



Bedfordshire Police Authority

COMMITTEE AND MEETING DATE	FINANCE COMMITTEE 22 JUNE 2010
AGENDA ITEM No:	9
TITLE:	STATEMENT OF ACCOUNTS 2009/10
DATE OF REPORT:	7 JUNE 2010
REPORT OF:	CHIEF EXECUTIVE/TREASURER
AUTHOR:	ASSISTANT DIRECTOR – RESOURCES
ACTION REQUIRED:	TO CONSIDER AND APPROVE THE STATEMENT OF ACCOUNTS FOR 2009/10
APPENDICES:	NONE

RECOMMENDATIONS:

Recommendation 1

That members approve the draft 2009/10 Statement of Accounts as attached to this Report subject to audit by the audit commission.

Originators: Samantha Davies – Principal Accountant
Date: 07 June 2010
Telephone No: (01234) 842194
E-mail: Samantha.davies@bedfordshire.pnn.police.uk

BACKGROUND PAPERS:

Draft Statement of Accounts 2009/10

ADDITIONAL PAPERS:

None

1. INTRODUCTION

- 1.1 This report presents and comments on the Authority's draft accounts for the year ended 31 March 2010.
- 1.2 The Accounts and Audit Regulations 2006 require the Authority to approve the final accounts for the year ending 31 March 2010 before 30 June 2010. The Authority are also required to publish the Statement of Accounts prior to 30 September 2010.
- 1.3 The formal audit of the Accounts by the Audit Commission is expected to commence on 28 June 2010 and last for approximately 4 weeks.

2. BASIS OF THE ACCOUNTS

- 2.1 The accounts are compiled and presented in accordance with the Statement of Recommended Practice (SORP) – The Code of Practice on Local Authority Accounting, as published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

3. FINAL OUTTURN 2009/10

- 3.1 The final outturn for the Authority is shown elsewhere on this agenda and reports that compared with a final budget of £101,232M the actual outturn was £101,039M providing a total underspending of £0.193M. It is suggested in the final outturn report how this underspending should be treated and the accounts reflect this proposal.

4. STATEMENT OF ACCOUNTS

- 4.1 The Accounts and Audit Regulations 2006 and SORP state that the accounts must include the following:

- An explanatory foreword;
- A statement of Accounting Policies;
- A Statement of Responsibilities;
- An Income & Expenditure Account;
- A Statement of Movement on the Police Fund Balance;
- A Statement of Total Recognised Gains and Losses;
- A Balance Sheet;
- A Cash Flow Statement;
- An Annual Governance Statement;
- Notes to the Accounts; and
- A separate Pensions Account for the Police Pensions Scheme

4.2 Explanatory Foreword

- 4.2.1 The explanatory foreword within the accounts highlights what is contained in the accounts and provides an overview of the financial position of the Authority in the financial review.

4.3 Statement of Responsibilities

- 4.3.1 This section of the accounts provides a very brief outline of the responsibilities of both the Treasurer and the Police Authority.

- 4.4 Annual Governance Statement
 - 4.4.1 The Authority is responsible for putting in proper arrangements for the governance of its affairs, facilitating the effective exercise of the Authority's functions and which includes arrangements for the management of risk and incorporating this in to an overarching Code on Corporate Governance, which is reviewed at least once per annum, from which an Annual Governance Statement is produced.
 - 4.4.2 A review of the Code on Corporate Governance has been undertaken and reported to the Audit & Business Assurance Committee who approved it along with the AGS at their meeting on 8 June 2009.
- 4.5 Accounting Policies
 - 4.5.1 The accounting policies are the basis on which the accounts are compiled and are specified in the SORP. The accounting policies for 2009/10 have also been reviewed by the Audit & Business Assurance Committee and were endorsed at their meeting on 8 June 2010.
- 4.6 Income and Expenditure Account and Notes to this Account
 - 4.6.1 This Account provides a summary of the Authority's income and expenditure for the year 2009/10 and a comparison with 2008/09. Charges for, revaluations and disposal of, fixed assets are dealt with through the Statement of Movement on the Police Fund Balance and the Statement of Recognised Gains and Losses, as well as the movement on reserves.
 - 4.6.2 The statutory format for the presentation of the Income and Expenditure account is as set out by CIPFA's Best Value Accounting Code of Practice, as shown at page 26. This is compiled using the new Police Objective Analysis which analyses expenditure by policing activities.
 - 4.6.3 The Income and Expenditure account is also shown in a subjective format in order for the reader of the accounts to determine how much we spend on police pay, premises etc. The notes to the account are to assist in the explanation of the items included.
- 4.7 Balance Sheet and Notes to the Balance Sheet
 - 4.7.1 The Balance Sheet and Balance Sheet notes provide details of the financial position of the Authority as at 31 March 2010. It provides details of the assets, both fixed and current, held by the Authority, its liabilities and how these are funded.
 - 4.7.2 The balance sheet shows that the Authority has negative equity, however, this is purely due to the fact that under Financial Reporting Standard 17 (FRS17) the Authority have to show its full pension liability. However, the financing of pensions is only required when the pensions are actually paid, therefore when this liability is excluded the net equity of the Authority is £28.583M.
- 4.8 Pensions Account
 - 4.8.1 This account is required to be shown separately by the SORP and provides detail around the expenditure and income associated with the Police Pensions Scheme.
- 4.9 Cash Flow Statement and Notes to Cash Flow Statement
 - 4.9.1 This statement summarises the inflow and outflow of cash during 2009/10 and removes any accruals from those figures included within the other statements in the accounts.

5. AUDIT OF THE ACCOUNTS

5.1 The timetable for the audit of the 2009/10 accounts is as follows:

Official start of the audit	28 June 2010
Start of Public Inspection	TBD
Completion of Audit (on site)	15 August 2010
Final day for Public Inspection of the Accounts	TBD
Date for Exercise of Public Rights	TBD

5.2 The audit opinion is expected during 22 September 2010 and will be considered by the Audit & Business Assurance Committee also in September.

6. RISK ASSESSMENT

6.1 The Accounts have been compiled in accordance with the appropriate Codes of Practice and by qualified accountants and therefore the risk likelihood is low, however the Accounts are subject to Audit scrutiny.

7. SERVICE AND FINANCIAL IMPLICATIONS

7.1 There are no service and financial implications associated with this report.

8. OTHER IMPLICATIONS

8.1 Legal Implications: The Authority is required to approve a draft Statement of Accounts in accordance with the requirements of the Accounts and Audit Regulations.

8.2 Corporate Governance : The Authority are required to publish the Annual Governance Statement within the Statement of Accounts.

8.3 Confidence: The financial statements help to demonstrate that the resources of the Authority are being used effectively.

9. RECOMMENDATION

9.1 That members approve the draft 2009/10 Statement of Accounts as attached to this Report subject to audit by the audit commission.

Stephanie McMenemy
Chief Executive / Treasurer

**BEDFORDSHIRE POLICE
AUTHORITY**

**DRAFT
STATEMENT OF
ACCOUNTS**

2009/2010

BEDFORDSHIRE POLICE AUTHORITY
STATEMENT OF ACCOUNTS – 2009/2010

CONTENTS

	Page
Explanatory Foreword	2
Financial Review	3
Statement of Responsibilities	7
Annual Governance Statement	8
Statement of Accounting Policies	17
Audit Opinion	24
Income and Expenditure Account	
- CIPFA Best Value Accounting Code of Practice	25
- CIPFA Subjective Classification	26
Statement of Movement on the Police Fund Balance	27
Statement of Total Recognised Gains and Losses (STRGL)	28
Balance Sheet	29
Cash Flow Statement	30
Notes to the Accounts	31
Pension Fund Accounting Statement	55
External Advisers	58
Glossary of Terms	59

Gillian Parker
Chief Constable

Peter Conniff
Chairman

Stephanie McMenamy, ACMA
Treasurer

Explanatory Foreword

Introduction

The Accounts of the Police Authority for 2009/10, which will be the basis for the Audit Opinion, are set out on Pages 2 to 57. They consist of:

- (i) **Financial Review** – this outlines the Revenue and Capital spending in 2009/10 and the financing, the major changes to the Accounts from 2008/09 and future prospects for the Authority (page 3)
- (ii) **Statement of Responsibilities** - this includes the financial responsibilities of the Police Authority and the Treasurer (page 7)
- (iii) **Annual Governance Statement** – this statement sets out how the Authority has ensured that it has proper arrangements for governance of its affairs allowing it to effectively exercise its functions including the arrangements for the management of risk, during the financial year (page 8)
- (iv) **Statement of Accounting Policies** - the policies adopted in compiling the Accounts (page 17)
- (v) **Audit Opinion** - the statutory opinion for the Statement of Accounts (page 24)
- (vi) **Income and Expenditure Account** – The account summarises the Income and Expenditure for the year (pages 25/26). This is presented both in the CIPFA Subjective Classification and in accordance with the Best Value Accounting Code of Practice. In order to give a full presentation of the financial performance of the Authority during the year the balance on the income and expenditure account needs to be reconciled to the net expenditure position shown in the Statement of Movement on the Police Fund Balance.
- (vii) **Statement of Movement on the Police Fund Balance** – this statement summarises the differences between the outturn on the Income and Expenditure account and the net expenditure position on the Police Fund Balance (page 27).
- (viii) **Statement of Total Recognised Gains and Losses (STRGL)** - this statement shows the total recognised gains and losses during the year, including those that have not been reflected in the Income and Expenditure account (page 28).
- (ix) **Balance Sheet** - Assets and Liabilities of the Authority at 31st March 2010 (page 29)
- (x) **Cash Flow Statement** - the inflows and outflows of cash for revenue and capital purposes (page 30)
- (xi) **Notes to the Accounts** – The notes that support the core financial statements (page 31).
- (xii) **Police Pension Fund Accounting Statement** - Accounting statement for the Police Pension fund in accordance with the Police Financing Arrangements (page 55).

Financial Review

Revenue Expenditure

The 2009/10 Revenue Budget was set at £99.507M. Underspends of £1.725M from 2008/09 were carried forward providing a full budget for 2009/10 of £101.232M. Actual expenditure for the year was £0.193M lower at £101.039M.

The financing of Revenue Expenditure was as follows:

	£'M
Expenditure	101.039
Budgeted Transfers from Reserves	(1.725)
Transfer to Police fund	-
Net Expenditure	99.314
Met From:	
Home Office Grant	41.364
Revenue Support Grant	5.511
Business Rates	23.878
Council Tax	28.754
	99.507
Net Surplus for the year	0.193

The underspend for the year of £0.193M arose in the following areas:

	£'M
Authority	(0.036)
Beds Share of Collaboration Grant	(0.150)
Other	(0.007)
	(0.193)

Transfers to/from Earmarked Reserves comprised:

	£'M
2008/09 Underspend	(1.725)
Total budgeted transfers from reserves (as above):	(1.725)
2009/10 Underspend to earmarked reserves	0.193
Other Transfers to/from Earmarked Reserves	0.524
Transfer to Capital Reserve	0.250
Chiltern Air Support – Revenue	0.004
Total Other Transfers to/from reserves:	0.971
Net transfer from Earmarked Reserves	(0.754)

Police Fund

There has been no movement of the Police fund which still stands at £2.860M.

Capital Expenditure

Capital expenditure in the year amounted to £3.874M, compared with an original programme of £6.546M. Payments are analysed on page 39.

Financial Review

The financing of Capital Expenditure was as follows:

	£'M
Capital Grants	1.868
Borrowing	2.000
Revenue Contributions in year and from Reserve	<u>0.006</u>
Total	<u>3.874</u>

Pension Reserves

The balance sheet includes a liability of £773.405M which is the commitment that the authority has in the long-term to pay retirement benefits. This liability has a substantial impact on the net worth of the Authority as recorded in the balance sheet, resulting in a negative overall balance of £744.822M. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy as the deficit of the LGPS 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. Under the Police Pension Fund Regulations 2007, if the amounts receivable by the pensions fund for the year is less than amounts payable, the police authority must annually transfer an amount required to meet the deficit to the pension fund. Subject to parliamentary scrutiny and approval, up to 100% of this cost is met by 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 then must repay the amount to central government.

Changes compared to 2008/09

Council Tax Income

Accounting for Council Tax income was not covered in detail in previous SORPs, however the 2009 SORP recognises that billing authorities are acting as an agent when they collect council tax income and pay it over to precepting authorities and therefore now requires council tax transactions to be accounted for in accordance with FRS 5 (Reporting the Substance of Transactions). Previously, the Authority in its Income and Expenditure Account accounted for the amount under regulation that was received from the billing authority's (i.e. local councils). From 2009/10 the Authority now account for its share of council tax in the year that it is due including its share of debtors/creditors relating to council tax surpluses and deficits for that year. The accounting policies have been updated to reflect this change and the comparative figures for 2008/09 have been adjusted. Overall there is no impact on the Police Fund Balance as a result of this change because the difference between the income included in the Income and Expenditure Account and the council tax income actually received as required by regulation will be taken to a new account called the Collection Fund Adjustment Account and will included as a reconciling item in the Statement of Movement on the Police Fund Balance. The detail of the impact on the Income and Expenditure, Statement of Movement on the Police Fund Balance and the Balance Sheet can be found in the Accounting Policies at paragraph 24.

Stock

The force have set a de-minimis for accounting for stock in the balance sheet of £20k. This amendment was necessary to align the accounting policies of the Authority with Hertfordshire Police Authority in order that collaborative units are accounted for consistently in both forces. The accounting policies have been amended accordingly and the 2008/09 accounts have been adjusted. The detail of the impact on the 2008/09 and 2009/10 accounts can be found at paragraph 10 of the Accounting Policies.

Financial Review

Disclosures

The notes relating to expenditure on Advertising and Publicity and supplies of goods and services to other local authorities (notes 8 and 16 in the 2008/09 accounts) have been removed as these disclosures are no longer required by the 2009 SORP.

Income and Expenditure Account – Objective Classification

The Police Objective Analysis (POA) model was introduced during the year to provide a clearer understanding of how resources are used within police forces and to provide a consistent way of comparing costs between forces. The POA analyses police expenditure into service area categories. The POA has been used as the basis for the Service Expenditure Analysis in the 2009/10 Statement of Accounts, however as it was not designed to be compliant with accounting standards or to meet statutory reporting requirements the POA costs have then converted into a format compliant with Best Value Accounting code of Practice and applicable accounting standards. The costs for 2008/09 have been restated to provide comparative figures.

Treasury Management

Treasury Management covers borrowings, investment, interest rate exposures, cash balances, cash flow forecasting and banking relationships. The Chartered Institute of Public Finance and Accountancy (CIPFA) has published a Code of Practice entitled 'Treasury Management in the Public Services' and the Authority has adopted the Code as part of its Financial Regulations. In compliance with the Code requirements, Treasury Management operations are carried out within an annually approved Treasury Policy Statement which formalises the Treasury Management Strategy for the year.

A Treasury Management Financial Instruction sets out the detailed procedures to be followed in carrying out the Treasury Policy of the Authority to ensure compliance with the Treasury Policy Statement and Treasury Management Strategy for the year.

Details of Authority Borrowing are shown at note 26.

Bedfordshire Police Partnership Trust

Bedfordshire Police Partnership Trust is a charitable organisation supported by the Police Authority with some of the County's best known companies acting as founder members. The objective of the Trust is to concentrate its efforts on community-based issues relating to crime prevention, domestic violence, road safety, drugs awareness and other important areas that have a direct bearing on the quality of life. The Force supports the day to day administration of the Trust by providing a part time co-ordinator and accommodation. A separate set of audited Accounts is published and can be obtained from the Trust Co-ordinator via the Treasurer for the Partnership Trust.

Future Prospects

The country finds itself in a position whereby significant reductions in expenditure are required and the early signs, based upon in year budget reductions in 2010/11, that the Police Service and Local Authorities will see reductions in its levels of funding as a direct result of this financial position. The actual level of budgetary reduction remains unknown, although a Spending Review expected to be announced in the Autumn 2010 is likely to result in reductions in funding levels of upto 10%.

Bedfordshire Police Authority is pro-actively considering alternative approaches to meet any future funding gaps, through value for money initiatives, such as Operation Quest and Programme 2011, as well as considering alternative options for change.

In addition the Authority receives a number of specific grants that fund by Police Officers and Police Staff, over 300 in total, that could be subject to grant reductions in a volatile financial climate.

Financial Review

Excluding those reserves relating to retirement benefits, in accordance with FRS17, and the Chiltern Air Support Unit, in accordance with FRS9, the operational reserves and provisions of the Authority at 31st March 2010 remain broadly consistent, when taken account of underspending in the year, with that envisaged when the Budget was agreed. Police Fund Balance totals £2.860M, Earmarked Reserves total £7.611M (as detailed on page 52) and Provisions of £0.576M (as detailed on page 45).

Excluding those reserves relating to retirement benefits, in accordance with FRS17, and the Chiltern Air Support Unit, in accordance with FRS9, the operational reserves and provisions of the Authority at 31st March 2010 remain broadly consistent, when taken account of underspending in the year, with that envisaged when the Budget was agreed. Police Fund Balance totals £2.860M, Earmarked Reserves total £7.611M (as detailed on page 52) and Provisions of £0.576M (as detailed on page 45).

Financial Review

Further information

Additional information on revenue and capital expenditure is detailed in the notes to the accounts. Further information may be obtained from:

Chief Executive/Treasurer
Bedfordshire Police Authority
Bridgebury House
Woburn Road
Kempston
MK43 9AX

Any person interested also has a statutory right to inspect the Accounts at Police Headquarters, Woburn Road, Kempston before the completion of each annual Audit as publicly advertised. The Accounts are available for inspection during the **period xx August 2010 to x September 2010.**

I certify that these accounts give a true and fair view of the financial position of the Authority as at 31 March 2010 and its income and expenditure for that period.

Stephanie McMenamy
Treasurer
22nd June 2010

I confirm that these accounts were approved by the Finance Committee at its meeting on 22nd June 2010

Tony Brown
Chair of Finance Committee
22nd June 2010

Statement of Responsibilities

The Authority's Responsibilities

The 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;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- to ensure that there is an adequate annual governance statement;
- approve the statement of accounts.

The Treasurer's Responsibilities

The Treasurer is responsible for the preparation of the Authority's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the SORP).

In preparing this statement of accounts the Treasurer has:

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

The Treasurer has also:

- kept proper accounting records which are up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Annual Governance Statement

1. Scope of Responsibility

Bedfordshire 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.

In discharging this overall responsibility, the Authority is also responsible for putting in proper arrangements for the governance of its affairs, facilitating the effective exercise of the Authority's functions, and which includes arrangements for the management of risk.

The Authority has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework: Delivering Good Governance in Local Government. A copy is on our website at www.bedfordshirepoliceauthority.co.uk or can be obtained from the Authority's offices at Bridgebury House, Woburn Road, Kempston, Beds. MK43 9AX.

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) 2006 in relation to the publication of a statement on internal control.

2. The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads 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 an appropriate, cost-effective service, including achieving value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives; it can therefore provide only reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, 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.

The governance framework has been in place within Bedfordshire Police Authority for the year ended 31st March 2009 and up to the date of approval of the statement of accounts.

Annual Governance Statement

3. The Governance Framework

This section describes the key elements of the systems and processes that comprise the governance arrangements that have been put into place for the Authority and Force. It explains the overarching structures that have been put in place in both Authority and Force to deal with systems and processes and how they are linked to each other. In producing this explanation steps have been taken to ensure that the actions identified in the Authority's Code of Corporate Governance are being complied with.

Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a Vision for the local area

- The Authority undertake a series of consultation exercises with the public to both engage with priorities for the Authority and Force but also to evaluate performance against initiatives such as Neighbourhood Policing.
- The Authority through consultation with the public and businesses produces an annual policing plan and three year strategic plan that provide clarity around the Authority's purpose, vision and objectives for the forthcoming period.
- The publication of the Authority's key principles in its strategic and local plans incorporating national policing priorities.
- The setting and monitoring of targets are subject to close scrutiny by the Performance Committee.
- Regular independent reports from Internal and External Audit with follow up processes
- The Audit Committee receives regular reports on the combined strategic risks of the Force and Authority and the individual operational risks of both Force and Authority as well as a breakdown of risks aligned to objectives. All operational risks are owned and reviewed by relevant committees of the Authority.
- Established a Value for Money structure approach that also provides for scrutiny and provides a business assurance role for the Audit Committee.
- Completion of the Audit Commission Use of Resources programme
- Internal and External audit Reviews
- Medium Term Financial Planning for both Revenue and Capital budgets.
- An agreed Committee structure with Terms of Reference that provide for performance management on all key areas of the business.
- Performance Committee that regularly scrutinises overall performance and activity data
- The creation of a Force performance improvement board has provided the ability for the force to be clear on its performance priorities and ensure resources are being utilised effectively in the pursuit of those priorities.
- A defined Senior Leadership Team meeting structure that provides for strategic focus and decision making.
- The Authority have refreshed and maintain an effective website that provides information that is regularly updated about finance, performance as well as providing for interaction with the public through a number of surveys.
- The Authority and Force have communication strategies which guide how key messages relating to priorities, mission, vision and performance are effectively communicated.
- Adopted the Operation Quest methodology to process review and implemented improved and efficient processes in Incident Response and Crime Management.

Annual Governance Statement

Members and officers working together to achieve a common purpose with clearly defined functions and roles

- The Authority have an appointed Chair and Vice Chair with a structure of Committees with clear terms of reference.
- The Authority have approved a revised scheme of delegation and financial regulations during the year to clearly identify specific roles.
- The Authority have a dedicated Chief Executive/Treasurer as well as a Deputy Treasurer and have a dedicated monitoring officer.
- Members have general role profiles defined as well as specific profiles for lead member, partnership working, community engagement and critical incidents.
- The force hold regular meetings of both the Force Executive and Force Strategy Board
- The Police Authority have an approved business plan which outlines its direction as well as developing an improvement plan.
- The Authority have developed an action plan process for each Committee to ensure that defined actions are completed and reported back to the Committee
- Distinct portfolios for each member of the Force Executive.
- Annual self-assessment of Committee Effectiveness and a review of its Internal Controls.
- Complete self-assessment of the Authority against the police authority inspection framework has been undertaken.
- Continuation of a Lead Member Scheme
- HR Planning and Deployment Group
- Relationship protocol
- Full engagement with Partners through LSPs, CSPs and LCSBs.
- Joint working group for collaboration activity as well as a clear regional joint collective agreement have been embedded in 2009/10.

Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

- The use of the Equality and Diversity Programme Board to oversee all diversity issues both internally and in service delivery.
- The Authority have a defined Equality and Diversity Advisory Panel.
- Professional staff in key support areas
- Comprehensive policies and procedural guides.
- The Authority has a monitoring officer to whom all Committee reports are sent prior to actual meetings.
- The Force's Professional Standards Department which is responsible for investigating complaints against the police and internal conduct issues.
- The Authority have a distinct Committee for reviewing complaints and Professional Standard issues. The terms of reference for this committee have been reviewed and amended to more define its purpose and role.
- The Standards Committee of the Authority is chaired by an independent person and provides an annual report to the Police Authority
- Collaboration implemented with Hertfordshire on Professional Standards to further enhance the force's role in pro-active anti-fraud and corruption.
- The Force has a policy and means of confidential reporting.
- Regular update across the force for lessons learned from specific cases as well as advice columns from the Head of Professional Standards

Annual Governance Statement

- Mechanism for Audit and Business Assurance Committee to receive regular updates to progress on audit recommendations and the ability to bring action owners to account.
- Financial regulations and Financial instructions.
- Financial Management Scheme for devolved budgets
- The adoption of CIPFA's Code on Treasury Management. Approved Treasury Management Policy, Strategy and Management Practises.
- Codes of Conduct for Staff and Members and polices on gifts and hospitality
- The Authority has a Standards Committee.

Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

- Specified terms of reference for all committees approved by the Police Authority and all areas of decision making made in open session and public meetings.
- Schemes of delegation
- Schemes of Delegation and key responsibilities for Force Executive members.
- Appropriate consideration given to risks, finance, performance and sustainability in all decision making.
- Collaboration process introduced where decisions are made at appropriate stages from scoping through to Section 23 agreements.
- A Risk Management Board, as part of the Senior Leadership Team,, reflecting the full spectrum of operational policing, strategic issues, support services and the Authority, regularly reviews areas of risk and feeds into the Force Executive
- Written reports to Committees available for public scrutiny

Developing the capacity and capability of Members and Officers to be effective

- The creation of a Member Development Scheme which includes a Performance Development Review highlighting areas of improvement and identification of specific training needs
- Regular workshops for Members and Force Portfolio Holders.
- Risk Awareness training as well as induction programmes for new members.
- Performance Development Reviews for all staff
- The creation of an additional Assistant Chief Constables post has provided for greater focus across all areas of the Force but in particular performance and collaboration.
- The Force and Authority have agreed a leadership programme for the Force and activity around coaching and mentoring to increase the longevity and capability of staff within the force
- A defined Member training programme, including audit, financial and value for money training

Engaging with local people and other stakeholders to ensure robust public accountability

- The Authority and Force undertook a number of surveys during 2009/10, such as the bluelight survey and satisfactions surveys as well as local confidence surveys. Representatives of both the Force and Authority attend various community meetings and engage in strong partnership activities.

Annual Governance Statement

- Separate Committee of the Authority for Community Engagement with Terms of Reference covering: Community Engagement, Partnership, Consultation and Communications.
- Joint Community Engagement Strategy with the Force providing for effective engagement with all sections of the community and aiming to promote visible awareness and a recognised profile for both the Force and Authority.
- The dedicated Safer Neighbourhood teams provide for enhanced engagement between the Force and the public to develop solutions to the issues that undermine confidence and general feelings of insecurity.
- The Force have created a defined Local Confidence Programme Board, to provide scrutiny and development on the public satisfaction of the service delivered by Bedfordshire Police.
- A joint Force and Authority strategic working group to ensure that the Strategic plan provides for both local and national priorities.

Reliability of Financial Reporting and internal financial controls

Financial control involves the existence of a control structure which ensures that all resources are used as efficiently and effectively as possible to attain the Authority's overall objectives and targets. Internal financial control systems are in place to minimise the risk of loss, unlawful expenditure or poor value for money, and to maximise the use of the Authority's assets and limited resources.

The Authority and Constabulary's financial management framework follows national and/or professional best practice and its key elements are set out below:

- Financial Regulations establish the principles of financial control. They are designed to ensure that the Authority conducts its financial affairs in a way which complies with statutory provision and reflects best professional practice. Standing Orders set out the rules to be followed in respect of contracts for the supply of goods and services.
- The Authority's Scheme of Devolved Financial Management is designed to ensure that responsibility and accountability for resources rest with managers who are responsible for service provision.
- The Police Authority has adopted the CIPFA Code of Practice on Treasury Management requiring the Authority to approve an annual treasury management strategy including an annual investment strategy.
- In accordance with the Prudential Code and best accounting practice the Force and Authority produce a three year medium term revenue financial plan and a three year capital programme. These are considered in the autumn each year and form the basis of further discussion and debate on the annual revenue budget and capital programme.
- The medium term finance plan (MTFP) includes full provision for inflation, known commitments and other expenditure items which the Chief Constable has identified as necessary to deliver both national and local policing priorities.
- The revenue budget provides an estimate of the annual income and expenditure requirements for the police service and sets out the financial implications of the Authority's policies. It provides chief officers with authority to incur expenditure and a basis on which to monitor the financial performance of the Authority.
- The Authority is required to set its budget and council tax level (precept) by the end of February prior to the start of the relevant financial year.

Annual Governance Statement

- Capital expenditure is an important element in the development of the Authority's services since it represents major investment in new and improved assets. The Authority approves a capital programme each year.
- The Force and Authority have agreed a Value for Money Strategy which will provide the focus for delivering VFM over the next three years.
- The Force and Authority have agreed a Value for Money Statement for 2010/11.

4. Review of Effectiveness

The Authority has a responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness has been informed by the work of the internal auditors and the managers within the Authority and Force as well as the External Auditors and other review agencies. Brief comments on their roles are as follows:

◆ Police Authority

The Police Authority approves the annual revenue budget, 3-year capital programme, the annual policing plan and the human resources plan each year. Regular monitoring and progress against these plans and strategies are carried out by the appropriate committees. The Authority and Chief Constable also produce annual reports at the end of each financial year.

In approving the revenue budget and capital programme the Authority ensure it is fully aware of the high level risks, the responses from public consultation and the needs of the Force in delivering a level of service that the public expect and one that inspires confidence in the Force and Authority.

The Chair of the Authority's Committees are also required to attend the performance committee so that there is an all round focus on effectiveness and to ensure that targets that have been derived through public consultation are being achieved.

The Audit and Business Assurance Committee continues to scrutinise the value for money programme, mainly focusing on the outcome of Operation Quest as well as the delivery of the agreed Value for Money Strategy.

The continuation of the joint working group with Hertfordshire Police Authority to ensure that all collaborative projects are scrutinised effectively prior to being presented to both Police Authorities. The group also receives progress reports on implemented projects to ensure that the benefits of the business cases have been delivered.

Implementation of collaborative ventures with Hertfordshire for Scientific Services, Professional Standards, Dogs and Firearms as well as an East Midlands collaboration for internal audit.

The Authority continues to work closely with the Chief Constable to ensure that the organisation is able to deliver an effective service through the use of environmental scanning and the views of the public of Bedfordshire and key partner agencies.

A review of all of the Authority's individual Committees terms of reference has been undertaken as well as the approval of revised schemes of delegation,

Annual Governance Statement

standing orders and financial regulations and the Code of Corporate Governance.

The Authority has also conducted a full review of its effectiveness against the Police Authority inspection framework and is producing an improvement framework to further enhance its performance.

The Audit and Business Assurance Committee receive all reports of the internal and external auditor, annually review the effectiveness of both the internal and external audit functions and also in conjunction with the internal and external auditors the effectiveness of the management role.

◆ Force Executive

The Force Executive comprises the Chief Officers who are responsible for the clear leadership of the Force, to provide early identification of strategic issues and to ensure that objectives flowing from the annual and strategic plans are delivered.

The Force Executive have provided for focus on collaborative ventures with Hertfordshire and the region particularly in areas of Protective Services and Serious and Organised Crime. It has also scrutinised and pushed forward initiatives to improve overall force performance as well as improving satisfaction from the Force's customers and thus improving public confidence.

◆ Senior Leadership Team

The Force have created a new Senior Leadership Team structure during 2009/10 to ensure that focus was provided on the strategic issues facing the Force. This group meet every 6 weeks and provide scrutiny and development in the following areas:

- Corporate Strategy;
- Use of Resources
- Business Change
- Inclusion and Community Engagement;
- Performance; and
- Communication.

In relation to the above areas, the Team consider the financial position of the Force, how it is performing against targets, specifically around confidence and satisfaction, value for money initiatives, risk management and the reviewing of business cases for change to ensure they are aligned with strategic need and provide benefit to the Force and Authority both in the short and long term.

◆ Internal Audit

Various internal audits were undertaken during 2009/10 reviewing both financial and non-financial controls. These audits are undertaken in adherence to CIPFA's Code of Internal Audit Practice and the Accounting Practices Board guidelines for Internal Auditors.

The audits continue to be being undertaken on a risk-based approach in order that an effective audit service is provided, in accordance with section 114 of the Police Act 1996.

The Internal Auditor in his annual report has provided a positive assurance for the 12 months ended 31 March 2010 for governance, internal control and risk management.

Annual Governance Statement

- ◆ External Audit

The District Auditor agreed the annual audit plan with Authority members and provided an unqualified opinion on the 2008/09 final accounts with very few weaknesses identified.

The District Auditor provided their opinion on the Authority's use of resources for 2008/09 for which showed that the Authority scored average or above average in all areas assessed.

- ◆ HMIC

All HMIC reports are considered by the Performance Committee who may under their terms of reference either take action or make any recommendations to the Authority.

The HMIC have undertaken a number of assessments during 2009/10 which have provided positive assurance around work undertaken in the areas of Neighbourhood Policing, Citizen Focus and Protecting Vulnerable People. It also provided a positive assurance around Civil Contingencies and Business Continuity.

- ◆ Progress on Weaknesses Previously Identified

The Statement on Internal Control for 2008/09 included 2 weaknesses against which action has been taken and has been reported to the Authority via various Committees, as follows:

- Serious and Organised Crime

Serious and Organised Criminality remains an area of concern for Bedfordshire Police, with a limited number of serious and organised crime groups being policed effectively, based upon current capacity. However, the Authority provided the Force with the ability to target specific activity during 2009/10, through the creation of a Tasking Fund, created from 2008/09 underspendings, totalling £0.300M. This fund, during 2009/10 was used to good effect through assisting in 217 persons being arrested with 45 defendants receiving 214 years of imprisonment. It has also assisted in cash seizures and significant recovery of drugs and firearms.

In addition, as well as the continuation of this fund into 2010/11, a significant investment has been made into this area of policing, through the re-allocation of resources, flowing from the Operation Quest process and as part of the 2010/11 revenue budget.

Significant work has been undertaken across the region to develop a model to tackle serious and organised crime in Bedfordshire, Hertfordshire and the eastern region which will result in business cases and collaboration agreements continuing to be presented to the Authority over the next 3 months.

- Procurement

The recommendations provided by the internal auditors, as part of their limited assurance around elements of the Procurement function, have all been implemented and reported on by the Force to the Audit and Business Assurance Committee during 2009/10. The follow-up audit from the internal audit recognised this to be the case and were content with the controls put into place. In addition the business case for a tri-force collaboration, with Hertfordshire and Cambridgeshire, continues to be developed and is expected to go-live during 2010/11.

Annual Governance Statement

5. Significant Governance Issues

- **Serious and Organised Crime**
Whilst, as mentioned above, a high level of work has been and continues to be put into addressing vulnerabilities associated with Serious and Organised Crime, the Force has a high level of demand in this area of policing and will need to continue to consider the risks of threat and harm and evaluate these against other areas of priority to ensure it has the capability to effectively police this specific area of criminal activity.
- **Parity Gap**
The Force have tried to ensure that the parity gap in relation to satisfaction is aligned but continues to have performance that is below its defined target and therefore particular attention is being given to this through the Local Confidence Programme Board and will be regularly monitored by the Senior Leadership Team and Performance Committee.
- **Confidence**
The Authority and Force have been set a national target for Confidence to be achieved by March 2012 of 59%. At present the performance levels are some way below this target level. The Authority and Force will be paying particular attention, during 2010/11, to the processes that are being introduced and developed to assist in the achievement of this target, to ensure that delivery is achieved.

Peter Conniff
Chairman

Stephanie McMenemy
Chief Executive / Treasurer

Gillian Parker
Chief Constable

June 2010

Statement of Accounting Policies

1. General

The Statement of Accounts has been prepared in accordance with the 2009 Code of Practice on Local Authority Accounting in the United Kingdom which is recognised by statute as representing proper accounting practice. The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

2. Recognition of Fixed Assets

All expenditure on the acquisition of capital assets, or enhancement expenditure which adds to the value of existing assets is capitalised as fixed assets provided these yield benefit to the Authority for a period of more than one year.

A de minimis value of £10,000 for capitalising individual projects has been adopted.

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

3. Measurement of Fixed Assets

Land and Buildings are valued as at 1st April 2010 on the basis of market value for residential or investment properties and existing use value for operational properties as recommended by CIPFA and the Royal Institute of Chartered Surveyors (RICS). These valuations have been prepared in accordance with the RICS Appraisal and Valuation Standards ('the red book') and undertaken by Colliers CRC. Subsequent revaluations are undertaken at three yearly intervals. An adjustment will be made to the value of assets if there has been any material changes since the last valuation if these changes are considered to be permanent.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to the Income and Expenditure Account. The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Furniture and equipment are held at historical cost less depreciation and intangible assets are held at historical cost less amortisation.

Vehicles are held at historical cost less depreciation except for some of the Chiltern Air Support assets which have been revalued as at 1 March 2010. The useful lives and estimated residual values of the vehicle fleet are based on the values held in the vehicle fleet management system and these values are reviewed annually.

4. Impairment of Fixed Assets

FRS 11 – Impairment of Fixed Assets, requires the Authority to reflect in the accounts any consumption of economic benefits (e.g. losses due to physical damage or deterioration of an asset) or a general fall in prices. The value of tangible assets are therefore reviewed where events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. Where evidence of material impairment has been identified as a result of this review or as a result of a valuation exercise this is accounted for as follows:

- Losses that have resulted from clear consumption of economic benefits are recognised through the Income and Expenditure Account.

Statement of Accounting Policies

- All other losses are written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the Income and Expenditure Account.

5. Disposal of Fixed Assets

When an asset is disposed of, the value of the asset in the balance sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account. Amounts in excess of £10,000 are categorised as capital receipts (see para. 14) which are required to be appropriated to the Usable Capital Receipts reserve from the statement of Movement on the Police Fund Balance.

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

6. Depreciation

(i) Buildings

In accordance with FRS 15 - Tangible Fixed Assets, the usable lives of buildings have been assessed and depreciated on a straight line basis dependent on their useful lives. Depreciation is not charged on items classified as Works in Progress.

(ii) Vehicles, Furniture and Equipment

Depreciation is charged in full on plant, furniture and equipment commencing the year after acquisition on a straight line basis over 5 years and assuming a nil residual value. For vehicles, depreciation is charged on a straight line basis over their useful lives after taking into account their estimated residual values.

(iii) Intangible Assets

Intangible assets (purchased software licences) are amortised on a straight line basis over 5 years, commencing the year after acquisition and assuming a nil residual value.

7. Charges to Revenue for Fixed Assets

The Authority is not required to raise council tax to cover depreciation, impairment losses or amortisations. However, the authority has a statutory duty to make a prudent annual provision from revenue to contribute towards the reduction in its overall borrowing requirement. Depreciation, impairment losses and amortisations are therefore replaced by the Minimum Revenue Provision (MRP) in the Statement of Movement on the Police Fund Balance, by way of an adjusting transaction within the Capital Adjustment Account. For 2009/10 the MRP has been calculated as 4% of the Capital Financing Requirement.

8. Debtors and Creditors

The Authority's Accounts are maintained on the basis of receipts and payments converted at the year end to income and expenditure by bringing creditors and debtors of material significance into account. The following exceptions are applied

Statement of Accounting Policies

consistently and their effect is not material on the Accounts from one year to the next.

- (i) Overtime paid to Police staff which has been claimed after the end of the financial year is not accrued;
- (ii) Electricity and similar quarterly payments are charged so that four payments appear in each year's accounts. Payments are not apportioned between financial years. For monthly accounts, twelve payments are charged during the year;
- (iii) Travel expenses claimed after the end of the financial year have not been accrued.

9. Funds Held on behalf of Third Parties

The Authority holds funds seized from individuals whilst enquiries are conducted under the Proceeds of Crime Act 2002. The Authority will either return or repay these funds (to the courts or the individual) on conclusion of the enquiries. The balance of Third Party funds held at 31 March 2010 is shown in the notes to the accounts (note 23).

10. Stocks and Stores

The Authority holds stocks of uniforms, vehicle equipment, and other operational equipment. These stock items are all valued at cost based upon the average cost methodology. This is not consistent with SSAP 9, which requires stock to be valued at the lower of cost or net realisable value, however the difference between cost and net realisable value is deemed to be negligible. Printed stationery is charged to the Income and Expenditure Account in the year of purchase. The force have set a de-minimis for recognising stock in the balance sheet of £20,000 and the de-minimis will be applied to each individual store e.g. Headquarters main store, Firearms store etc. Stock balances totalling more than the de-minimis per store will be included in the authority's balance sheet. Stock balances below the de-minimis are processed through the Income and Expenditure account in the year of purchase. For departments/units collaborated with Hertfordshire Police including Scientific Services and Firearms the de-minimis will be applied to the Authority's relevant share of the stock balance for each store. Firearms stock is above the de-minimis for 2009/10 and therefore has been included in the balance sheet and prior year comparatives have been amended based on an estimate of firearms stock as at 31 March 2009. The impact of this change in policy on stock on the current year and prior year accounts is as follows:

INCOME & EXPENDITURE ACCOUNT:	2008/09	2009/10
NET COST OF SERVICES	(39)	(3)
STATEMENT OF MOVEMENT ON POLICE FUND BALANCE:		
TR TO EARMARKED RESERVES	39	3
BALANCE SHEET:	2008/09	2009/10
CURRENT ASSETS: STOCK	39	3
EQUITY: EARMARKED RESERVES	(39)	(3)

Statement of Accounting Policies

11. Provisions

Provisions are amounts set aside either to meet any liabilities or losses that are likely or certain to be incurred, but uncertain as to the dates on which they will arise. The Provisions as at 31st March 2010 are:

(i) **Insurance £0.577M**

This is for identified but unpaid claims at 31st March 2010 that are to be met under self funding insurance arrangements for combined liability, motor vehicle and fidelity guarantee.

12. Reserves

Reserves are amounts set aside from the Income and Expenditure Account and earmarked for future expenditure. As at 31st March 2010 these comprise of:

(i) **Insurance £1.498M**

This provides for partial self-funding of insurance for combined liability, motor vehicle and fidelity guarantee.

(ii) **Devolved Budget Reserves £0.293M**

This reserve contains underspendings which have been earmarked for use in 2010/11.

(iii) **Pensions Reserve £0.300M**

This reserve is to provide for unexpected or extraordinary costs relating to Police Officer or Staff pensions.

(iv) **Collaboration/Performance Reserve £0.483M**

This reserve is to provide for costs specifically in relation to the following:

- One-off costs associated with progressing future collaborations;
- One-off costs associated with performance issues; and
- One-off costs associated with the forthcoming Olympic Games.

(v) **Capital Reserve £5.383M**

This reserve is comprised of revenue resources and is provided to assist in the funding of future years' Capital Programmes.

13. Police Fund

The main Fund of the Police Authority into which the precept, government grants and other income are paid and from which the cost of providing services is met. The balance on the Fund represents the accumulated surplus of the Authority's revenue income over revenue expenditure.

14. Capital Receipts

Capital Receipts are principally the proceeds from the sale of fixed assets. Insurance income from vehicle write-offs is also treated as Capital Receipts. Capital Receipts are used to augment the capital resources of the Authority. Receipts less than £10,000 are treated as de-minimis and included in the Income and Expenditure Account.

15. Value Added Tax (VAT)

VAT is included in the accounts of the Authority, whether of a capital or revenue nature, only to the extent that it is not recoverable.

16. Bad and Doubtful Debts

An assessment is made annually as to what level of debts are outstanding at the end of the financial year are and a provision made for those debts deemed to be

Statement of Accounting Policies

doubtful, this has the impact of reducing the debtors balance shown within the balance sheet.

17. Government Grant and Contributions

The Authority receives three main grants from the Government to support general revenue expenditure. These are the Police Grant, Revenue Support Grant and a share of the National Non Domestic Rate Pool. These grants are credited to the Income and Expenditure Account in the year to which they relate. The Authority also receives a number of additional specific grants from Government to help finance specific policing initiatives. An analysis of government grants shown in the Cash Flow Statement is shown at note 41. The Authority also receives a cash limited grant from the Home Office to help finance the Capital Programme. This grant is credited to Capital Grants Unapplied and transferred to the Capital Adjustment Account when applied.

18. Pensions

The Authority participates in two Pension Schemes. Both Schemes provide members with defined benefits related to pay and service.

(i) Uniformed Police - Police Pension Scheme

This Scheme is 'unfunded'. The charge to the Accounts represents the applicable FRS17 charges as determined by the Actuary. The SORP requires a separate statement to be produced for this Account which is shown on page 55.

(ii) Other Employees - Local Government Pension Scheme (LGPS)

Subject to certain qualifying criteria, Police staff are eligible to join the Local Government Pension Scheme administered by Bedford Borough Council. The Scheme is 'funded' and pension costs charged to the Authority's Accounts comprise the employer contributions paid, as determined by the Actuary, along with premature retirement costs.

The figures included within the Accounts are based on the FRS 17 requirements, that an organisation should account for retirement benefits when it is committed to give them, even if the actual giving will be many years in the future.

This obligation to pay pensions benefits in the future is recognised as a liability in the Authority's balance sheet. In the service costs part of the Income and Expenditure Account, transactions are recorded that indicate the change over the year in the pension liability. The transactions are not cash-based but are instead actuarially calculated amounts that reflect more accurately the true changes in the scheme's long-term liabilities.

The above balances and transactions are included in the accounts to provide a more informative picture of the Authority's pension schemes. Although to ensure there is no impact on the level of council tax the account is adjusted through an appropriation from reserves.

Quoted securities held as assets in defined benefit pension schemes are valued at bid price.

19. Officers' Emoluments

Officers' Emoluments are disclosed in note 3 to the accounts on a cash basis of gross pay as notified in the P60's to the HMRC and including taxable benefits within the P11D's. The figures contained within the Income and Expenditure Account, however, are prepared on an accruals basis in accordance with proper accounting practices.

Statement of Accounting Policies

20. Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability multiplied by the effective rate of interest for the instrument. Therefore the amount shown in the Balance Sheet is the outstanding principal repayable and interest is charged to the Income and Expenditure account. The fair value as at 31 March is also disclosed at note 26.

The Authority fully comply with the CIPFA Code of Practice 'Treasury Management in the Public Services'. A Treasury Policy has been approved by the Authority and appropriate Treasury Management practices adjusted. The Authority also approve an annual Treasury Management Strategy.

21. Financial Assets - Loans and Receivables

Investments are limited to approved investments as specified in the Local Authority (Capital Finance) (Approved Investment) Regulations 1990 and are contained within the Authority's Treasury Management Strategy. These Investments are initially measured at fair value and carried at their amortised cost. Therefore the amount shown in the Balance Sheet is the outstanding principal receivable and interest receivable is credited to the Income and Expenditure Account. The fair value as at 31 March is also disclosed at note 26.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account. Any gains and losses that arise on the derecognition of the asset are credited /debited to the Income and Expenditure Accounts.

22. Group Accounts

The Authority has to determine whether it has interests in subsidiaries, associates or joint ventures. In assessing the relationships for the Authority it has been determined that there are no Group Relationships, however the Authority does have joint arrangements that are not entities and as a result are required to disclose these arrangements, for the Chiltern Air Support Consortium, the Chiltern Transport Consortium, and the Bedfordshire and Hertfordshire collaborated units within the accounts of the Authority.

23. Overhead and Support Services

During the year, Corporate Services, central costs and overheads are managed within approved budgets and their costs are not recharged to devolved operational budgets. At the end of the year, in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2008 (BVACOP), the cost of overheads and support services are charged to the BVACOP defined service areas with the exception of:

- Corporate and Democratic Core: costs relating to the council's status as a multi-functional democratic organisation.
- Non Distributed Costs: the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Income and Expenditure Account, as part of Net Cost of Services.

Statement of Accounting Policies

24. Council Tax

Up to 2008/09 the SORP required that precepting authorities (such as Bedfordshire Police) account for in their Income and Expenditure Accounts the amount under regulation that was received from the billing authority's (i.e. local councils). This equates to the precept for the current year plus or minus the authority's share of last year's Collection Fund surplus or deficit. The 2009 SORP now recognises that billing authorities are acting as an agent when they collect council tax income and pay it over to precepting authorities and therefore now requires council tax transactions to be accounted for in accordance with FRS 5. Therefore these accounts include the authority's share of council tax in the year that it is due including its share of debtors/creditors relating to council tax surpluses and deficits for that year. The difference between the income included in the Income and Expenditure Account and the amount required by regulation to be credited to the Police Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Statement of Movement on the Police Fund Balance. The 2008/09 comparatives have been restated accordingly. The impact of this change on both 2008/09 comparatives and the current year is shown below.

	2008/09	2009/10
	£'000	£'000
Income and Expenditure Account		
Council Tax Income	<u>152</u>	<u>541</u>
SMPFB		
Tr To/From Collection Fund Adjustment Account	<u>(152)</u>	<u>(541)</u>
Balance Sheet		
Debtors	1,479	306
Creditors	(884)	(775)
Receipts in Advance	<u>(443)</u>	<u>(72)</u>
	<u>152</u>	<u>(541)</u>
Equity		
Collection Fund Adjustment Ac	<u>(152)</u>	<u>541</u>

25. Leases

Finance Leases:

The Authority accounts for leases as finance leases when substantially all the risks and rewards relating to the leased property transfer to the Authority. The Authority does not operate any finance leases at present.

Operating Leases:

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service revenue account on a straight line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

Audit Opinion

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

The Local Government Accounts and Audit Regulations require the opinion of an auditor appointed by the Audit Commission be contained within the Statement of Accounts whenever possible. By the date of the Police Authority on 22 June 2010 the Audit Commission had not concluded the audit of the Accounts of the Police Authority. The Audit Opinion will be included in the published Statement of Accounts on conclusion of the audit.

Income and Expenditure Account

CIPFA Best Value Accounting Code of Practice Classification

2008/09 Outturn £'000		Gross Expenditure £'000	Income £'000	2009/10 Outturn £'000	See Note 2
51,137	Local Policing	54,684	(9,374)	45,310	
6,916	Dealing with the Public	7,051	(293)	6,758	
9,064	Criminal Justice Arrangements	11,105	(1,495)	9,610	
5,139	Roads Policing	6,009	(1,756)	4,253	
5,886	Specialist Operations	6,540	(1,182)	5,358	
6,605	Intelligence	6,773	(308)	6,465	
10,493	Specialist Investigations	14,244	(895)	13,349	
5,978	Investigative Support	6,170	(247)	5,923	
1,374	National Policing	4,153	(2,805)	1,348	
924	Corporate & Democratic Core	959	(1)	958	
658	Non-Distributed Costs	133		133	
104,174	Net Cost of Services	117,821	(18,356)	99,465	
168	Loss on Disposal of Fixed Assets			60	
173	External Interest Paid			205	12
(978)	Interest & Investment Income			(198)	
715	Pensions Interest Cost and Expected Return on Pensions Assets – LGPS			1,374	31
34,700	Pensions Interest Cost and Expected Return on Pensions Assets – Police Pensions			33,150	31
(3,196)	Contribution to Corporate Costs re Police Pensions			(3,780)	
135,756	Net Operating Expenditure			130,276	
(27,456)	Council Tax			(28,213)	8
(3,470)	Revenue Support Grant			(5,511)	
(24,924)	National Non-Domestic Rates			(23,878)	
(40,114)	General Government Grants			(41,363)	
39,792	Deficit for the Year			31,311	

Stephanie McMenemy
Treasurer

Income and Expenditure Account

CIPFA Subjective Classification			
2008/09		2009/10	See
£'000		£'000	Note
Bedfordshire Police Force			
51,150	Police Pay & Allowances	53,297	
27,778	Police Staff Pay & Allowances	29,709	
1,917	Other Employee Expenses	1,764	
12,510	Police Pensions	9,960	
2,614	Premises	2,939	
2,539	Transport	2,657	
9,175	Supplies & Services	8,801	
3,823	Agency & Contracted Services	4,447	10
9,525	Depreciation and Impairment	3,311	11
121,031		116,885	
Bedfordshire Police Authority			
260	Police Staff Pay & Allowances	327	
2	Other Employee Expenses	1	
6	Premises	3	
12	Transport	13	
402	Supplies & Services	439	
139	Agency & Contracted Services	153	
821		936	
121,852	Gross Operating Expenditure	117,821	
(3,845)	Income from Fees & Charges	(4,318)	
(12,115)	Specific Grants	(12,489)	
(1,718)	Deferred Government Grants	(1,549)	
104,174	Net Cost of Services	99,465	
168	Loss on Disposal of Fixed Assets	60	
173	External Interest Paid	205	12
(978)	Interest & Investment Income	(198)	
715	Pensions Interest Cost and Expected Return on Pensions Assets – LGPS	1,374	31
34,700	Pensions Interest Cost and Expected Return on Pensions Assets – Police Pensions	33,150	31
(3,196)	Contribution to Corporate Costs re Police Pensions	(3,780)	
135,756	Net Operating Expenditure	130,276	
(27,456)	Council Tax	(28,213)	8
(3,470)	Revenue Support Grant	(5,511)	
(24,924)	National Non-Domestic Rates	(23,878)	
(40,114)	General Government Grants	(41,363)	
39,792	Deficit for the year	31,311	

Stephanie McMenamy, Treasurer

Statement of Movement on the Police Fund Balance

Statement of Movement on the Police Fund Balance		
2008/09		2009/10
£'000		£'000
39,792	(Surplus) or Deficit for the year on the Income and Expenditure Account	31,313
(39,993)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the Police Fund Balance for the year	(31,311)
(201)	(Increase)/Decrease in Police Fund Balance for the year	-
2,659	Police Fund Balance Brought Forward	2,860
201	Transfer to Revenue	-
2,860	Police Fund Balance Carried Forward	2,860
Note to Statement of Movement on the Police Fund Balance		
2008/09		2009/10
£'000		£'000
(39,993)	Net additional amount required to be credited to the Police Fund Balance for the year	(31,311)
	Comprising:	
	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the Police Fund Balance for the year	
(9,525)	Depreciation and Impairment of Fixed Assets	(3,311)
1,718	Government Grants Deferred Amortisation	1,549
(275)	Disposal of fixed assets	(149)
	Net charges made for retirement benefits in accordance with FRS17	
(3,273)	LGPS Pension	(3,248)
(47,210)	Police Pension	(43,110)
(93)	Transfer to Council Tax Collection Fund Adjustment Account	(541)
	Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the Police Fund Balance for the year	
177	Statutory provision for repayment of debt	170
	Capital Expenditure charged to the Police Fund Balance:	
333	In Year	6
525	From Reserve	-
2,827	Employers Contributions payable to the LGPS	2,914
9,735	Employers Contributions payable to the Police Pensions Scheme	10,174
1,150	Payment of Injury Awards	1,209
3,196	Additional Contribution to the Pension Fund to balance the deficit on the Fund Account	3,780
	Transfers to or from the Police Fund Balance that are required to be taken into account when determining the Movement on the Police Fund Balance for the year	
722	Transfer to/from Earmarked Reserves	(754)
(39,993)	Net Additional amount required to be credited to the Police Fund Balance for the year	(31,311)

Statement of Total Recognised Gains and Losses

2008/09 £'000		2009/10 £'000
39,792	Deficit/(Surplus) on the Income and Expenditure Account for the year	31,311
-	Deficit/(Surplus) arising from the revaluation of Fixed Assets	(336)
(48,120)	Actuarial (Gains) and Losses on Pension Fund Assets and Liabilities	246,894
(8,382)	Total Recognised (Gains)/Loss for the year	277,869

32

Balance Sheet

As at 31 st March 2009		As at 31 st March 2010		See Note
£'000	£'000	£'000	£'000	
		Net Fixed Assets		
		Operational		
		Intangible Assets		
1,363		1,170		
		Tangible Assets		
26,689		27,046		
3,375		3,509		
3,825		4,298		
33,889		34,853		
	35,252	Total Operational Assets	36,023	17
		Non Operational		
		Surplus Assets held for Disposal		-
	35,252	Total Net Fixed Assets	36,023	
	34	Long Term Debtors	112	
	35,286	Total Long Term Assets	36,135	
		Current Assets		
447		Payments in Advance	549	19
296		Stock	305	20
5,186		Debtors	7,297	21
14,189		Short Term Investments	7,010	26
465		Bank	5,004	22
26		Imprest	36	22
20,609		20,201		
		Current Liabilities		
(963)		Receipts in Advance	(850)	24
(6,954)		Creditors	(8,201)	25
(7,917)		(9,051)		
	12,692	Net Current Assets	11,150	
	47,978	Total Assets less Current Liabilities	47,285	
		Long Term Liabilities		
(3,798)		Loans Outstanding	(5,720)	26
(11,449)		Government Grants Deferred	(11,779)	27
(646)		Grants and Contributions Unapplied	(627)	28
(15,163)		Liability – LGPS Pension Scheme	(47,141)	31
(483,067)		Liability – Police Pension Scheme	(726,264)	31
(808)		Provisions	(576)	29
	(514,931)		(792,107)	
	(466,953)	Total Assets less Liabilities	(744,822)	
2,860		Police Fund	2,860	32
8,742		Earmarked Reserves	7,989	37
-		Revaluation Reserve	336	33
19,523		Capital Adjustment Account	17,787	35
152		Collection Fund Adjustment Acc	(389)	34
(15,163)		Pensions Reserve – LGPS	(47,141)	31
(483,067)		Pensions Reserve – Police	(726,264)	31
	(466,953)	Total Equity	(744,822)	

Stephanie McMenamy - Treasurer

Cash Flow Statement

2008/09			2009/10		See
£'000	£'000		£'000	£'000	Note
		Revenue Activities			
		Cash Outflows			
71,241		Cash paid to and on behalf of employees	75,958		
42,107		Other operating cash payments	45,019		
	113,348			120,977	
		Cash Inflows			
(27,548)		Council Tax Income	(28,754)		
(24,924)		National Non-Domestic Rates	(23,878)		
(3,470)		Revenue Support Grant	(5,511)		
(40,114)		Police Grant	(41,363)		
(13,070)		Specific Government Grants	(15,103)		41
(3,371)		Cash received for goods and services	(2,685)		
(539)		Other operating cash receipts	(1,132)		
	(113,036)			(118,426)	
	312	Net Cash Outflow from Revenue Activities		2,551	38
		Returns on Investments & Servicing of Finance			
		Cash Outflows			
173		Interest paid	173		
		Cash Inflows			
(1,128)		Interest received	(274)		
	(955)			(101)	
		Capital Activities			
		Cash Outflows			
3,230		Purchase of fixed assets	3,918		
		Cash Inflows			
(239)		Sale of fixed assets	(86)		
(2,090)		Capital grants received	(1,732)		
	901			2,100	
	258	Net Cash Outflow Before Financing		4,550	
		Management of Liquid Resources			
	200	Increase/(Decrease) in Short-Term Investments		(7,100)	40
		Financing			
		Cash Outflows			
		Repayments of amounts borrowed			
		Decrease in Short Term Borrowing			
		Cash Inflows			
		New Loans Raised	(2,000)		
		(Increase) in Short Term Borrowing	-		
				(2,000)	40
				-	
	458	(Increase) /Decrease in Cash		4,550	39

1. Issue of Statement of Account

The statement of accounts were considered by the Finance Committee and authorised for issue on 22nd June 2010. Events after the balance sheet date have been considered for inclusion in the accounts up to the authorised for issue date.

Notes to the Accounts

2. CIPFA Best Value Objective Classification of the Income and Expenditure Account

In order that all Police Authorities maintain their financial records on a consistent basis, CIPFA, the public sector accountancy body, has produced a Best Value Accounting Code of Practice. The Code provides guidance on how the costs are to be analysed in the Income and Expenditure Account. For 2009/10 the analysis headings are based on the Police Objective Analysis (POA) model which was introduced during the year to provide a clearer understanding of how resources are used within police forces and to provide a consistent way of comparing costs between forces. Costs have been prepared using the POA model and then converted into a format compliant with Best Value Accounting code of Practice and applicable accounting standards.

3. Officers' Emoluments

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

2008/09	Remuneration Band £	2009/10
76	50,000 to 54,999	88
40	55,000 to 59,999	45
10	60,000 to 64,999	14
9	65,000 to 69,999	7
5	70,000 to 74,999	6
3	75,000 to 79,999	4
1	80,000 to 84,999	1
1	85,000 to 89,999	3
1	90,000 to 95,999	1
146		169

The employees in the bandings above do not include the remuneration of the posts of Senior Officers and Relevant Police Officers which are now separately disclosed below as required by the revised Accounts and Audit Regulations.

Senior Officers and Relevant Police Officers emoluments 2009/10

	Salary, fees and allowances £	Employers Pension Contribution £	Reimbursement of Expenses £	Total Allowances £
The Chief Constable	146,376	31,070	1,867	179,314
DCC	121,462	25,633	1,352	148,447
ACC	109,829	23,711	3,478	137,018
ACC	109,305	24,524	1,089	134,917
Director of Corporate Services	113,523	14,188	261	127,972
The Treasurer	66,159	8,534	852	75,545
	666,654	127,660	8,899	803,213

Notes to the Accounts

Senior Officers and Relevant Police Officers emoluments 2008/09

	Salary, fees and allowances	Employers Pension Contribution	Reimbursement of Expenses	Total Allowances
	£	£	£	£
The Chief Constable	142,333	30,277	1,532	174,142
DCC	118,247	24,979	1,496	144,722
ACC	99,886	22,521	1,302	123,709
ACC	77,966	16,661	2,337	96,964
Director of Corporate Services	111,612	13,844	408	125,864
The Treasurer	52,182	6,728	891	59,801
	602,226	115,010	7,966	725,202

The salary of the Authority's Monitoring Officer is not included in the above disclosures as the officer is not directly employed by the Authority (a fee is paid to Central Bedfordshire Council to provide this service as per an agreed Service Level Agreement). The salary of this post will be disclosed in the accounts of Central Bedfordshire Council.

4. Members Allowances

Allowances to Members are paid based on legislation introduced in December 2003. This has resulted in local agreements and in Bedfordshire, a basic allowance of £9,053. Special responsibility allowances have also been approved ranging from £3,266 to £20,790. Details of the Members Allowance Scheme can be found on the Police Authority website. Total expenditure for members' allowances and travelling costs in the year was £238k compared with £244k in 2008/09.

5. Air Support Consortium

The Authority, together with Thames Valley and Hertfordshire Police own two helicopters within a consortium arrangement. Direct operating costs are allocated to the three forces based upon the actual number of flying hours during the previous 18 months with other overheads apportioned based upon resident population. The contribution for Bedfordshire in 2009/10 was 19.5% of spend, totalling £0.390K (£439K in 2008/09). Any surplus obtained as a result of lower than expected expenditure is transferred to the Consortiums reserve. The total revenue costs of the consortium are shown below:

2008/09		2009/10
£'000		£'000
118	Employee Costs	118
38	Running Costs	33
2,135	Aircraft Costs	1,917
(38)	Income	(68)
2,253		2,000

Notes to the Accounts

The following assets/liabilities included on the balance sheet that relate to CASU are as follows;

2008/09		2009/10
£'000		£'000
626	Fixed Assets	662
34	Long Term Debtors	112
(16)	Creditors less than one year	(4)
(103)	Grants	(176)
541		594
27	Earmarked Reserves	143
514	Capital Adjustment Account	451
541		594

6. Transport Consortium

The Authority, together with Thames Valley Police and since 1 April 2008 Hertfordshire Police, operate a consortium for vehicle provision. Costs are allocated to the three forces in proportion to the size of the fleet. Bedfordshire's contribution for 2009/10 was £1.9M (15.78% of spend) (£1.9M in 2008/09). The total costs of the consortium are shown below:

2008/09		2009/10
£'000		£'000
2,608	Employee Costs	2,685
325	Premises	346
2,629	Running Costs	2,844
2,763	Insurance	2,759
4,953	Vehicles	4,945
(1,126)	Income	(1,423)
12,152		12,156

The capital value of the vehicles is £2.846M and is included in the Balance Sheet.

7. Collaborated Units

In addition to the Major Crime Unit Collaboration which was collaborated in 2007/08, Bedfordshire and Hertfordshire have collaborated on a number of other areas in 2009/10 and again this has resulted in increased availability of dedicated staff, improved professionalism and supervision and delivery of better fiscal management in these areas. Collaborated units are jointly funded by the two forces pro rata to historic activity levels. There is also an agreement for joint funding of set up costs. The information below shows the total running and set-up costs and how this has been funded for each of the collaborated units.

Notes to the Accounts

Major Crime Unit Collaborated Unit:

Major Crime Unit (B&HMCU) became operational during November 2007 and was set up to provide joint investigation of a wide range of serious offences and critical incidents. For this unit the Home Office provided three years funding totalling £300k. The table below sets out the income and expenditure on the unit during 2009/10.

2008/09 £'000		2009/10 £'000
8,513	Running Costs	7,856
83	Set-up Costs	88
8,596	Total Expenditure	7,944
	Funded by:	
(2,809)	Bedfordshire Contribution	(2,844)
(5,704)	Hertfordshire Contribution	(5,060)
(83)	Home Office Grant	(40)
(8,596)		(7,944)

Collaborated Scientific Services:

This unit became operational in April 2009 and was set up to provide joint scientific services for both forces. Forensic submissions, although considered part of the collaborated unit, are treated separately and each force manages its own budget for this area.

2008/09 £'000		2009/10 £'000
-	Running Costs	6,374
-	Set-up Costs	11
-	Total Expenditure	6,385
	Funded by:	
-	Bedfordshire Contribution	(2,554)
-	Hertfordshire Contribution	(3,831)
-		(6,385)
1,545	Beds Forensic Submissions	1,030

Collaborated Professional Standards Unit:

This unit became operational in April 2009 and was set up to provide professional standard services on the BCU based 'Taylor' worker model for both forces to include access control, IT security and vetting (and CRB for Hertfordshire).

2008/09 £'000		2009/10 £'000
-	Running Costs	2,702
-	Set-up Costs	22
-	Total Expenditure	2,724
	Funded by:	
-	Bedfordshire Contribution	(954)
-	Hertfordshire Contribution	(1,770)
-		(2,724)

Notes to the Accounts

Collaborated Dog Unit:

This unit became operational in April 2009 and was set up to provide dogs, managers and trainers for both forces.

2008/09 £'000		2009/10 £'000
-	Running Costs	2,052
-	Set-up Costs	16
-	Total Expenditure	2,068
Funded by:		
-	Bedfordshire Contribution	(724)
-	Hertfordshire Contribution	(1,344)
-		(2,068)

Collaborated Firearms Unit:

This unit became operational in July 2009 and was set up to provide firearms operatives and training for both forces.

2008/09 £'000		2009/10 £'000
-	Running Costs	3,854
-	Set-up Costs	30
-	Total Expenditure	3,884
Funded by:		
-	Bedfordshire Contribution	(1,903)
-	Hertfordshire Contribution	(1,981)
-		(3,884)

Collaborated Operational Planning and Civil Contingencies:

This unit became operational in September 2009 and was set up as a single unit covering all civil contingency matters, providing operational and public order planning and associated training, and providing the lead and coordination of all search matters for both forces.

2008/09 £'000		2009/10 £'000
-	Running Costs	510
-	Set-up Costs	41
-	Total Expenditure	551
Funded by:		
-	Bedfordshire Contribution	(188)
-	Hertfordshire Contribution	(363)
-		(551)

8. Council Tax Income

The 2008/09 the SORP required that precepting authorities (such as Bedfordshire Police) account for in their Income and Expenditure Accounts the amount under

Notes to the Accounts

regulation that was received from the billing authority's (i.e. local councils). This equates to the precept for the current year plus or minus the authority's share of last year's Collection Fund surplus or deficit. The 2009 SORP now recognises that billing authorities are acting as an agent when they collect council tax income and pay it over to precepting authorities and therefore now requires council tax transactions to be accounted for in accordance with FRS 5. Therefore these accounts include the authority's share of council tax in the year that it is due including its share of debtors/creditors relating to council tax surpluses and deficits for that year. The difference between the income included in the Income and Expenditure Account and the amount required by regulation to be credited to the Police Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Statement of Movement on the Police Fund Balance. A reconciliation of council tax income shown in the Income and Expenditure Account and Precept received during the year is as follows:

2008/09		2009/10
£'000		£'000
(27,548)	Precept received	(28,754)
92	Net Adjustment to account for share of surplus/deficits	541
(27,456)	Amount included in I&E Account	(28,213)

9. Lease Rentals

The Authority has no finance leases, but rents several properties under the terms of operating leases. The amount paid in 2009/10 was £0.596m (£0.394m for 2008/09). The future cash payments required under these leases are £0.400m from 2009/10 onwards.

10. Agency & Contracted Services

This includes levies totalling £1.5M towards the cost of Forensic and DNA Testing (£1.7M in 2008/09).

11. Depreciation and Impairment

Under the capital accounting requirements the charges for depreciation and Impairment to the Income and Expenditure Account were:

2008/09		2009/10
£'000		£'000
3,264	Depreciation of Fixed Assets	2,976
6,261	Impairment of Fixed Assets	335
9,525		3,311

12. External Interest Paid

External Interest paid comprised:

2008/09		2009/10
£'000		£'000
173	PWLB Loan Interest Charges	205

Notes to the Accounts

13. Sponsorship

The Police Authority is allowed, under Section 93 of the 1996 Police Act and the authority financial regulations, to obtain sponsorship of gifts up to a value of 1% of the annual budget. The value received during 2009/10 was £4k (£5k in 2008/09).

The Force supports the day to day administration of the Bedfordshire Police Partnership Trust by providing a part-time co-ordinator and accommodation. A separate set of audited Accounts is published by the Trust.

14. Police Property Act 1997

The Authority operates a Holding Account for the sale proceeds of unclaimed property under the Police (Property) Act 1997. In accordance with the Act, the net income is distributed to local charities on the recommendation of the Finance Committee. During 2009/10 £32K (£36K in 2008/09) was distributed. The funds available for distribution in 2010/11 totals £17K (£31k at 31 March 2009). The £17K is held in the Authority's bank account and is therefore included in the bank figure in the balance sheet, however as the monies are to be distributed they are also included in the creditors balance.

15. Related Party Transactions

The Financial Reporting Standard on Related Party Disclosures (FRS 8) and the 1998 Code of Practice require that material 'related party' transactions with the Authority/Force are disclosed in the Statement of Accounts.

Central Government exercises some control over the general operations of the Police Authority and it is responsible for providing the statutory framework within which the Police Authority operates and provides the majority of its funding in the form of grants. Details of grants received from government departments are disclosed in the Income and Expenditure Account and in a note to the cash flow statement (see note 41).

Material transactions with other public bodies have been disclosed within the Income and Expenditure Account and in other notes to the Accounts (see notes 5, 6 and 7).

A review to determine related party transactions with the Authority/Force involved all Members and Senior Officers of the Authority/Force. No material transactions were identified other than those disclosed elsewhere in the Statement of Accounts.

16. Audit Fees

The Police Authority paid the following fees to the Audit Commission in relation to external audit services for the 2009/10 Financial Year:

2008/09		2009/10
<u>£'000</u>		<u>£'000</u>
72	Statutory Audit	73
<hr/> 72		<hr/> 73

Notes to the Accounts

17. Net Fixed Assets

(i) Changes in operational net fixed assets during the year:

	Intangible Assets	Tangible Assets			Total	Total Fixed Assets
		Land & Buildings	Vehicles	Furniture & Equip		
	£'000	£'000	£'000	£'000	£'000	£'000
Book Value as at 1st April 2009	2,462	41,331	5,508	8,057	54,896	57,358
Revaluation In Year		(6,010)	52		(5,957)	(5,957)
Additions	235	1,089	832	1,738	3,658	3,894
Disposals			(551)		(551)	(551)
Written Out	(132)			(869)	(869)	(1,001)
Reclassification of Asset						
Gross Book Value as at 31st March 2010	2,565	36,410	5,842	8,926	51,178	53,743
Depreciation and Impairment as at 1st April 2009	(1,099)	(14,642)	(2,133)	(4,232)	(21,006)	(22,105)
Depreciation for year	(429)	(622)	(662)	(1,265)	(2,548)	(2,977)
Impairment for year		(335)			(335)	(335)
Disposals			401		401	401
Written Out	132	6,234	60	869	7,162	7,294
Depreciation and Impairment as at 31st March 2010	(1,395)	(9,365)	(2,333)	(4,627)	(16,326)	(17,721)
Net Book Value as at 31st March 2010	1,170	27,046	3,509	4,298	34,852	36,022

The freehold and leasehold properties which comprise the Authority's Property Portfolio were valued at 1st April 2010 by Colliers CRE, Chartered Surveyors, in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institute of Chartered Surveyors, following inspection of the properties. The property values as at 31 March 2010 are deemed to be the same as at the valuation date.

Properties occupied for police operational purposes were valued on the basis of Existing Use Value. This means the Market Value to the extent that the value represents the price obtainable in the open market but disregarding potential alternative uses. Residential properties were valued on the basis of Market value.

Intangible Assets consist of purchased software licences.

(ii) Statement of Physical Assets

The number of assets as at 31st March 2010 comprised:

	2008/09	2009/10
Police Stations	12	12
Radio Stations	3	3
Police Houses	3	3
Vehicles	311	324
Helicopter (share of)	2	2

Notes to the Accounts

(iii) Capital Expenditure

Capital expenditure during the year was as follows:

	2008/09 £'000	2009/10 £'000
Estates:		
Forensics Upgrade	7	-
Neighbourhood Policing	13	13
Replace Bedford Police Station	482	140
General Capital Works	429	267
Training Accommodation	136	-
Custody		107
Collaboration	-	302
Eastern Avenue		389
Other	111	53
IS/IT Capital Spend	903	1,422
Transport Strategy: Vehicles	776	888
Airwave	89	-
ANPR	120	202
Equipment	86	91
	3,152	3,874

(iv) Capital Financing

The method of financing capital expenditure was as follows:

	2008/09 £'000	2009/10 £'000
Capital Grant	2,161	1,868
Borrowing	-	2,000
Revenue Contributions	333	6
Capital Receipts	133	-
Capital Reserve	525	-
	3,152	3,874

(v) Commitments under Capital Contracts

The Authority has authorised expenditure in future years of £26.827M under its Capital Programme, of which £4.1M has been contractually committed.

18. Long Term Debtors

Long term debtors relate to the Chiltern Air Support Unit:

2008/09 £'000		2009/10 £'000
34	Chiltern Air Support Unit	112
34	Balance at 31st March	112

Notes to the Accounts

19. Payments in Advance

These represent payments prior to 31st March 2010 for supplies and services relating to the period after 1 April 2010.

20. Stock

Stock comprised of the following:

2008/09		2009/10
£'000		£'000
257	HQ Store (uniforms and other operational equipment)	263
39	Firearms Equipment	42
296	Balance at 31st March	305

21. Debtors

Debtors, net of £16K provision for bad and doubtful debts (£14k in 08/09), may be analysed as below:

2008/09		2009/10
£'000		£'000
3,016	Government Departments	4,522
1,943	Other Local Authorities	2,541
227	Sundry Debtors	234
5,186	Balance at 31st March	7,297

22. Bank and Imprest

Bank represents the total of the Income, Payment and Interest account bank balances. Balances relating to the Pension Fund Account are shown separately as part of the Pension Fund Statement on page 55. Imprest is the total of the imprest bank accounts held by Divisional and HQ offices.

23. Funds Held on Behalf of Third Parties

The Authority holds funds seized from individuals whilst enquiries are conducted under the Proceeds of Crime Act 2002. The Authority will either return or repay these funds (to the courts or the individual) on conclusion of the enquiries. Therefore, these funds are excluded from the Authority's accounts. As at 31 March 2010 the balance of these funds was £749K (£626K at 31 March 2009).

24. Receipts in Advance

This relates to income received prior to 31st March 2010 funding activities that had not commenced at that date.

25. Creditors

The creditors of the Authority can be analysed as follows:

2008/09		2009/10
£'000		£'000
1,903	Government Departments	2,218
2,573	Other Local Authorities	3,837
2,435	Sundry Creditors	2,118
43	Stock	28
6,954	Balance at 31st March	8,201

Notes to the Accounts

26. Financial Instruments

Financial Instruments Balances

The borrowings and investments disclosed in the balance sheet are made up of the following categories of financial instruments.

	Long-Term		Current	
	2008/09	2009/10	2008/09	2009/10
<i>Financial Liabilities at amortised cost:</i>				
-Loans Outstanding	3,798	5,720		
<i>Loans and Receivables:</i>				
-Short-Term Investments at cost			14,189	7,010

Loans Outstanding represents the amount owing to external lenders in respect of long term loans. The maturity period for these loans is between thirteen and twenty six years and the borrowing is from the Public Works Loan Board.

Short-term Investments are temporary surplus funds, invested short term with those financial institutions included within the Authority's approved lending list.

Fair Value of Assets and Liabilities Carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. Their fair value has been calculated below by calculating the net present value of the future cash flows using the following assumptions:

- The discount rate used is the applicable market rate on 31st March using bid prices where applicable.
- For fixed term deposits it is assumed that interest is received on maturity.
- The new borrowing rate at 31 March has been used as the discount factor for PWLB borrowing.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount

The fair value of each class of financial liabilities and assets carried in the Balance Sheet at amortised cost is as follows:

	31 March 2009		31 March 2010	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Financial Liabilities				
PWLB Borrowing	3,798	4,042	5,720	5,758
Creditors and Receipts in Advance	7,917	7,917	9,051	9,051
Loans and Receivables				
Short Term Investments	14,189	14,084	7,010	7,014

Notes to the Accounts

Debtors and Payments in advance	5,633	5,633	7,846	7,846
Instant Access Bank Deposit Accounts	385	385	5,374	5,374
Bank and Imprest	106	106	(370)	(370)

The differences between carrying amount and fair value for PWLB borrowing is because the authority's portfolio of loans are fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the balance sheet date. The differences between carrying amount and fair value for short term investments are not material.

Interest accrued which has been included in the amortised cost in the balance sheet for Financial Liabilities and Loans and Receivables is:

	31 March 2009 £'000	31 March 2010 £'000
Financial Liabilities:		
PWLB Loans interest accrued	78	109
Loans and Receivables		
Short Term Investments interest accrued	89	10

Nature and Extent of Risks Arising from Financial Instruments

Credit Risk

Credit risk is the possibility that one party to a financial instrument will fail to meet their contractual obligations, causing a loss for the other party.

All direct investments made by the Authority may only be to those organisations included in the approved lending list and will in the majority of circumstances be for a period of less than 365 days and cannot be more than £7M to an individual counter party. In compiling the lending list certain criteria have been applied and credit ratings (issued by the Fitch Group which the Authority receive as part of the service from Sector) are considered.

Lending lists are reviewed monthly and updated as necessary if the rating of any institution on the list has altered. The financial press and other media sources are also monitored for information on the credit strength of banks and other institutions and the list amended if appropriate.

Direct investments are restricted as to the maximum amount which may be invested, and the maximum period of investment, with any one organisation at any one time.

Notes to the Accounts

The following analysis summarises the authority's potential maximum exposure to credit risk, based on experience of default and uncollectability over the last five financial years:

	Amount as at 31 March 2010 £'000	Historical experience of default %	Estimated maximum exposure to default and uncollectability £'000
Deposits with banks and financial institutions	12,014	-	-
Customers	7,297	0.10	7

The authority does not generally allow credit for customers, such that £0.116M of the £7.290M balance was past its due date for payment as at 31 March 2010. The past due amount can be analysed by age as follows:

	£'000's
Less than one month	43
One to three months	67
Over three months	6
	<u>116</u>

Liquidity Risk

Liquidity risk is the possibility that one party will be unable to raise funds to meet its commitments associated with financial instruments.

The Authority seeks to minimise liquidity risk by securing adequate available sources of short term financing and by effective cash flow forecasting and monitoring.

The Authority maintains an overdraft facility with National Westminster Bank Ltd. These arrangements are reviewed annually to ensure that the overdraft facility available is maintained at an appropriate level.

Short term borrowing, within the Authority's borrowing limits, may be undertaken through the money markets when necessary to cover expenditure pending the receipt of income.

Any long term borrowing is through the PWLB thereby minimising the potential liquidity risks. The maturity analysis of the authority borrowing is as follows:

2008/09	Analysis of PWLB Loans by Maturity	2009/10
2,020	Between 14 and 20 years	2,020
1,700	Between 20 and 25 years	1,700
	Between 25 and 30 years	2,000
<u>3,720</u>	Total	<u>5,720</u>

All trade and other payables are due to be paid in less than one year.

Notes to the Accounts

Market Risk

The Market risk is the possibility that the value of an instrument will fluctuate because of changes in interest rates, market prices, foreign currency exchange rates etc.

The Authority seeks to minimise market risk by maintaining reliable sources of information regarding market conditions to allow for informed assessment of treasury transactions. The Authority employs the services of Sector to advise it on Treasury Management issues.

The Authority does not make direct investments that are subject to market fluctuations (e.g. gilts, certificates of deposit etc.).

Cash flow forecasts are regularly monitored to ensure the Authority's financing targets are met.

Loans and short-term investment balances shown in the balance sheet are at fixed rates and therefore not effected by market fluctuations as at 31 March 2010.

Price and Foreign Currency Risk

The Authority has no financial assets or liabilities in equity shares, joint ventures, or denominated in foreign currency and therefore has no exposure to these risks.

27. Government Grants Deferred

Government grants applied to fund capital expenditure are credited to this account, and credited back to Income and Expenditure Account over the expected life of the assets, to offset the depreciation for those assets.

2008/09		2009/10
£'000		£'000
(10,929)	Balance at 1 st April	(11,449)
(2,238)	Grants to Fund Expenditure	(1,879)
1,718	Release of Government Grants	1,549
(11,449)	Balance at 31st March	(11,779)

28. Grants and Contributions Unapplied

These are funds received from the Home Office which are to be carried forward to finance expenditure in future years.

2008/09		2009/10
£'000		£'000
807	Balance at 1 st April	646
2,077	Grants and Contributions received	1,860
(2,238)	Grants and Contributions applied	(1,879)
646	Balance at 31st March	627

Notes to the Accounts

29. Provisions

The Provisions are shown below and detailed on page 20.

2008/09		2009/10
£'000		£'000
(293)	Insurance	(260)
(335)	Transport Consortium Insurance	(316)
-	Airwave Equipment	-
(180)	Redundancy Costs	-
(808)	Balance at 31st March	(576)

30. Contingent Liability

The Police Authority no longer have any Contingent liabilities as the legal claim previously faced has now been resolved.

31. Retirement Benefits

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

The Authority participates in two pension schemes:

- The Local Government Pension Scheme (LGPS) for police staff, administered by Bedford Borough 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 administered by Bedfordshire Police Authority, 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 payable, the police authority must annually transfer an amount required to meet the deficit to the pension fund. Subject to parliamentary scrutiny and approval, up to 100% of this cost is met by 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 then must repay the amount to central government.

Quoted securities held as assets in the LGPS defined benefit pension scheme are valued at bid price.

The cost of retirement benefits are 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 charge that the authority are required to make against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out through the Statement of Movement on the Police Fund Balance. The transactions below are included in the Income and Expenditure Account during the year:

Notes to the Accounts

	Local Government Pension Scheme		Police Pension Scheme	
	2008/09 £'000	2009/10 £'000	2008/09 £'000	2009/10 £'000
Net Total Cost of Service				
Current Service Costs	1,901	1,741	12,510	9,960
Past Service Costs	658	133	-	
Net Operating Expenditure				
Interest Costs	3,810	3,793	34,700	33,150
Expected return on assets	(3,095)	(2,419)		
Net Charge to the Income and Expenditure Account	3,274	3,248	47,210	43,110
Statement of Movement on the Police Fund Balance				
Reversal of net charges made for retirement benefits in accordance with FRS17	(3,274)	(3,248)	(47,210)	(43,110)
Actual Amounts charged against the Police Fund Balance for pensions in the year				
Employers Contributions payable to the scheme	2,827	2,914		
Retirement Benefits payable to pensioners			9,735	10,174
Injury Award Benefits			1,150	1,209

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains and losses of £246.894M were included in the Statement of Total Recognised Gains and Losses (STRGL). The cumulative amount of actuarial gains and losses recognised in the STRGL is £285.258M.

Notes to the Accounts

Assets and Liabilities in relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities:

	Funded Liabilities: Local Government Pension Scheme		Unfunded Liabilities: Police Pension Scheme	
	2008/09	2009/10	2008/09	2009/10
	£'000	£'000	£'000	£'000
1 April	53,959	53,666	503,446	483,067
Current Service Cost	1,901	1,741	12,510	9,960
Interest Cost	3,810	3,793	34,700	33,150
Contributions by scheme participants	1,288	1,441	4,863	4,510
Actuarial gains and losses	(6,669)	40,884	(53,507)	215,250
Benefits paid	(1,281)	(1,305)	(18,945)	(19,673)
Past Service Costs	658	133	-	-
31 March	53,666	100,353	483,067	726,264

Reconciliation of fair value of the scheme assets

	Local Government Pension Scheme	
	2008/09	2009/10
	£'000	£'000
1 April	44,630	38,503
Expected rate of return	3,095	2,419
Actuarial gains and losses	(12,056)	9,240
Employer contributions	2,827	2,914
Contributions by scheme participants	1,288	1,441
Benefits paid	(1,281)	(1,305)
31 March	38,503	53,212

The expected return on scheme assets is based on the long-term future expected investment return for each asset class as at the beginning of the period.

The actual return on scheme assets for the period 1 April 2009 to 31 December 2009 was 21.9%.

Scheme History

	2005/06	2006/07	2007/08	2008/09	2009/10
	£'000	£'000	£'000	£'000	£'000
Present Value of Liabilities					
Local government Pension Scheme	(56,100)	(58,800)	(53,959)	(53,666)	(100,353)
Police Pension Scheme	(584,040)	(582,480)	(503,446)	(483,067)	(726,264)
Fair Value of Assets in the Local Government Pension Scheme	36,800	42,100	44,630	38,503	53,212
Surplus/(deficit) in the scheme:					
Local Government Pension Scheme	(19,300)	(16,700)	(9,329)	(15,163)	(47,141)
Police Pension Scheme	(584,040)	(582,480)	(503,446)	(483,067)	(726,264)
Total	(603,340)	(599,180)	(512,775)	(498,230)	(773,405)

Notes to the Accounts

The liabilities show the underlying commitments that the Authority has in the long-term to pay retirement benefits. The liability of £773.405M has a substantial impact on the net worth of the authority as recorded in the balance sheet, resulting in a negative overall balance of £744.822M. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy:

- The deficit of the LGPS 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.

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2011 is £2.9M. Expected contributions for the Police Pension Scheme in the year to 31 March 2011 are £10.2M.

Basis for estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Borough Council Fund liabilities have been assessed by Hymans Robertson, an independent firm of actuaries. The Police Pension scheme liabilities have been assessed using the Government Actuary Department's FRS 17 spreadsheet (GFS) which has been designed to satisfy the disclosure requirements contained within the Statement of Recommended Practice.

Notes to the Accounts

The principal assumptions used by the actuaries have been are:

	Local Government Pension Scheme		Police Pension Scheme	
	2008/09 %	2009/10 %	2008/09 %	2009/10 %
Long-term expected rate of return on assets in the scheme:				
Equity Investments	7.0	7.8	-	-
Bonds	5.6	5.0	-	-
Other	8.9	5.1	-	-
Mortality Assumptions:				
Longevity at 65 for current pensioners				
Men	19.6	20.8	23.4	23.9
Women	22.5	24.1	26.6	27.1
Longevity at 65 for future pensioners				
Men	20.7	22.3	25.6	26
Women	23.6	25.7	28.6	29.1
Rate of inflation	3.1	3.8	3.0	3.9
Rate of increase in salaries	4.6	5.3	4.5	5.4
Rate of increase in pensions	3.1	3.8	3.0	3.9
Expected return on Assets	6.0	6.6	-	-
Rate for discounting scheme Liabilities	6.9	5.5	6.9	5.8
Take-up of option to convert annual pension into retirement lump sum (pre April 08 service)	50	50	-	-
Take-up of option to convert annual pension into retirement lump sum (post April 08 service)		75	-	-

The Police Pension Scheme has no assets to cover its liabilities. Assets in the Local Government Pension fund consist of the following categories by proportion of the total assets held:

	2008/09 %	2009/10 %
Equity investments	54	58
Bonds	21	22
Other Assets	25	20
Total	100	100

Notes to the Accounts

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2009/10 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2010.

	2005/06	2006/07	2007/08	2008/09	2009/10
	%	%	%	%	%
LGPS					
Differences between the expected and actual return on assets	10.8	0.7	(6.7)	(31.0)	17.28
Experience gains and (losses) on liabilities	(0.7)	(0.3)	(3.7)	(0.01)	(0.07)
Police Pension Scheme					
Experience gains and losses on liabilities	0.0	0.1	2.4	2.5	2.2

32. Police Fund

The Police Fund comprised general balances at 31st March 2010 of £2.860M.

33. Revaluation Reserve

This reserve records unrealised revaluation gains from asset revaluations made since April 2007. Unrealised revaluation gains for 2009/10 were £336k (nil for 2008/09).

34. Collection Fund Adjustment Account

This account records the difference between the Council Tax income included in the Income and Expenditure Account and the council tax income actually received as required by regulation.

35. Capital Adjustment Account

The Capital Adjustment Account provides a balancing mechanism between the different rates at which assets are depreciated under the SORP and are financed through the capital controls system.

2008/09		2009/10
£'000		£'000
26,569	Balance at 1st April	19,523
525	Contribution applied from Capital Reserve	-
333	Contribution applied in year	5
132	Capital Receipts Applied	
1,718	Government Grants Released	1,549
177	MRP	170
-	CASU repayment of Loans	
(9,525)	Depreciation and Impairment	(3,311)
(142)	Building Disposals	
(264)	Vehicle Disposals	(149)
7,046	Appropriation to/from Account in year	(1,736)
19,523	Balance at 31st March	17,787

Notes to the Accounts

36. Summary of Movement on Reserves:

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 plans.

	Police Fund	Earmarked Reserves (see Note 37)	Revaluation Reserve	Capital Adjustment Account	Pensions Reserve – LGPS	Pensions Reserve – Police Pensions	Collection Fund Adj Account	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000		£'000
Balance as at 1st April 2009	(2,860)	(8,703)	-	(19,523)	15,163	483,067	-	467,144
Prior Year Adjustments		(39)					(152)	(191)
Restated B/F Balance	(2,860)	(8,742)	-	(19,523)	15,163	483,067	(152)	466,953
SMFPB								
- Transfer to SMFPB		1,200		3,461	5,667	43,110	541	53,979
- Transfer from SMFPB		(447)		(1,725)	(5,333)	(15,163)		(22,668)
Transfers Between Reserves								
Gains and Losses in 2009/10								
FRS 17 Actuarial Gains and Losses					31,644	215,250		246,894
Revaluation of Fixed Assets			(336)					(336)
Balance as at 31st March 2010	(2,860)	(7,988)	(336)	(17,787)	47,141	726,264	389	744,822

Notes to the Accounts

37. Summary of Movement on Earmarked Reserves:

	Devolved Budget Reserves	Insurance Reserve	Capital Expenditure Reserve	Pensions	Collaboration/Performance Reserve	Chiltern Air Support Revenue Reserves	Total Earmarked Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 1 April 2009	(1,125)	(1,498)	(5,133)	(300)	(620)	(27)	(8,703)
Prior Year Adjustment	(39)						(39)
Restated B/F Balance	(1,164)	(1,498)	(5,133)	(300)	(620)	(27)	(8,742)
SMPFB							
- Transfer to SMPFB	1,063				137		1,200
- Transfer from SMPFB	(193)		(250)			(4)	(447)
Transfers Between Reserves							
Balance as at 31st March 2010	(294)	(1,498)	(5,383)	(300)	(483)	(31)	(7,989)

Notes to the Accounts

38. Reconciliation of Revenue Cash Flow

The table below shows the reconciliation of the Income and Expenditure Account to the net cash inflow from revenue activities.

2008/09			2009/10	
<u>£'000</u>	<u>£'000</u>		<u>£'000</u>	<u>£'000</u>
	(39,792)	Deficit for the Year		(31,311)
		Non Cash Transactions		
(1,718)		Deferred Government Grants	(1,549)	
9,525		Depreciation and Impairment	3,311	
64		Contribution to Provisions	(232)	
33,576		FRS17 Adjustments	28,281	
		CASU (Surplus)/Deficit	(4)	
	41,447			29,807
		Accruals		
398		Increase/(Decrease) in Creditors (excluding capital creditors)	1,177	
578		(Increase)/Decrease in Payments in Advance	(103)	
(2,080)		(Increase)/Decrease in Debtors (including long term but excluding capital debtors)	(2,081)	
(208)		Increase/(Decrease) in Receipts in Advance	(99)	
(17)		(Increase)/Decrease in Stock	(9)	
	(1,329)			(1,115)
	(806)	Servicing of Finance		7
	168	Disposal of Fixed Assets		61
	(312)	Net Cash Inflow/(Outflow) from Revenue Activities		2,551

39. Movement in Cash

The movement in cash reflected in the Balance Sheet on page 30 is as follows.

	As at 1st April 2009 £'000	As at 31st March 2010 £'000	Movement in the year £'000
Cash - Imprests	26	36	10
Cash -Force	465	5,005	4,540
Total	491	5,041	4,550

Notes to the Accounts

40. Financing and Management of Liquid Resources (Cash Flow)

Financing and Management of Liquid Resources can be analysed as follows:

	As at 1st April 2009 £'000	As at 31st March 2010 £'000	Movement in the year £000
Short Term Investments	(14,100)	(7,000)	7,100
New Loans Raised	3,720	5,720	2,000
Total	<u>(10,380)</u>	<u>(1,280)</u>	<u>9,100</u>

41. Analysis of Government Specific Grants (Cash Flow)

The Police Authority receives a number of Government Grants for specific purposes as follows:

	<u>2008/09</u> £'000	<u>2009/10</u> £'000
Home Office Grants		
Crime Fighting Fund	2,713	2,713
Counter Terrorism	941	764
BCU Fund	494	526
Community Support Officers	2,139	2,686
Manpad	512	484
LCJB Grants	107	288
Drug Testing Programme	324	325
Rule 2 Grant	1,698	1,680
Pension Top Up Grant	1,788	2,723
Dedicated Security Posts	1,191	1,464
IPLDP	238	258
Prevent Funding	260	595
Collaboration	148	223
Capacity Building for Specials	30	
ACC Neighbourhood PRT Fund		83
Tackling Knife Crime		164
National Ports	8	-
Other	479	127
Total Specific Government Grants	<u>13,070</u>	<u>15,103</u>

Police Pension Fund Accounting Statement

2008/09		Police Pension Fund Accounting Statement	2009/10	
£000	£000		£000	£000
		Contributions receivable		
		- From Employer		
(9,634)		Normal	(10,143)	
(71)		Early Retirements for Ill-Health	-	
(29)		Reimbursement of Unabated Pensions of '30+' Police Officers	(29)	
<u>(4,324)</u>		- From members of the Pension Scheme	<u>(4,510)</u>	
	(14,058)			(14,682)
		Transfers in		
	(540)	- Individual Transfers in from Other Schemes	(447)	
		Benefits Payable		
13,631		- Pensions	14,655	
<u>4,015</u>		- Commutations and Lump Sums	<u>3,825</u>	
	17,646			18,033
		Payments to and on Account of Leavers		
16		- Refund of Contributions	24	
<u>132</u>		- Individual Transfers out to Other Schemes	<u>405</u>	
	148			429
	<u>3,196</u>	Sub-Total: Net amount receivable for the year before top-up grant		<u>3780</u>
	(3,196)	Top-Up Grant from Police Fund		(3,780)
		- Net Amount Payable/Receivable for the year		

2008/09	Net Assets Statement		2009/10
£'000			£'000
		Payments in Advance:	
1,197		- April Pensions Paid March	1,244
		Creditors/Receipts in Advance:	
(512)		- Lump Sums & Refunds	(164)
		Other current assets and liabilities	
(685)		- Cash	(1,080)
		- Net Current Assets/Liabilities	-

Police Pension Fund Accounting Statement

2008/09		2009/10	
£'000	£'000	£'000	£'000
Cash Flow Statement			
Revenue Activities			
Cash Outflows			
	17,648	Other Operating Cash Payments	19,257
Cash Inflows			
(3,196)		Specific Grants	(3,780)
(14,510)		Other operating cash receipts	(15,082)
	<u>(17,706)</u>		<u>(18,862)</u>
	(58)	(Increase)/Decrease in Cash	395

Notes to the Police Pensions Accounting Statement

The Accounting Policies for the Police Pension fund are disclosed in the main accounting policies on pages 17 to 23.

The Police Pension Fund Financing Arrangements require a separate accounting statement for the Police Pension fund. These arrangements require the Authority to credit the Police pensions fund with officer and employer contributions, incoming transfers and other contributions specified by the regulations. Payments made from the account include pension payments, lump sums and transfers out to other schemes. There are no investment assets held, and the fund is balanced to nil each year by receipt of a top-up grant from the home office to cover any deficit, or paying over any surplus to the Home Office.

The fund's financial statements do not take account of liabilities to pay pension and other benefits after the period end.

Police Pension Fund Accounting Statement

Notes to the Police Pensions Cash Flow Statement

The movement in cash reflected in the Balance Sheet on is as follows.

	As at 1st April 2009 £'000	As at 31st March 2010 £'000	Movement in the year £'000
Cash Police Pension Fund	(685)	(1,080)	(395)

The table below shows the reconciliation of the Income and Expenditure Account to the net cash inflow from revenue activities.

2008/09		2009/10	
£'000	£'000	£'000	£'000
	-	-	-
	-	-	-
	146	(348)	
	(88)	(47)	
	58	(395)	
	58	(395)	

External Advisers

The specialist nature and complexity of certain financial activities make it prudent for the Police Authority to enhance the available internal expertise by using the services of external advisers.

External advisers have been appointed to provide additional advice and guidance in the following areas:

- (i) **Financial Administration**
Financial services provided to the Police Authority during 2009/10 include the following:
Internal Audit – RSM Tenon
Payroll and Pensions – Logica
Treasury Management Advice - Sector
- (ii) **Insurance**
Heath Lambert Group provide a service to the Police Authority which includes undertaking an annual review of insurance arrangements and putting these out to tender in accordance with EU regulations.
- (iii) **Banking**
Banking services and advice are provided by National Westminster Bank plc.

Glossary of Terms

ACCRUAL - A sum included in the final accounts to cover income or expenditure attributable to an accounting period for goods supplied and received or work done, but for which payment has not been received/made by the end of the period.

ACTUARIAL VALUATION - A valuation of assets held, an estimate of the present value of benefits to be paid and an estimate of required future contributions, by an actuary, on behalf of a pension fund.

ACTUARIAL GAINS AND LOSSES – For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because (a) events have not coincided with the actuarial assumptions made for the last valuation or (b) the actuarial assumptions have changed.

AGENCY SERVICES - The provision of services by one body (the agent) on behalf of another that is legally responsible for providing the service.

AUDIT COMMISSION - An independent body, responsible for the appointment of external auditors to the Police Authority. Assesses whether the Police Authority makes proper arrangements for economy, efficiency and effectiveness in its use of resources and is also required to review the Authority's corporate governance arrangements.

BEST VALUE - The means of reviewing services for areas of improvement revolving around the 4 C's: Challenge, Compare, Compete, and Consult.

BUDGET - A statement of the Authority's forecast of net revenue and capital expenditure over a specified period of time.

CAPITAL EXPENDITURE - Spending on assets (e.g. land, buildings roads etc.) which adds to and not merely maintains the value of an existing fixed asset. Expenditure that does not fall within the definition must be charged to the Income and Expenditure Account.

CAPITAL RECEIPTS - The money from the sale of land or other assets. Capital receipts can be used to pay for new capital expenditure, within rules set down by the Government, or to repay outstanding loans. They cannot be used to finance revenue expenditure.

CARRY FORWARDS - Service under/overspendings that under the Authority's Devolved Budget Management Scheme, may be carried forward to the following year.

CIPFA - The Chartered Institute of Public Finance and Accountancy. This is the professional body responsible for accountants working in the public service. The Institute provides financial and statistical information on local government and public finance matters. CIPFA is a privately funded body with charitable status.

CONTINGENT LIABILITY - A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more future events not within the Authority's control.

CREDITOR - An amount owed by the Authority to suppliers for work done or goods received for which payment has not yet been made.

CURRENT SERVICE COST (PENSIONS) – The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

CURTAILMENT – For a defined benefit scheme, an event that reduced the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service.

Glossary of Terms

DEBTOR - Money owed to the Authority.

DEFINED BENEFIT SCHEME – a pension scheme other than a defined contribution scheme. The scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme.

DEPRECIATION - The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use, passage of time or obsolescence through technological or other changes.

DIRECT REVENUE FINANCING - Resources provided from the Authority's revenue budget to finance the cost of capital projects.

EARMARKED RESERVES - Those elements of the Police Fund that have been set aside, "earmarked", for specific services.

EMOLUMENTS - All taxable sums paid to or received by an employee including the value of any benefits received other than in cash.

FINANCIAL REGULATIONS - A written code of procedures approved by the Authority, intended to provide a framework for proper financial management.

FINANCIAL YEAR - The period covered by a set of financial accounts - the Police Authority financial year commences 1 April and finishes 31 March the following year.

FIXED ASSET - An asset that has value beyond one financial year.

FINANCIAL REPORTING STANDARDS (FRS) - These standards are developed by the Accounting Standards Board and regulate the preparation and presentation of financial statements. Any material departures from these standards should be disclosed in notes to the accounts.

GOVERNMENT GRANTS - Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an Authority in return for past or future compliance with certain conditions relating to the activities of the Authority.

GROSS EXPENDITURE - The total cost of providing the Authority's services before taking into account income.

IMPAIRMENT - A reduction in the value of a fixed asset on the Balance Sheet due to lack of maintenance or change of use.

INCOME - Amounts due to an organisation that have been or are expected to be received.

INTEREST INCOME - The money earned from the investment of surplus cash.

INVESTMENTS - A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the Authority for 365 days or more. A short-term investment occurs when surplus funds are invested for 364 days or fewer.

LIABILITIES - Money owed to individuals or organisations that will be paid at some time in the future.

Glossary of Terms

MINIMUM REVENUE PROVISION (MRP) - The minimum amount which must be charged each year to the Authority's Police Fund and set aside as provision for credit liabilities, as required by the Local Government and Housing Act 1989.

NATIONAL NON-DOMESTIC RATES (NNDR) - A levy on businesses, based on a national rate in the pound set by the government, multiplied by the 'rateable value' of the premises they occupy. Collected by billing authorities in line with national criteria and then redistributed among all local authorities and police authorities on the basis of population.

NET BOOK VALUE - The amount at which fixed assets are included in the balance sheet, i.e. their historical cost less the cumulative amounts provided for depreciation.

OPERATIONAL ASSETS - Fixed assets held and occupied, used or consumed by the Police Authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility. All Police Authority fixed assets are classified as operational assets.

PAST SERVICE COST - For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

POLICE FUND - The main account of a Police Authority. Income from government grants and the Precept is paid into the fund and day-to-day spending on services is paid for from the fund. The year end balances on the fund are the general reserves (or balances) maintained as a matter of prudence.

POLICE GRANT - The term used to specify all government grants to the Authority other than revenue support grant.

PRECEPTS - The demands made by the Authority on the local councils to finance the Authority's expenditure.

PROVISION - An amount, set aside in the accounts, for liabilities that are likely to be incurred but the amounts or the dates on which they will arise are uncertain.

PUBLIC WORKS LOAN BOARD (PWLb) - A Government agency which provides longer term loans to Local Authorities at interest rates only slightly higher than those at which the Government itself can borrow.

RELATED PARTY TRANSACTIONS - The transfer of assets or liabilities or the performance of services, to or for a related party, irrespective of whether a charge is made.

RESERVES - Monies set aside by the Authority that do not fall within the definition of provisions.

REVENUE EXPENDITURE - The day-to-day running costs incurred by an Authority in providing services.

REVENUE SUPPORT GRANT (RSG) - A grant paid by central government in aid of Authority services in general, as opposed to specific grants, which may only be used for a specific purpose.

STATEMENT OF MOVEMENT ON POLICE FUND BALANCE (SMPFB) - The Income and Expenditure Account shows the Authority's actual financial performance for the year as measured by accounting conventions, however, the Authority is required to raise council tax on a different accounting basis, for example depreciation of fixed assets

Glossary of Terms

cannot be charged to the Police Fund. Therefore the Statement of Movement on the Police Fund Balance compares the Authority's spend against council tax raised for the year, taking into account contributions to and from reserves.

STATEMENT OF RECOGNISED GAINS AND LOSSES (STRGL) – Not all the gains and losses experienced by the Authority are reflected in the Income and Expenditure Accounts. For example gains on revaluations of fixed assets are excluded because they arise from valuation changes rather than from the Authority's operating performance. FRS 3 requires all gains and losses to be included in the STRGL.

UNFUNDED PENSION SCHEME - A scheme where the costs of pensions and other benefits, after accounting for employees' contributions in the year, are charged to the Income and Expenditure account e.g. Police Pension Scheme.

USEFUL LIFE - A term used to express the period over which the Authority will derive benefits from the use of a fixed asset. This is then used to in calculating the depreciation charge for that asset.

WORKS IN PROGRESS - The cost of work done on an uncompleted project at the balance sheet date.



Bedfordshire Police Authority

COMMITTEE AND MEETING DATE	FINANCE COMMITTEE 22 June 2010
AGENDA ITEM No:	11a
TITLE:	2010/11 BUDGET REDUCTIONS
DATE OF REPORT:	11 JUNE 2010
REPORT OF:	CHIEF EXECUTIVE / TREASURER AND CHIEF CONSTABLE
AUTHOR:	ASSISTANT DIRECTOR – RESOURCES
ACTION REQUIRED:	TO REPORT ON THE SUGGESTIONS FOR REALISING THE IMPOSED BUDGET REDUCTIONS FOR 2010/11
APPENDICES:	

RECOMMENDATIONS:

Recommendation 1

That Members agree the budgetary reduction proposals in principal, subject to any alternative proposals notified to the Authority during the financial year.

Originators: Phil Wells

Date: 11 June 2010

Telephone No: 01234 842334

E-mail: phil.wells@bedfordshire.pnn.police.uk

BACKGROUND PAPERS:

Letter from Michael Romberg – Home Office dated 10 June 2010

ADDITIONAL PAPERS:

None

1. **Background**

- 1.1 As Members will be aware, the Secretary of State for Policing and Criminal Justice announced recently that previously notified Police Funding Allocations for 2010/11 were to be reduced.
- 1.2 In a letter from Michael Romberg, Head of the Police Finance and Pensions Unit, from the Home Office, dated 10 June 2010, the Authority and Force were notified of the start of the formal process to fulfil the action of reducing police grant allocations.
- 1.3 In making the announcement the Minister confirmed that the total reduction to Police Funding in 2010/11 would be £135M, which would be comprised of:
- £115M coming from Rule 2 Grants (part of the core Home Office Finance settlement);
 - £10M from Police capital grant; and
 - £10M from Counter Terrorism grants.
- 1.4 In relation to the impact on Bedfordshire, this is as follows:
- £1M from core funding;
 - £0.1M from Capital Grant; and
 - £0.1M from Counter Terrorism Grants.
- 1.5 This report therefore provides proposals for how these reductions will be met.

2. **Budgetary Reductions**

2.1 Capital Grant - Reduction £0.1M

- 2.1.1 As reported elsewhere on this agenda, the latest forecast of resources available, to fund the three-year capital programme have been reduced by £0.1M for each of the three years, which still results in the Authority maintaining a surplus of resources, albeit a reduced surplus. However, this reduces the scope to add additional projects into the capital programme and places more emphasis on the Force to ensure that all capital schemes are subject to a robust business case before commencement of the scheme.

2.2 Counter Terrorism Grants – Reduction of £0.1M

- 2.2.1 The original notification for Counter Terrorism Grants were better than had been anticipated for 2010/11 and therefore the impact of this reduction is limited. The budgeted assumption for Counter Terrorism posts, particularly Dedicated Security posts equated to expected funding for 30 posts. The actual notification was for 34 and the reduction provides for 32 posts, therefore, in overall terms the Force still has 2 more posts than it had originally planned for.

2.3 Revenue Budget – Reduction of £1.0M

2.3.1 The proposals for the in-year budget reduction are as follows and are intended to limit the impact made on the Force and Authority's ability to deliver against the approved Strategic and Policing Plans.

Area of Reduction	Amount £M	Description
Insurance	0.200	As explained in reports on this agenda, the audit undertaken on the Insurance fund has confirmed that the reserve is over subscribed and therefore contributions are not required to be made from the revenue budget for at least the medium term
Major Crime Unit	0.100	The Major Crime Unit underspent during 2009/10 and is expected to underspend again in 2010/11. Despite these underspendings the unit continues to deliver the service levels expected of it. Although obviously any reduction could impact on resilience if there is a peak in demand.
Corporate Services	0.100	Rationalisation across the Corporate Services functions, focused around better use of technology, particularly in the area of recruiting.
Overtime	0.250	As reported to the Authority, the Force is very close to full strength in its police officer numbers. This and the fact that stringent controls have been put into place on overtime mean that the level of expenditure in this area should reduce. A further review will be undertaken in this area of spend after the impacts of the World Cup are known. This will be considered at the October Committee meeting. There is a potential risk to performance levels, but every effort will be made to avoid this occurring.

Special Priority Payments	0.070	In accordance with PNB agreements the Force has an agreed SPP scheme in place until 31/12/10. It is suggested that, in line with other Forces, that this scheme is reduced significantly for the period 1 January 2011 to 31 March 2011, with consideration being given to its overall cessation in future years, subject to a national approach by ACPO.
Public Protection Unit	0.050	A review taking account of the 2010/11 budget growth, prior to programme 2011 undertaking a more radical review within the PPU, suggests that 11 police officer posts can be removed and replaced with Police Support staff providing overall savings of £0.2M without adversely impacting performance. Due to the migration of resources from Territorial Policing to Protective Services from July 2010, it is felt that only a part year reduction can be achieved in 2010/11. It should be noted that reducing police numbers does create a risk in cases of extraordinary demand.
Staff Officers	0.050	The Force has a number of staff officers, assisting with research and specific projects within the different divisional and departmental areas. Again, whilst further work is being undertaken as part of Programme 2011, it is felt that part year savings of £0.05M can be achieved in 2010/11 by reductions in this service.
Police Authority	0.030	Due to an expected reduction in external audit fees as well as a different approach to consultation and publication the Authority will be able to realise £0.03M reduction within 2010/11.
Use of 2009/10 Underspendings	0.150	The 2009/10 outturn report proposes that £0.150M of the underspends from that financial year are utilised in funding the 2010/11 budget reduction. The use of underspendings limits the ability for the Force to utilise these funds for tasking and planned initiatives in

improving confidence.

- 2.4 The reductions are proposed on the basis of ensuring that the Force and Authority can maintain appropriate resources to ensure that the Policing Plan for 2010/11 can continue to be delivered against as well as minimising the impact on operational policing.
- 2.5 The proposed reductions, will not overly impact on the revenue budget forecast, featured elsewhere on this agenda, but will reduce the forecast underspending to a position of break-even. The impact will mostly be on the Medium Term Financial Strategy, as in most cases the reductions are from areas that would be considered over that period.
- 2.6 It should also be recognised that other areas of Local Government are also facing in-year budget reductions, which in a lot of cases will undoubtedly affect funding that has been used for partnership purposes e.g. Road Safety Grant. In these instances the Force will need to ensure it is kept informed of such partnership funding to assess, again the impact on service delivery and the Policing Plan. The Chief Constable has proposed that the management of reductions in partnership funding is discussed at the next Chief Executives' Forum.

3. Service and Financial Implications

- 3.1 The Authority and Force have approved and published its intentions with regards service delivery through its Strategic Plan and Policing Plans and has set appropriate performance targets in 2010/11 to assist with the achievement of these. The targets and Policing Plan have been based upon a Revenue Budget of £102.821M, which as a result of the in year notification from the Secretary of State has been reduced to £101.821M.
- 3.2 Whilst, as stated above, the areas of in year reduction have been, where possible, limited to those areas that will have the lowest impact on service delivery, a 1% budget reduction will obviously have an impact on service delivery and will require close control by the Force and scrutiny by the Authority to ensure that the stated outcomes are still achieved.

4. Other Implications

- 4.1 Corporate Governance: The Senior Leadership Team and appropriate Committees of the Authority will need to ensure that close control is undertaken in terms of managing both the reductions and the impact on performance.
- 4.2 Policy and Strategic Aims: As mentioned above, the annual Policing Plan has been based upon a budget that has now been reduced by £1M and therefore whilst reductions are within areas of least impact, there is likely to be an impact on service delivery as a result of the budget reductions.

5. **Risk**

- 5.1 That the in year budget reduction of £1M reduces the level of flexibility the Chief Constable has in controlling the Force budget to cope with extraordinary demand and one-off hike in expenditure as well as the ability to deliver against the Annual Policing Plan.
- 5.2 The potential risks associated with the delivery of the Annual Policing Plan and the Policing Pledge have been considered when determining the budget cuts with the aim of minimising the impact on performance. Clearly the proposal set out in section 2.7.1 highlights where there are potential risks which will need to be closely monitored.

6. **Recommendation**

- 6.1 That Members agree the budgetary reduction in proposals in principal, subject to any alternative proposals notified to the Authority during the year.