assets and liabilities

The liabilities are the estimated present value of the benefit payments due from the scheme in respect of the employer after the accounting reference date, valued using the projected unit method. Allowance is made for expected future increases in pay and pension and assumptions are made regarding mortality rates.

The Authority employs a building block approach in determining the rate of return on Fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out below. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund at 31 March 2010.

Both the Police Scheme and the Local Government Pension Scheme assets and liabilities have been assessed by Hewitt Associates Ltd. The principal assumptions used are as below:

	Local Government Pension Scheme		Police Pension Schemes	
	2008/09	2009/10	2008/09	2009/10
Long-term expected rate of return on assets:				
Equity investments	7.0%	8.0%	-	-
Property	6.0%	8.5%	-	-
Government bonds	4.0%	4.5%	-	-
Corporate bonds	5.8%	5.5%	-	-
Cash	1.6%	0.7%	-	-
Other	1.6%	8.0%	-	-
Mortality assumptions:				
Longevity at 65 for current pensioners				
Men	22.2	22.3	22.0	22.1
Women	24.2	24.3	24.1	24.2
Longevity at 65 for future pensioners				
Men	24.5	24.7	24.3	24.4
Women	26.4	26.5	26.4	26.4
Financial Assumptions:				
Inflation	3.6%	3.65%	3.4%	3.65%
Rate of general increase in salaries	5.1%	5.15%	4.9%	5.15%
Rate of increase to pensions in payment	3.6%	3.65%	3.4%	3.65%
Rate of increase to deferred pensions	3.6%	3.65%	3.4%	3.65%
Discount rate	6.5%	5.5%	6.7%	5.5%
Other Assumptions:				
Take-up of option to convert annual pension into retirement lump sum (90% of members convert this proportion of their pension)			25.0%	25.0%
Take-up of option to convert annual pension into retirement lump sum (100% of members convert this proportion of the maximum amount) - pre-2008/09 service (LGPS only)	25.0%	25.0%		
As above, post-2008 service (LGPS only)	75.0%	75.0%	-	-

Notes to the Core Financial Statements

[2] FRS17 assets and liabilities

The Police Pension Schemes have no assets to cover liabilities. The LGPS assets consist of the following categories, by proportion of the total assets held:

	at 31 March 2009	at 31 March 2010
	55.2%	61.3%
Property	7.3%	6.1%
Government bonds	27.4%	24.4%
Corporate bonds	3.9%	2.4%
Cash	6.2%	5.8%
Other (e.g. Hedge funds, currency holdings etc.)	0.0%	0.0%
Total	100.0%	100.0%

History of experience gains and losses

The actuarial gains identified as movements in the Pensions Reserve in 2009/10 can be analysed into the following categories:

		2005/06 %	2006/07 (Restated) %	2007/08 (Restated) %	2008/09 %	2009/10 %
the experience adjustments (gains/(losses)) on assets in the year as a percentage of all assets at the balance sheet date	LGPS	18.2	-0.1	-15.5	-32.1	19.7
	Unfunded	n/a	n/a	n/a	n/a	n/a
	PPS	n/a	n/a	n/a	n/a	n/a
	NPPS	n/a	n/a	n/a	n/a	n/a
	Injury	n/a	n/a	n/a	n/a	n/a
the experience adjustments (gains/(losses)) on liabilities in the year as a percentage of all liabilities at the balance sheet date	LGPS	0.0	-0.1	2.4	-0.2	0.4
	Unfunded	0.0	0.0	0.0	-2.1	4.1
	PPS	5.1	-0.2	-0.3	4.0	1.2
	NPPS	n/a	0.0	0.0	-15.3	0.0
	Injury	n/a	n/a	-1.0	4.4	2.8

[3] Corporate and Democratic Core

Corporate and Democratic Core (as defined by the Accounting Code of Practice) is that element of the service expenditure analysis which brings together the costs of democratic representation and management and corporate management. Democratic representation and management concerns corporate policy making and all other member-based activities. Corporate management concerns those activities and costs that relate to the general running of the authority. For the Authority, Corporate and Democratic Core represents Police Authority costs excluding grants paid out and internal audit costs which are reapportioned as a support service cost over the net cost of service. Corporate and Democratic Core also includes an element of the costs of the Constabulary for time spent supporting and reporting to the Police Authority.

[4] Agency Income and Expenditure

The Authority paid the following levies:	**2008/09 £'000**	**2009/10 £'000**
Police National Computer	786	787
National Public Order Information Unit	72	74
Central Witness Bureau (ACPO)	13	0
	871	**861**

Notes to the Core Financial Statements

[5] Trading Operations

The Netley Business Plan is the only trading operation. Surplus capacity at the Netley site is utilised to generate income. Any surplus is re-invested into the facilities at Netley. The turnover for 2009/10 was £103,000 (£107,000 in 2008/09), resulting in a net surplus of £12,000 (£11,000 in 2008/09). The surplus was transferred to the Netley Business Plan reserve. Contributions from the reserve of £0 (£223,000 in 2008/09) were made in 2009/10 resulting in a balance of £25,000 as at 31 March 2010 (£13,000 at 31 March 2009) included within earmarked reserves.

[6] Members allowances and expenses

In accordance with the Code of Practice, the amount spent on members' allowances and expenses in 2009/10 was £292,048 (£284,641 in 2008/09).

[7] Related Parties

The Authority is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. Disclosure of these transactions allows readers of the accounts to assess the extent to which the Authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority

Central government has some control as it is responsible for providing the statutory framework and provides the majority of the funding. The value of grants received is shown in the Income and Expenditure Account and further details of specific additional grants received are given in note 10.

The Authority makes contributions to pension schemes for both its uniformed officers and its non-uniformed staff. The Police Pension Schemes are administered by the Authority and the Authority paid £31.174m in the Police Pension Fund as contributions in respect of existing officers and those retiring due to ill-health in the year. The Local Government Pension Scheme is administered by Hampshire County Council and the Authority made employer's contributions of £11.363m in 2009/10.

The SORP also requires members of the Authority and certain senior officers to declare if there were any related party (i.e. close family or business associates) transactions due to their ability to influence spending decisions. There is one related party transaction disclosure in 2009/10. One member of the Authority is a director of a company which provides physiotherapy and other rehabilitation services to the Authority. The value of the transactions with this third party in 2009/10 was not material.

Notes to the Core Financial Statements

[8] Officer and Staff Remuneration

Remuneration Bands £	Number of Employees 2008/09	2009/10
50,000 - 54,999	201	185
55,000 - 59,999	111	129
60,000 - 64,999	30	45
65,000 - 69,999	11	14
70,000 - 74,999	7	5
75,000 - 79,999	13	11
80,000 - 84,999	12	13
85,000 - 89,999	3	13
90,000 - 94,999	5	4
95,000 - 99,999	1	2
100,000 - 104,999		
105,000 - 109,999		
110,000 - 114,999		1
115,000 - 119,999		
120,000 - 124,999	1	
125,000 - 129,999		
130,000 - 134,999	1	
135,000 - 139,999		1
140,000 - 144,999		
to		
165,000 - 169,999		
170,000 - 174,999		1
Totals	**396**	**424**

The Accounts and Audit Regulations 2003 require the Authority to report on the number of employees who received remuneration totalling more than £50,000 in the year. The 2003 Regulations were amended in 2009 and qualifying employees are now shown in bands of £5,000 (previously £10,000). The comparative figures for 2008/09 have consequently been restated. Note that there are more officers in the higher bands in 2009/10 than the previous year as there were changes of chief officers in 2008/09. Consequently only a part year effect of some of these officers is shown in 2008/09.

Employee costs - i.e. total remuneration - include salary and taxable allowances paid to officers and staff. It does not include employer pension contributions, nor does it show remuneration net of employees' pension contributions.

The amended regulations define senior police officers for these purposes as being those with the rank of Chief Superintendent or above. However, the Authority has opted to include all staff whose total remuneration falls into the bandings, regardless of their rank. This is consistent with the information given in previous years. Additionally, whilst relevant police officers and senior police staff are subject to a separate disclosure, the numbers in the table above include these individuals. The numbers also include people seconded to national roles whose costs are reimbursed.

Notes to the Core Financial Statements

[8a] Disclosure of remuneration for relevant police officers and senior employees

As an amendment to the Accounts and Audit Regulations 2003, Statutory Instrument 2009 No. 3322 introduced new regulations for the disclosure of the total remuneration package of those charged with the stewardship of the organisation. The Local Authority Accounting Panel Bulletin (LAAP) No. 85 provided further guidance on what should be disclosed and for which senior employees or relevant police officers of the Authority. The regulations require disclosure of relevant police officers only. In Hampshire, this is the Chief Constable, who should be identifed by name as well as post, regardless of his salary. However, the definition of senior employees for non-police officers is wider and covers those responsible for the strategic management of the organisation. Given the nature of the services provided by the Authority and the make up of its strategic leadership team, the disclosure below includes all chief officers. Only relevant police officers (regardless of salary) and senior employees with a salary greater than £150,000 are named.

The table below provides the relevant disclosure for 2009/10 and comparative information for 2008/09 is provided in the second table. Where there have been changes in personnel during the current and prior year the part year remuneration is shown on an individual basis over more than one line. This will mean that certain posts are not comparable. No senior employees or relevant police officers of the Authority have been excluded as a result of a pre-existing confidentiality agreement.

2009/10 Disclosure

Post holder information	Note	Salary, fees and allowances	Bonuses	Expenses Allowance	Compensation for loss of employment	Benefits in Kind	Other payments (Police officers only)	Total Remuneration excluding pensions contributions	Employer's Pension contributions	Total Remuneration including pensions contributions
		£	£	£	£	£	£	£	£	£
Chief Constable - Mr Alex Marshall		160,906	3,353	-	-	9,013	-	173,272	38,939	212,212
Deputy Chief Constable		128,343	-	1,485	-	5,684	-	135,512	31,059	166,571
Assistant Chief Constable - Crime and Criminal Justice	1	108,138	-	105	-	4,418	-	112,661	26,169	138,831
Assistant Chief Constable - Territorial Operations (to 14 June 2009)	1	20,269	-	-	-	-	-	20,269	4,905	25,174
Assistant Chief Constable - Territorial Operations (from 15 June 2009)	1	80,942	-	-	-	6,160	-	87,102	19,588	106,690
Assistant Chief Constable - HR and Operations (to 14 June 2009)	1	23,070	-	-	-	274	-	23,344	5,583	28,927
Assistant Chief Constable - HR and Operations (from 15 June 2009)	1	81,420		-	-	3,938	-	85,358	19,704	105,062
Chief Executive (from 3 August 2009)	2	59,516	-	-	-	-		59,516	11,070	70,586
Chief Executive (to 3 August 2009)	2	12,400	-	-	-	-		12,400	-	12,400
Director of Finance and Resources		97,335	-	-	-	2,299		99,634	18,104	117,738
	3	**772,340**	**3,353**	**1,590**	**-**	**31,786**	**-**	**809,069**	**175,122**	**984,191**

Note 1: A new ACC was appointed on 15 June 2009. These figures represent a part-year where applicable.
Note 2: The Chief Executive is the statutory Monitoring Officer and was appointed on 3 August 2009. These figures represent a part-year where applicable. A part-time interim appointment was in place prior to this date.
Note 3: The Treasurer is the statutory Chief Financial Officer. This is a part-time role and the Treasurer's remuneration details are disclosed by Hampshire County Council.

Notes to the Core Financial Statements

[8b] Disclosure of remuneration for relevant police officers and senior employees (continued)

2009/10 Disclosure - 2008/09 Comparators

Post holder information	Note	Salary, fees and allowances £	Bonuses £	Expenses Allowance £	Compensation for loss of employment £	Benefits in Kind £	Other payments (Police officers only) £	Total Remuneration excluding pensions contributions £	Employer's Pension contributions £	Total Remuneration including pensions contributions £
Chief Constable - Mr Paul Kernaghan (to 15 October 2008)		91,323	-	-	-	-	-	91,323	22,100	113,423
Chief Constable - Mr Alex Marshall (from 16 Oct. 2008)		70,742	-	-	-	14,220	-	84,962	17,119	102,081
Deputy Chief Constable (to 6 September 2008)		66,147	-	-	-	745	-	66,892	16,008	82,900
Deputy Chief Constable (from 7 September 2008)		71,336	-	-	-	3,572	-	74,908	17,263	92,172
Assistant Chief Constable - Crime and Criminal Justice		101,772	-	105	-	32,051	-	133,928	24,629	158,557
Assistant Chief Constable - Territorial Operations (to 6 September 2008)		45,380	-	-	-	2,587	-	47,967	10,982	58,949
Assistant Chief Constable - Territorial Operations (from 6 September 2008)		49,266	-	-	-	636	-	49,901	11,922	61,824
Assistant Chief Constable - HR and Operations (from 16 September 2008)		51,545	-	-	-	730	-	52,274	12,474	64,748
Chief Executive	2	800	-	-	-	-		800	-	800
Director of Finance and Resources		95,000	-	-	-	2,934		97,934	17,195	115,128
	1,2,3	**643,310**	**-**	**105**	**-**	**57,474**	**-**	**700,889**	**149,693**	**850,582**

Note 1: The Treasurer is the statutory Chief Financial Officer. This is a part-time role and the Treasurer's remuneration details are disclosed by Hampshire County Council

Note 2: The Chief Executive and Monitoring Officer role was provided by an interim appointment upon the retirement of the Head of Legal Services.

Note 3: The Head of Legal Services at Hampshire County Council performed the statutory role of Monitoring Officer in 2008/09. This was a part-time role and the Head of Legal Services' remuneration details are disclosed by Hampshire County Council.

Notes to the Core Financial Statements

[9] Post-Balance Sheet Events

Public Sector pensions - future increases

In its budget on 22 June 2010 the Government announced that future increases in public sector pensions will reflect movements in the Consumer Price Index (CPI), effective from April 2011. Increases are currently determined by reference to the Retail Price Index (RPI). The rate at which pensions will increase is one of the key factors in determining the liabilities of defined benefit pension funds. Any change in the rate at which pensions will increase will therefore affect the value of pension fund liabilities. The CPI differs from, and tends to be lower than, the RPI. The change from RPI to CPI is therefore expected to result in a reduction in the pensions liabilities and therefore the pension deficit on the balance sheet. The change will also impact upon the income and expenditure account over the next accounting period.

The Authority's actuarial valuations are prepared by Hewitt Associates. Hewitt have estimated that the impact on the balance sheet if the CPI change had occurred at the accounting date would have been to reduce the value of the liabilities on the balance sheet by between 8% and 10%, with the exact figure depending on the member profile of the employer. Hewitt have based this estimate on the FRS 17 assumptions applicable at the accounting year end, and allowing for CPI increases being lower than RPI increases by around 0.7% p.a. in the long term (Hewitt's best estimate of the differential at the accounting date). The actual figure will also reflect the date of measurement and assumptions used when producing next year's figures.

It is anticipated that the reduction in liabilities will be accounted for as a (negative) past service cost i.e. this change constitutes a change to benefits since pension scheme members will expect a lower benefit following the change than before the change. It is also anticipated that the move to CPI will reduce the interest cost and current service cost calculated for the next accounting period compared to the position if pension increases remained linked to the RPI.

Based on Hewitt's estimates, the value of the change in the present value of liabilities (i.e. 8-10%) would have been between £188.02m and £235.03m at the Balance Sheet date.

Relocation of the Police Headquarters - future of Alpha Park

In June 2010, the Police Authority reconsidered its options for the Alpha Park site which had been purchased in 2008 as a suitable site for a relocation of the Police Headquarters. In the light of the changed financial climate facing the Authority, a decision was made to consider these options once they had received a report on the overall strategic review of the police estate and once the outcome of the new coalition Government's comprehensive spending review was known.

Whilst there is some uncertainty surrounding the future development of the Alpha Park site there is no impact upon the accounting statements in the year ended 31 March 2010.

Notes to the Core Financial Statements

[10] Additional Grants

In 2009/10 the following additional grants were received:	2008/09 £'000	2009/10 £'000
Crime Fighting Fund	7,309	7,309
Chemical, Biological, Radiological and Nuclear (CBRN) - see note	3,451	719
Neighbourhood Policing Fund/Community Support Officers	7,117	7,447
Dedicated Security Posts grant	3,235	3,223
Basic Command Unit grant	943	982
ACPO Criminal Records Office	1,249	1,913
Counter terrorism grant	102	436
Local Criminal Justice Board	149	193
Local Public Services Agreement (LPSAS)	115	51
Tackling Knives Action Programme	0	270
Mobile Information Project	0	434
Miscellaneous grants	834	423
Totals:	**24,504**	**23,400**

Hampshire Police Authority acts as a conduit for the Home Office's CBRN centre and the ACPO Criminal Records Office. These two centres used Hampshire Police Authority's facilities, services and contractual arrangements. Grant is received from the Home Office and the NPIA to cover the costs of operation. Rule 2 grants are now excluded from this list. Rule 2 grants are the former specific grants relating to special priority payments, South East Allowance, DNA database cost recovery, the rural fund and the training grant. These were amalgamated into one by the Home Office, a move designed to give police authorities more control over the way these grants are used. As such they are now deemed to be part of the main Police Grant. The Crime Fighting Fund is now cash limited. Changes in the guidelines for BCU Grants have led to the Police Authority taking on a greater role in scrutinising and allocating these grants.

Notes to the Core Financial Statements

[11] Summary of Capital Expenditure and Fixed Asset Disposals

The value of assets, capital expenditure on them, financing of capital expenditure and sales of assets are shown below. The accounting policies are on pages 5 to 9.

	Operational Assets				Non-op Assets		
	Intangible Assets £'000	Land and Buildings £'000	Vehicles and Plant £'000	Furniture and Equipment £'000	Assets Under Construction £'000	Surplus Assets £'000	Total Fixed Assets £'000
Cost or value at 31 March 2009	**42**	**150,739**	**28,848**	**32,693**	**14,848**	**0**	**227,170**
SORP 2007 changes	-22	-6,330	-14,446	-25,075	0	0	-45,873
Other changes		-45	-397				-442
Additions in year	0	643	3,923	1,063	17,822	0	23,451
Reclassifications	0	-461	0	6	-6	461	0
Disposals in year	0	-1,642	-1,436	0	0	0	-3,078
Revaluations	0	2,432	0	0	0	0	2,432
Cost or value at 31 March 2010	**20**	**145,336**	**16,492**	**8,687**	**32,664**	**461**	**203,660**
Accumulated depreciation and Impairment at 31 March 2009	**-42**	**-37,967**	**-19,821**	**-30,419**	**0**	**0**	**-88,249**
SORP 2007 changes	22	6,330	14,446	25,075	0	0	45,873
Other changes		39	397				436
Depreciation in yr.	0	-2,036	-2,906	-1,602	0	-5	-6,549
Reclassifications	0	0	0	0	0	0	0
Disposals in year	0	44	857	0	0	0	901
Impairments	0	-588	0	0	0	0	-588
Accumulated depreciation and Impairment at 31 March 2010	**-20**	**-34,178**	**-7,027**	**-6,946**	**0**	**-5**	**-48,176**
Net book value at 31 March 2010	**0**	**111,158**	**9,465**	**1,741**	**32,664**	**456**	**155,484**
Net book value at 31 March 2009	0	112,772	9,027	2,274	14,848	0	138,921

Notes to the Core Financial Statements

[11] Summary of Capital Expenditure and Fixed Asset Disposals (continued)

Further to changes made in the SORP 2007, which presented revised arrangements for the recording and accounting for fixed assets, an adjustment has been made in the accounts in respect of accumulated depreciation on all classes of fixed assets. The intention of the SORP 2007 was that the carrying value of an asset as at 31 March 2007 became, de facto, its historic cost as at the same date. This was in recognition of the fact that, whilst the new accounting arrangements required a historic cost of an asset, the reality in many authorities was that records did not exist which would give this information. In order to effect this change, the expectation was that any accumulated depreciation carried in the accounts would be written off against the gross value of the assets. This was not done in Hampshire's case, although the net book value of the assets remained unaffected.

The necessary adjustments to write out the accumulated depreciation prior to 1 April 2007 were discussed in the 2008/09 audit and it was agreed that the disclosure note would be reviewed in 2009/10. The Statement of Accounts presents a revised disclosure note on fixed assets which is now consistent with the SORP in every respect. The value of the change is £46.315m but as this only affects the disclosure note and not the net book value of assets carried in the Balance Sheet – which have always been stated at the correct value - this adjustment reflects the correction of a presentational error and not one which requires the accounts to be restated. In all other respects the accounting for the assets is consistent with the SORP 2009.

There is a requirement under the SORP each year to review fixed assets for evidence of impairment, which may be occasioned by a permanent consumption of economic benefits - e.g. as a result of a fire - or by a general reduction in prices or value. In the light of the changed global economic situation, particular emphasis was given to this at the end of 2008/09. This was reviewed at the end of 2009/10. However, dwellings were revalued at the start of 2009/10 and values thus reflected current market conditions or other evidence of value. The experience of the sales of dwellings in the year indicated that sale prices were holding up well against the carrying value of these assets and no futher impairment was thought to have been incurred at the end of 2009/10.

Other operational buildings had been mostly revalued during 2006/07. Here, however, in 2008/09, there was evidence of impairment as land values had reduced significantly across the Force area, although building costs, which are a key element of the valuation method for operational buildings, had not fallen. Hence an impairment charge of £27.5m was made to the Income and Expenditure Account in 2008/09. A further review at the end of 2009/10 concluded that the conditions which gave rise to the impairment remained the same. Thus, whilst some individual assets were revalued due to a change of use or for some other reason, and the asset value changed as a result, the overall fall in prices was deemed to have remained static. This review was undertaken in-house by an appropriately qualified professional valuer (as required by the SORP).

Notes to the Core Financial Statements

[11] Summary of Capital Expenditure and Fixed Asset Disposals (continued)

The Authority carries out revaluations of its fixed assets on a five-year rolling programme. In 2009/10 its police dwellings were revalued, along with a small number of other assets where the use had changed. The residential estate valuation was carried out by Richard Matthews FRICS of Hampshire County Council's Property Services (Estates) Department. Ad hoc valuations were carried out by James Thomas MRICS, the Authority's in-house valuer.

Where the Authority is not aware of any change in value - in addition to that resulting from the revaluation programme and annual impairment review - there is no requirement to update the valuation.

The economic downturn which had been felt in certain parts of the second-hand vehicle industry in 2008/09, generally in the larger vehicles, with smaller vehicles holding their residual values, was also considered to have remained static at the end of 2009/10. No further impairment charge was made in 2009/10 as residual values for new vehicles were set accordingly at the time of bringing these into operation.

This statement summarises capital expenditure incurred on fixed assets which will be of use to the Authority in future financial years. Future, as well as current, taxpayers will benefit from these assets and such costs are therefore not necessarily charged to the revenue account in the year that the asset is acquired. All non-operational assets are assets under construction. When these are completed and brought into use the asset is reclassified. In 2009/10, expenditure of £17.8m was incurred on assets under construction, most of which was for the replacement OCU headquarters for Southampton.

The capital outturn report for 2009/10 projects an updated capital programme for 2010/11 of £33.4m, taking into account slippage on the 2009/10 programme. As at 31 March 2010 the Authority had committed capital expenditure of £14.7m, mainly to premises-related schemes (£13.6m) and vehicles (£1.1m).

Notes to the Core Financial Statements

[11] Summary of Capital Expenditure and Fixed Asset Disposals (continued)

Capital financing and expenditure	**2008/09 £'000**	**2009/10 £'000**
Opening Capital Financing Requirement	12,260	25,035
Capital investment		
Operational assets	5,903	5,629
Non-operational assets	13,128	17,822
Sources of finance		
Capital receipts	-2,055	-3,500
Government grants and contributions	-3,854	-3,854
Use of reserves (RCCO)	0	-5,473
Sums from revenue (MRP)	-347	-637
Closing Capital Financing Requirement	**25,035**	**35,022**

Explanation of movements in year		
Increase in underlying need to borrow (supported)	1,703	1,703
Increase in underlying need to borrow (unsupported)	11,072	8,284
Increase/(decrease) in Capital Financing	**12,775**	**9,987**

£23.45m of capital expenditure was on fixed assets as shown above. Under the Prudential Code arrangements, the Authority is permitted to borrow money to finance capital expenditure as long as the borrowing is prudent, affordable and sustainable. Total borrowing in 2009/10 was £3m (£14m in 2008/09).

[12] Leases

The Authority does not lease out any of its assets. The Authority has no finance leases but does have operating leases for several buildings. In 2009/10 payments totalling £1.36m for 25 premises (£1.21m for 25 premises in 2008/09) were made. As at 31 March 2010, the Authority was committed to making operating lease payments, all for land and buildings, of £1.32m in 2010/11. The commitments in 2010/11 include £0.4m in respect of 2 separate leases which will be recharged to the ACPO Criminal Records Office. All operating leases are in respect of land and buildings in the standard fixed asset classification.

Commitments in 2010/11 - split by expiry dates	**£'000**
Leases expiring in 2010/11	96
Leases expiring between 2011/12 and 2015/16	950
Leases expiring after 2015/16	273
Total	**1,319**

Notes to the Core Financial Statements

[13] Valuation Information

The statement below shows the progress of the Authority's rolling programme for the revaluation of fixed assets. The majority of the Force's fixed assets were revalued in 2006/07 by the Force's Property Services Manager who is a qualified chartered surveyor, as required by the SORP. There were some revaluations carried out in 2008/09, mainly for dwellings which had last been revalued in 2004/05. There was also a review at the year end for impairment on assets, given the ongoing state of the economy. However, it was deemed that asset values in the accounts were still valid. In 2008/09 the carrying value of vehicles had been reduced by £185,000 as a result of changed residual values and the carrying value of operational buildings was reduced by £27.54m as a result of changed land values since the last formal revaluation. This circumstances which gave rise to this impairment were deemed to have still been in place at the Balance Sheet date. The basis for valuation is set out in the statement of accounting policies.

	Intangible Assets	Land and Buildings	Vehicles and Plant	Furniture and Equipment	Non-Op Assets	Surplus Assets	Total Fixed Assets
Valued:	£'000	£'000	£'000	£'000	£'000	£'000	£'000
at historical cost	0	719	9,465	1,741	32,664	0	44,589
at current value in:							0
2005/06		369					369
2006/07	0	97,677	0	0	0	0	97,677
2007/08	0	290	0	0	0	0	290
2008/09	0	0	0	0	0	0	0
2009/10	0	12,103	0	0	0	456	12,559
Total	0	111,158	9,465	1,741	32,664	456	155,484

[14] Depreciation Methodologies

Depreciation is charged on all assets, except land, on a straight line basis. In addition, an estimated residual value is provided for vehicles which is not take into account in the depreciation charge. Buildings have a half year depreciation in the year of acquisition and sale. Vehicles have a full year of depreciation in the year of purchase but are not depreciated in the year of sale. This reflects the relative speed of depreciation of buildings and vehicles. The useful lives of land and buildings are advised by a qualified valuer on an asset by asset basis. Useful lives of vehicles are advised by the Force's Transport Department for each individual vehicle. Useful lives of other assets are advised by a suitably qualified individual. There are no changes to the methodology.

Vehicles are typically given an asset life of between 3 and 5 years, although this represents the extent of their useful life for operational purposes and the residual value represents an estimate of their economic value at the anticipated point of disposal. Buildings have variable asset lives, with most operational buildings having assumed to have had a useful life of 90 years at the point of construction, and dwellings having a life of 61 years. New buildings are valued at the point of completion and the asset life for accounting purposes assessed at that time. IT and other short-life equipment is generally assigned a useful economic life of between 5 and 10 years.

Notes to the Core Financial Statements

[15] Intangible Fixed Assets

The intangible assets entry relates to software licenses purchased in 2004/05. The asset was depreciated on a straight line basis over the 5 year life of the asset, with the final year of depreciation being in 2008/09.

[16] Insurance Provisions

The Police Authority does not have an insurance provision but does hold a reserve of £394,000 (£394,000 at 31 March 2009). The Authority self insures lower amounts but externally insures against larger risks such as loss/damage to assets and other potential liabilities.

[17] Financial Instruments

Financial Reporting Standards 25, 26 and 29 introduced requirements regarding the recognition, measurement and reporting of financial instruments. A financial instrument is defined as "any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another". This is a broad spectrum and ranges from cash deposits at one end to derivatives and forward contracts at the other.

In accordance with these standards, financial assets and financial liabilities should be measured initially at fair value less transaction costs. Fair value is the amount for which an asset could be exchanged or a liability settled. The best evidence for fair value on initial recognition is the transaction price. This fair value may be affected by a number of factors and the SORP indicates the relevant treatment where the fair value is different to the transaction price. The financial assets of the Authority, principally cash, long-term debtors, debtors and temporary lending, are classified as **loans and receivable financial instruments**. The financial liabilities of the Authority, principally creditors and temporary and long-term borrowing, are classified as **financial liabilities at amortised cost**.

Carrying amounts of Financial instruments - summary

	2008/09 £m	2009/10 £m
Loans and Receivables	33.2	32.6
Available for sale assets	0.0	0.0
Unquoted equity investment at cost	0.0	0.0
Financial assets at fair value through profit and loss	0.0	0.0
Financial liabilities at amortised cost	39.7	44.3
Financial liabilities at fair value through profit and loss	0.0	0.0
	72.9	76.9

The Authority has adopted the CIPFA Code of Practice on Treasury Management. This Code provides guidance on the proper practices to be employed for treasury management in local authorities. It provides advice on how the Authority should deal with all borrowing and investment activities and covers areas such as effective management of risk, responsibility of staff, performance measurement and reporting.

Loans and Receivable Financial Instruments

[a] Long-Term Debtors

The long-term debtors shown on the balance sheet consist of car loans and housing assistance loans.

Notes to the Core Financial Statements

[17] Financial Instruments continued

Car loans are relatively short-term advances to staff and total approximately £9,000 at 31 March 2010 (£16,000 at 31 March 2009). Market rates of interest are charged on these loans and the fair value is considered to be the value of the loans outstanding at the balance sheet date. Note that the figure reported for 31 March 2009 was previously shown as £1,000. A number of credit balances were incorrectly taken into account and these have now been discounted and the figure restated in this note. However, the adjustment is not material and the long-term debtors on the Balance Sheet as at 31 March 2009 have not been restated.

Housing assistance loans were offered to police officers and operational police staff between 2004/05 and 2007/08. Interest free loans of up to £20,000 were made. A charge was placed on the property purchased and this becomes repayable at the end of 15 years or earlier in the case of a sale. Because the prevailing interest rate at the time the advance was made was greater than the actual rate of interest applied (i.e. 0%). in accordance with the SORP, transactions of this nature are termed 'soft loans'. As such, the fair value of such loans is less than the amount of the cash lent. The sum by which the amount lent exceeds the fair value of the loan must be charged to the Income and Expenditure Account.

Between 2004/05 and 2007/08 £0.92m was advanced and at the end of March 2010 the outstanding sum was £0.80m. Two loans with a total of £40,000 were repaid during the financial year. In accordance with the SORP these loans have been written-down to their fair value which reflects the interest foregone by making interest free loans. This interest foregone forms a charge on the income and expenditure account on initial recognition (i.e. the year the advance is made) although there is an accounting adjustment to mitigate any potential impact upon the general fund balance. Using a technique called the equivalent interest rate, the interest presumed to have been foregone is then written back to the balance sheet through the income and expenditure account, over the expected life of the loan. On the basis that these loans are for an individual's first property purchase and have a maximum life of 15 years, with some already having been repaid, an expected life of 8 years has been assumed.

On the basis of the above, the fair value of housing assistance loans is £0.65m (£0.66m at 31 March 2009). The Financial Instruments Adjustment Account is the balance sheet account which records these adjustments to the value of the soft loans.

[b] Debtors

Debtors, classified as receivable financial instruments, are due within one year with no interest being payable. As such, the fair value of these receivables is the same as the original invoice amount.

Debtors includes £3.7m Pension fund account debtor (£8.2m as at 31 March 2009), a VAT refund debtor of £1.8m at 31 March (£1.0m as at 31 March 2009) and a debtor of £0.5m for the Safer Roads Partnership.

	31 March 2009 £'000	31 March 2010 £'000
Debtors	14,491	15,289
Payments in advance	1,093	2,168
Less bad debt provision	-200	-150
	15,384	**17,307**

Payments in advance include rents and rates (£0.9m), insurance premiums (£0.3m) and software maintenance charges (£0.8m). The provision for bad debts is £150,000.

Notes to the Core Financial Statements

[17] Financial Instruments continued

The SORP contains detailed requirements concerning the impairment of financial assets. A financial asset or a group of financial assets are impaired if there is objective evidence of impairment as a result of a past event that occurred subsequent to the initial recognition of the asset. Debtors to the Authority are treated collectively and relevant risks of non-payment have been assessed at the balance sheet date through a review of the constituent elements of the outstanding debt.

Outstanding general debt is pursued as a matter of course and, generally, low levels of debt have been written off each year. In 2009/10 the debt written off totalled £1,242 (£6,124 in 2008/09). The level of all non-current debt (i.e. past the due date of invoice) outstanding at the end of the month reduced from an average of £1.1m in 2008/09 to £0.5m in 2009/10, with the actual figure at 31 March 2010 being £0.68m (£0.3m of this related to one invoice which was paid on 4 May 2010). The majority of aged debt relates to other central and local government bodies and thus has a lower risk of becoming unrecoverable. Collectively, therefore, the current policy of maintaining a provision meets the needs of the Authority and there is no requirement to recognise any separate impairment in the Income and Expenditure Account for 2009/10. The provision was reduced in 2009/10 (from £200,000) to reflect the successful resolution of certain debts outstanding at the end of 2008/09 but has been left at £150,000 to reflect issues with particular debtors which may lead to write-offs, but this is not yet certain.

[c] Payments in advance

The balance on payments in advance reflects payments which are made towards the end of the year where the goods and services will be provided in the following financial year, such as IT service and maintenance agreements. Where material, the value of payments made at the end of the year, the proportion which relates to the next year are moved forward. As this is simply a question of timing, the fair value is deemed to be the invoice value.

[d] Short-term investments and short-term borrowing

Short-term investments and short-term borrowing are essentially the temporary lending and borrowing of money to and from Hampshire County Council or other third parties as part of the normal cash flow management of resources to cover the timing of expenditure. Where there is a forecast surplus or deficit on the cash resources decisions are made to either borrow temporarily from the County Council, lend surplus resources to the County Council or to other third parties for periods up to a year.

The Annual Investment Strategy and borrowing strategy sets out the requirements for borrowing and the policy on investing surplus cash on a temporary basis. This is approved by the Authority on February each year and is available on the website. The investment strategy which applied in 2009/10 placed limits on the minimum credit rating of counterparties (e.g. Moody's A2 or above for banks and building societies) and maximum amounts which could be placed with any one party. In reality, most short-term investment and borrowing was to or from Hampshire County Council, although with short-term interest rates being close to 0% during the year and cash balances being high, a special interest bearing account facility was established with the Authority's bankers to try and maximise interest in the prevailing market conditions. Risks are minimised through these restrictions and the treasury management function reviews individual counterparty risks on an ongoing basis.

Notes to the Core Financial Statements

[17] Financial Instruments continued

There were no short-term borrowing requirements at 31 March 2010. Surplus cash balances were loaned to Hampshire County Council (£7.6m) and the balance (£2.5m) being lent to Lloyds TSB for a 3 month period ending on 06 April 2010 and (£5.0m) being held in a Nat West Special Interest Bearing Account.

Given the short-term nature of these transactions, the fair value of short-term investments is deemed to be equivalent to the cash invested or borrowed. The book value of short-term investments at 31 March 2010 was £15.1m (£16.3M at 31 March 2009).

Financial Liabilities at Amortised Cost

[e] Deposits

Deposits are held from various sources, mainly seized and forfeited monies which may become repayable or may be forfeited depending upon the outcome of court cases. The Authority holds a deposit of £1.0m received from ACRO as a surety for rental payments on the property which has been leased on their behalf. This indemnifies the Authority against potential future liabilities and is shown in the Balance Sheet as part of the earmarked reserves.

Other deposits held in the accounts are credited with interest on the basis of market rates. As such, the fair value of the sums held is deemed to be the same as the actual value. The book value of these deposits at 31 March 2010 was £1.20m (£1.43m at 31 March 2009).

[f] Creditors

Creditors, classified as financial liabilities, are paid within 30 days of the date shown on the invoice. As such, the fair value of these liabilities is the same as the original invoice amount.

Creditors have increased due to payments due for capital works (£3.1m) and other payments outstanding at the year end, offset by a reduction in backdated payments due to police pensioners (£2.4m) and a reduced level of receipts in advance (£1.0m).

	31 March 2009	31 March 2010
	£'000	£'000
Creditors	17,850	20,555
Receipts in advance	3,267	2,304
	21,117	**22,859**

Receipts in advance includes a number of specific grants that have been carried over, such as mobile information project funding (£0.3m), national air support project (£0.3m), ANPR funding (£0.4m) and grants and contributions towards PCSOs (£0.2m).

[g] Receipts in advance

Receipts in advance are income which is received towards the end of the year where relevant expenditure will be made or the service provided in the following financial year, such as grants. Where material, the value of receipts received at the end of the year, the proportion which relates to the next year is moved forward. As this is simply a question of timing, the amortised cost in the balance sheet is deemed to be the fair value.

Notes to the Core Financial Statements

[17] Financial Instruments continued

[h] Long-term borrowing

The Authority's borrowing strategy for 2009/10 was set in February 2009. The strategy determined that long-term fixed rate borrowing would be taken out at a target rate of 4.2% or less - or prevailling rates if the target rate proved unattainable - and that the opportunity could be taken to take new long-term, fixed-rate loans. This decision was based on a forecast external borrowing requirement over the medium-term of £41m, at an average of £14m per annum. The Authority had been expected to borrow £20m in the year, largely to finance the replacement of the Southampton OCU headquarters. In the end, due to higher than anticipated cash balances, which enabled internal borrowing to take place, and slippage on other areas of the capital programme, namely the development of the new headquarters site, the Authority borrowed £3m at a weighted average rate of 4.34%.

The Authority now has 13 fixed long-term loans from the Public Works Loans Board (PWLB). These are analysed below:-

Analysis of loans by maturity	Average interest rate (Current)	Outstanding loans 31 March 2009 £'000	Outstanding loans 31 March 2010 £'000
Between 0 and 5 years	-	-	
Between 6 and 10 years	8.50%	500	500
Between 10 and 15 years	5.38%	350	700
Between 15 and 20 years	-	350	-
Over 20 years	4.19%	16,000	19,000
		17,200	**20,200**

Note that a loan due for repayment in September 2023 was previously shown as maturing between 15 and 20 years from the Balance Sheet date. In fact this was due to mature in 14 years and 6 months. The comparator for 31 March 2009 has consequently been restated.

The SORP changes in respect of accounting for financial instruments apply to long-term borrowing. There is a requirement to show the fair value of the Authority's fixed rate loans. This effectively shows the fair value of each loan in the context of rates applicable for similar loans at the balance sheet date. The PWLB calculates the fair value on these loans on the basis of what it would cost to redeem the loans early. Thus, if current interest rates are lower than the loan rate, then the repayment sum will be higher than the principal amount. As an example, the Authority has a loan of £500,000 due to be repaid in October 2015. Interest is being paid at 8.50%. As the current rate of interest on a 5 1/2 year loan at 31 March 2010 (being the remaining life to maturity) was 2.89%, it is this difference which becomes a premium on early repayment and the sum of these makes up the fair value of the portfolio. Where current interest rates are higher than the rate of an existing fixed rate loan, this works in reverse and makes the fair value higher than the book value.

Notes to the Core Financial Statements

[17] Financial Instruments continued

Most of the Authority's loan portfolio was taken out in 2008/09 (£14m out of £20.2m). As a result, the difference between the rates at which loans were taken out and the rates in existence at 31 March 2010 is minimal, which is reflected in a relatively small difference between the book value of the loans and the fair value. In accordance with LAAP Bulletin 73, there is no requirement to show the fair value of PWLB loans on balance sheet, only as a disclosure note in the accounts. Consequently, the PWLB loans had a fair value of £19.963m at 31 March 2010 against a balance sheet value of £20.2m.

[i] Financial Guarantee Contracts

When a financial guarantee is given by a local authority where the liabilities of a third party are guaranteed in the event of a default, the SORP requires that this is recognised in the accounts of the local authority at fair value. The fair value is assessed in relation to the level of the financial guarantee and the probability of this being called.

By being the signatory to property leases, the Authority has effectively guaranteed the leasing payments for premises occupied by the Safer Roads Partnership (SRP) and the ACPO Criminal Records Office (ACRO). In terms of disclosure under the SORP, the agreement in respect of the SRP was entered into before the relevant date under the SORP and is a long-standing partnership where there is a low probability of the leasing costs being defaulted upon. As regards the ACRO premises, a surety has been received and is held as a deposit in the event that the service is discontinued. The sum held represents the maximum liability to pay outstanding leasing payments under the lease. As such, this sum is not a premium paid to the Authority for bearing a potential risk. Rather, it is a deposit held to pay all sums due in the event of the ACRO arrangements ceasing with insufficient notice. Consequently, there is no recognition of this arrangement as a financial guarantee in the statement of accounts.

Notes to the Core Financial Statements

[17] Financial Instruments continued

[j] Risks

The Authority is exposed to several risks arising from the use of financial instruments:

Credit risk - the potential for other parties to not pay amounts due to the Authority

Liquidity risk - the potential that the Authority might not have funds available to meet its payment commitments as they fall due

Market risk - the potential that financial loss might arise as a result of changes in interest rates or stock market movements

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's debtors. As surplus cash is temporarily invested with Hampshire County Council or other institutions with a suitable credit rating the Authority is therefore exposed to minimal risk. The Authority's debtors are generally Government Departments (including HMRC) and other public sector bodies. Other debtors are managed through effective credit control which focuses on prompt payment of debt.

The Authority has ready access to borrowing through the PWLB and the financial markets or through temporary borrowing from the County Council's cash surpluses. This means that there is no significant risk of not being able to raise finance. The risk is that when long-term borrowings need to be replaced this will be at a period when interest rates are historically unfavourable. This risk is mitigated by planning long-term borrowings required to support investment through the Treasury Management Strategy.

Market risk can occur through interest rates, prices and foreign currency risks. Interest rates on both short-term borrowing and lending and long-term borrowing have remained at historically low rates. The budget for 2009/10 in respect of interest on cash balances was reduced to £150,000 and the actual net interest received was £180,000. Cash balances have reduced as they have been used as internal borrowing to support capital expenditure, which in turn reduces the need for external borrowing and limits exposure at that end. The Treasury Management Policy and the Annual Investment Strategy approved in February 2009 set out the approach the Authority would take to mitigate any risks. The medium term financial strategy and prudential borrowing ensure that the financial impact is assessed and taken into account in the planning process.

The Authority does not invest in equity shares and has no shareholdings in joint ventures or local industry. There is, therefore, no exposure to price risk.

The Authority does not have any material financial assets or liabilities denominated in foreign currencies. There is thus no exposure to losses arising from movements in exchange rates.

In summary, the risks to which the Authority is exposed are minimal, given the nature of its counterparties for both borrowing and investments, the fact that most debtors are generally other public sector bodies (in financial and volume terms), the fact that other debtors are subject to a rigorous debt collection and recovery regime and the fact that the Authority has no shareholdings and no material foreign currency dealings. Given this, it is considered that there is no requirement to perform any analysis on the above risks to factor in any reasonable likelihood that these risks are sensitive to any changes which could have a material impact on these accounts.

Notes to the Core Financial Statements

[18] Provisions

The Authority maintains a provision for bad debt of £150,000 (£200,000 as at 31 March 2009). Bad debts totalling £4,351 were written off during the year.

The bad debt provision was reviewed at the year end to take account of the general state of the economy and the prospects for recovering all sums which were due to the Authority. In addition, there was an emphasis throughout the year on reducing the overall levels of debtors outstanding, with all non-current debt being £0.68m at the balance sheet date. This ongoing work and the year end review had highlighted those debts which were proving problematic to recover or which might become so in the future. In the light of these general circumstances and the specific circumstances of a number of key debtors, the provision for bad debts is £50,000 less than at the end of 2008/09.

Notes to the Core Financial Statements

[19] Reserves - Summary

The Authority maintains a number of reserves in the balance sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice and others have been set up voluntarily to earmark resources for future spending purposes. An explanation of each reserve is given in the accounting policies. Reserves are summarised below and further detail on the key reserves follows:

Reserve	Balance 1 Apr 09	Gains and losses credited (+) or debited (-) to the reserve	Transactions with other reserves during the year	Balance 31 Mar 10
	£'000	£'000	£'000	£'000
Capital Adjustment Account	106,669	-5,338	9,008	110,339
Revaluation Reserve	243	2,431	-35	2,639
Financial Instruments Adjustment Account	-183	33	0	-150
Collection Fund Adjustment Account	0	1,272	0	1,272
Available for sale Financial Instruments Reserve	0	0	0	0
Unapplied Grants and Contributions	0	0	0	0
Capital Receipt Reserve	1,780	1,720	-3,500	0
Capital (Revenue Contributions) Reserve	5,011	2,348	-5,473	1,886
General Reserve	7,106	8,765	0	15,871
Insurance Reserve	394	0	0	394
Spend to Save Reserve	0	386	0	386
Earmarked Reserves	2,101	2,582	0	4,683
FRS17 Pensions Reserve	-1,679,770	-531,037	0	-2,210,807
Total	**-1,556,649**	**-516,838**	**0**	**-2,073,487**

[19 a] Reserves - Earmarked reserves

Earmarked reserves are held for a number of specific purposes. One major purpose is to enable budget holders under the devolved financial management scheme to carry forward over/underspendings, thereby promoting strategic management of budgets within the Constabulary. The table below analyses the main components of the reserve.

Reserve	Balance 1 Apr 09	Gains and losses credited (+) or debited (-) to the reserve	Transactions with other reserves during the year	Balance 31 Mar 10
	£'000	£'000	£'000	£'000
Netley business plan	12	13	0	25
Devolved budget carry forwards	1,089	2,569	0	3,658
ACPO Criminal Records Office surety	1,000	0	0	1,000
Total	**2,101**	**2,582**	**0**	**4,683**

Notes to the Core Financial Statements

[19 b] Reserves - Capital Adjustment Account

The Capital Adjustment Account is a credit balance which reflects the net surplus of resources set aside to finance capital expenditure and the depreciation, impairment and write-off of the historical cost of fixed assets.

2008/09 £'000		2009/10 £'000	2009/10 £'000
136,095	**Balance at start of year**		**106,669**
	Resources to Finance Capital Expenditure		
2,055	Capital receipts	3,500	
0	Contributions from capital (revenue contributions) reserve	5,473	
4,691	Government grant and contributions deferred	3,344	
6,746			**12,317**
	Write-Down of Fixed Assets		
-34,870	Depreciation and impairment of tangible assets	-7,138	
0	Compensatory adjustments to convert current value depreciation to historic cost depreciation	35	
-11	Amortisation of intangible assets	0	
-1,638	Disposals	-2,181	
-36,519			**-9,284**
347	Minimum Revenue Provision		637
106,669	**Balance at end of year**		**110,339**

[19 c] Reserves - Capital Receipts Reserve

Capital receipts are the proceeds of the sale of capital assets such as the disposal of police houses and the sale of vehicles. Individual receipts of less than £6,000 have been credited to revenue income.

£'000		£'000
2,628	**Balance at start of year**	**1,780**
-2,055	Capital receipts applied to finance capital expenditure	-3,500
0	Capital receipts applied to repay loans	0
1,207	Capital receipts in year	1,720
1,780	**Balance at end of year**	**0**

[19 d] Reserves - Revaluation Reserve

The Revaluation Reserve records the accumulated gains on assets arising from increases in value, netted off for disposals and certain depreciation adjustments

On disposal of an asset, its Revaluation Reserve balance is written out to the Capital Adjustment Account. The overall balance on this Reserve thus represents the amount by which the current value of fixed assets carried on the Balance Sheet is greater because they are carried at revalued amounts rather than at depreciated historical cost.

£'000		£'000
280	**Balance at start of year**	**243**
0	Revaluations during year	2,431
-37	Impairments of previously revalued assets	0
0	Disposal of revalued assets	0
0	Depreciation of revaluations	-35
243	**Balance at end of year**	**2,639**

Notes to the Core Financial Statements

[19 e] Reserves - Capital (Revenue Contributions) Reserve

The Capital (Revenue Contributions) Reserve contains general sums set aside from the Income and Expenditure Account or specific sums required to cover capital expenditure which is not funded from other capital resources. The balance at the end of 2009/10 includes £1.077m in respect of IT efficiencies carried forward to finance future investment in IT.

2008/09 £'000		2009/10 £'000
4,448	**Balance at start of year**	**5,011**
775	Contributions received in year	2,353
0	Contributions applied to finance capital expenditure	-5,473
-212	Contributions returned to revenue	-5
5,011	**Balance at end of year**	**1,886**

[19 f] Collection Fund Adjustment Account

The Collection Fund Adjustment Account records the difference between the income included in the Income and Expenditure Account and the amount required by statute to be credited to the General Fund. This was established in the SORP 2009 with effect from 1 April 2008. Due to the size of the adjustments required for the Authority, no prior period adjustment was deemed appropriate, although an adjustment was required through the Statement of Recognised Gains and Losses to establish the opening balance at 1 April 2009. The movement in the year relates to the net creditor or debtor from billing authorities when accounting for collection fund balances on an accruals basis at the year end.

2008/09 £'000		2009/10 £'000
0	**Balance at start of year**	**0**
0	Opening balance created as required by SORP 2009	948
0	Collection Fund net debtor at 31 March 2010 - monies owed by billing authorities	324
0	**Balance at end of year**	**1,272**

[20] Government Grants Deferred

This account contains grants received to finance capital expenditure. Grant is released to offset depreciation charges generated by the relevant assets over the life of those assets.

	31 March 2009 £'000	31 March 2010 £'000
Opening balance	8,693	7,856
Grant received	3,854	3,854
Grant released	-4,691	-3,344
Closing balance	**7,856**	**8,366**

Of the grant released in 2009/10, £2.888m was in respect of assets depreciated in the year. This is a credit to the cost of services. The balance of £0.456m is in respect of assets depreciated in prior years and is credited to the funding statement at the bottom of the Income and Expenditure Account.

Notes to the Core Financial Statements

[21] Audit Costs

In accordance with the Code of Practice, the amount spent on statutory external audit in 2009/10 was £102,000 (£113,800 in 2008/09). In addition, payments were made in respect of the National Fraud Initiative in 2009/10 which related to 2008/09 (£500). The comparator for 2008/09 has been restated to reflect this. There were no additional services in 2009/10.

[22] Sponsorship

The Police Act 1996 and the Code of Practice on Financial Management allow the Authority to accept gifts of money, or gifts or loans of other property, if they enable the Force to either extend or to enhance the service it would normally be expected to provide. The terms on which gifts or loans are accepted may allow commercial sponsorship of some police activities. A detailed set of procedures govern the circumstances in which such offers may be accepted. Loans or sponsorship received during 2009/10 totalled £355,402 (2008/09 £333,123) an increase which reflects successes in generating sponsorship across the OCUs, some of whom have local champions for targeting sponsorship opportunities. The value of loans or sponsorship received in 2009/10 is within the threshold of 1% of the annual budget beyond which there is a risk of the Authority losing a proportion of its Government grant.

[23] Authorisation Of Issue

The financial statements were approved for issue by the Treasurer on 17 September 2010, being the deadline for the despatch of reports for the Governance Committee meeting on 27 June 2010. The External Audit opinion on the accounting statements is reproduced in these statements and is expected to be formally signed by 30 September. Events after the Balance Sheet date have been considered to the date of this issue.

Notes to the Core Financial Statements

[24] Contingent liabilities

The Authority has paid out Special Priority Payments to officers to the value of the grant received from Government. However, the Home Office guidelines would require a higher amount to be paid out, if the Home Office insists that the guidelines are fully applied. The matter is still to be concluded but, if the Home Office guidelines are applied, it would cost the Authority an additional £0.5m for each year in respect of 2006/07 to 2009/10.

A contingent liability of £1.079m is recorded in respect of injury pensions charged to the Police Pension Fund instead of the Income and Expenditure Account at the time of the transition to the new police pension funding arrangements in 2006/07. It is not certain that this will need to be repaid so long after these years of accounts have been closed and audited, but the amount is recorded herein to reflect this possibility.

At the balance sheet date there were two other potential liabilities in respect of events which have happened in the past, in respect of one of which a claim against the employer has been received. The other event relates to operational matters which may lead to a claim against the Authority at some time in the future. It is not certain that either of these events would lead to rulings against the Authority or will lead to claims which are substantial or not covered by insurance. A balance sheet reserve is currently maintained for insurance claims which cannot be met from existing (or historic) insurance cover.

[25] Contingent assets

Further to a court case which was settled against the Authority, costs and damages were awarded to the plaintiff. The Police Authority did not indemnify the officer involved and has subsequently sought to recover from the officer the costs it has incurred and the costs and damages it has paid to the plaintiff. At the balance sheet date, a sum of approximately £133,500 had been paid by the Authority in a prior financial year but the final sum, provision for interest, the means of repayment and the period over which repayment will be made has yet to be settled. The Force Solicitor is discussing the settlement with the third party's solicitor.

[26] Other notes that are required by the SORP but nothing to report

The Authority has no interests that would require the production of Group Accounts.
There were no acquired, discontinued operations or outstanding liabilities.
There are no undischarged obligations arising from long term contracts.
There were pooled funds under s31 of the Health Act 1999.
There were no exceptional or extraordinary items or any items which required a prior period adjustment to be disclosed in the accounts.
The Authority has no PFI arrangements, interests in companies or capital instruments.
There were no known events after the balance sheet date which materially affect the amounts included in these accounts.
The Authority does not administer any trust funds.

Notes to the Core Financial Statements

[27] Notes to the cash flow statement

[i] Analysis of Additional Grants

	£'000
See note 10 for breakdown of additional grants received	23,400

[ii] Reconciliation to Income & Expenditure Account

	£'000	£'000
Deficit for the year		80,627
Interest paid		-898
Interest received		178
Changes in:		
Increase/(Decrease) in debtors	1,924	
(Increase)/Decrease in creditors	950	2,874
Non cash transactions:		
Pensions adjustments		-92,516
Financing transactions		-3,669
Net cash outflow/(Inflow) from revenue activities:		**-13,404**

[iii] Movements in short term investments

	£'000
Short term investments at 31 March 2009:	16,308
Short term investments at 31 March 2010:	15,103
Decrease/(Increase) in short term investments:	**1,205**
Deposits at 31 March 2009:	1,200
Deposits at 31 March 2010:	1,545
Decrease/(Increase) in deposits:	**-345**

Note: Deposits comprise of seized and forfeited money and assets.

[iv] Movements in long term borrowing

a) Deemed debt

	£'000
Deemed debt at 31 March 2009:	2,123
Deemed debt at 31 March 2010:	1,911
Decrease/(Increase) in deemed debt:	**212**

b) Other loans

	£'000
Long term loans at 31 March 2009	17,200
Long term loans at 31 March 2010	20,200
Decrease/(Increase) in other loans:	**-3,000**

[v] Movements in Stock holdings

	£'000
Stock at 31 March 2009	610
Stock at 31 March 2010	892
Decrease/(Increase) in stock:	**-282**

Notes to the Core Financial Statements

[27] Notes to the cash flow statement

[vi] Analysis of cash balances

	£'000	£'000
At 31 March 2009:		
Bank overdrawn	-218	
Cash	953	735
At 31 March 2010:		
Bank overdrawn	-1,803	
Cash	4,572	2,769
Decrease/(increase) in cash:		**-2,034**

[vii] Reconciliation of movement in cash to movement in net debt

	31 March 2010 £'000	31 March 2009 £'000	Movement in year £'000
Decrease/(increase) in cash			**-2,034**
Movement in net debt:-			
Short term borrowing	0	0	0
Long-term borrowing	-22,111	-19,323	-2,788
Short-term investments	15,103	16,308	-1,205
Short-term deposits	-1,545	-1,200	-345
Long-term debtors (less soft loan adjustments)	643	692	-49
Long-term investments	0	0	0
			-4,387
Net movement from revenue activities			**-13,404**
Net movement from servicing of finance			**720**
(Decrease)/increase in stock			**282**
Net movement from capital activities			**14,755**
			-2,034

Notes to the Core Financial Statements

[27] Notes to the cash flow statement - 2008/09 Comparators (Restated)

[i] Analysis of Additional Grants

	£'000
See note 10 for breakdown of additional grants received	24,504

[ii] Reconciliation to Income & Expenditure Account

	£'000	£'000
Deficit for the year		123,544
Interest paid		-457
Interest received		883
Changes in:		
Increase/(Decrease) in debtors	-3,325	
(Increase)/Decrease in creditors	3,308	-17
Non cash transactions:		
Pensions adjustments		-98,687
Financing transactions		-30,250
Net cash outflow/(Inflow) from revenue activities:		**-4,984**

[iii] Movements in short term investments

	£'000
Short term investments at 31 March 2008:	8,000
Short term investments at 31 March 2009:	16,308
Decrease/(Increase) in short term investments:	**-8,308**
Deposits at 31 March 2008:	1,428
Deposits at 31 March 2009:	1,200
Decrease/(Increase) in deposits:	**228**

Note: Deposits comprise of seized and forfeited money and assets.

[iv] Movements in long term borrowing

a) Deemed debt

	£'000
Deemed debt at 31 March 2008:	2,548
Deemed debt at 31 March 2009:	2,123
Decrease/(Increase) in deemed debt:	**425**

b) Other loans

	£'000
Long term loans at 31 March 2008	3,230
Long term loans at 31 March 2009	17,200
Decrease/(Increase) in other loans:	**-13,970**

[v] Movements in Stock holdings

	£'000
Stock at 31 March 2008	720
Stock at 31 March 2009	610
Decrease/(Increase) in stock:	**110**

Notes to the Core Financial Statements

[27] Notes to the cash flow statement - 2008/09 Comparators (Restated)

[vi] Analysis of cash balances

	£'000	£'000
At 31 March 2008:		
Bank overdrawn	-320	
Cash	4,133	3,813
At 31 March 2009:		
Bank overdrawn	-218	
Cash	953	735
Decrease/(increase) in cash:		**3,078**

[vii] Reconciliation of movement in cash to movement in net debt

	31 March 2009 £'000	31 March 2008 £'000	Movement in year £'000
Decrease/(increase) in cash			**3,078**
Movement in net debt:-			
Short term borrowing	0	0	0
Long-term borrowing	-19,296	-5,778	-13,518
Short-term investments	16,308	8,000	8,308
Short-term deposits	-1,200	-1,428	228
Long-term investments	0	0	0
			-4,982
Net movement from revenue activities			**-4,984**
Net movement from servicing of finance			**-426**
(Decrease)/increase in stock			**-110**
Net movement from capital activities			**13,580**
			3,078

Glossary

Agency Services
Services which are performed by or for another authority or public body where the agent is reimbursed for the cost of work done.

Capital Adjustment Account
A Balance Sheet reserve which reflects the net surplus of resources set aside to finance capital expenditure and the depreciation, impairment and write-off of the historical cost of fixed assets. The reserve came into being on 31 March 2007.

Capital Expenditure
Expenditure on the provision and improvement of assets such as land, buildings, vehicles and major items of equipment providing benefit to the Authority over a life of more than one year.

Capital Receipts
Money obtained on the sale of a capital asset. Capital receipts can be used to finance new capital expenditure or to repay loan debt within rules set down by the government, but they cannot be used to finance revenue expenditure.

Collection Fund Adjustment Account
A Balance Sheet account which records the difference between the income included in the Income and Expenditure Account and the amount required by regulation to be credited to the General Fund. With effect from 2009/10 the Authority includes its proportionate share of Council Tax debtors and creditors due to the billing authority, which is deemed to be acting as an agent of the major preceptors, including the Police Authority.

Credit Arrangements
An arrangement other than borrowing where the use of a capital asset is obtained and paid for over a period of more than one year. The main types of credit arrangements are leases of buildings, land and equipment.

Creditors
Individuals or organisations to whom the Authority owes money at the end of the financial year for work done, goods received or services rendered but for which payment has not been made at 31 March.

Debtors
Individuals or organisations who owe the Authority money at the end of the financial year.

Depreciation
Depreciation represents the consumption of an asset due to deterioration. The value is included within the income and expenditure account as a cost of providing services but as there is no cashflow impact on the general reserve, it is taken out in the movement on general fund balance reconciliation.

Glossary

Financial Instruments Adjustment Account

A Balance Sheet account which records the adjustments made to the value of assets and liabilities as a result of showing these at fair value or amortised cost on initial recognition and the subsequent accounting entries required to write the value of these assets and liabilities back up to the actual sum due or payable at the end of its expected life.

Financial Year

The annual period of accounting (for police authorities 1 April to 31 March).

Fixed Assets

Assets of significant value that yield benefits to the Authority for a period of more than one year.

Government Grants

Part of the cost of the service is paid for by central government. General grants can be spent at the discretion of the Authority. Specific grants (included within additional grants) are also paid to the Authority, but are ring-fenced for spending in specific areas.

Government Grants Deferred Account

The amount of money given to the Authority to spend on assets that have a lasting value, for example vehicles, land and buildings. The amount is reduced each year as the value of the asset reduces due to depreciation.

Minimum Revenue Provision (MRP)

An amount required by statute to be charged to the movement on the general fund balance. It ensures that authorities put aside funds for the repayment of loans.

OCU

Operational Command Units (OCUs) were formerly known as BCUs. Six OCUs provide geographically based policing focused on the community they serve. There is also a Crime OCU and an Operations OCU.

Precept

The levying of a council tax rate by one authority which is collected by another. The Authority precepts upon the district/unitary councils' collection funds for its council tax income.

Glossary

Revaluation Reserve
A Balance Sheet reserve which records the accumulated gains on assets held by the Authority arising from increases in value, netted off for disposals and certain depreciation adjustments. The reserve came into being on 31 March 2007.

Revenue Contributions to Capital Outlay (RCCO)
Amounts paid from revenue funds (charged to the Income and Expenditure Account) to purchase capital assets

Revenue Expenditure
Expenditure to meet the day to day running costs of services including wages and salaries, purchase of materials and services and capital financing charges. This is shown in the Income and Expenditure account.

Reserves
Accumulated sums which are maintained either to be earmarked for specific liabilities (e.g. pensions, insurance) or generally held to meet unforeseen or emergency expenditure (e.g. General Reserve).