

**BEDFORDSHIRE POLICE
AUTHORITY**

**STATEMENT OF
ACCOUNTS**

2006/2007

BEDFORDSHIRE POLICE AUTHORITY
STATEMENT OF ACCOUNTS – 2006/2007

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Gillian Parker
Chief Constable

Peter Conniff
Chairman

Stephanie McMenamy, ACMA
Treasurer

Explanatory Foreword

Introduction

The Accounts of the Police Authority for 2006/07, which will be the basis for the Audit Opinion, are set out on Pages 2 to 42. They consist of:

- (i) **Financial Review** – this outlines the Revenue and Capital spending in 2006/07 and the financing, the major changes to the Accounts from 2005/06 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 6)
- (iii) **Statement on Internal Control** – this statement sets out the framework that facilitates the effective exercise of the Authority's functions including the management of risk (page 7)
- (iv) **Statement of Accounting Policies** - the policies adopted in compiling the Accounts (page 13)
- (v) **Audit Opinion** - the statutory opinion for the Statement of Accounts (page 18)
- (vi) **Income and Expenditure Account** – The account summarises the Income and Expenditure for the year (pages 19/20). 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 21).
- (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 22).
- (ix) **Balance Sheet** - Assets and Liabilities of the Authority at 31st March 2007 (page 23)
- (x) **Cash Flow Statement** - the inflows and outflows of cash for revenue and capital purposes (page 24)
- (xi) **Notes to the Accounts** – The notes that support the core financial statements (page 25).
- (xii) **Police Pension Fund Accounting Statement** - From 2006/07 a separate accounting statement is required for the Police Pension fund under the new Police Financing Arrangements (page 42).

Financial Review

Revenue Expenditure

The 2006/07 Revenue Budget was set at £ 87.335M. In addition underspendings of £0.204M from 2005/06 were approved to be carried forward providing a full budget for 2006/07 of £87.539M. Actual expenditure for the year was £0.019M higher at £87.558M.

The financing of Revenue Expenditure was as follows:

	<u>£'M</u>
Expenditure	87.558
Transfers to Reserves	
Transfers from Reserves	(0.223)
Net Expenditure	<u>87.335</u>
Met From:	
Home Office Specific Grant	(38.332)
Revenue Support Grant	(4.150)
Business Rates	(21.496)
Council Tax	(23.357)
	<u>(87.335)</u>
Net Surplus for the year	<u>-</u>

The overspend for the year of £ 0.019M arose in the following areas:

	<u>£'M</u>
Overtime and Interpreters	0.074
Police Pension Scheme	0.189
Police Staff Pensions & Redundancies	0.119
Police Pay	(0.083)
Neighbourhood Policing Fund	(0.351)
DNA & Forensics	0.341
Investment Income	(0.072)
Insurances	(0.193)
Other	(0.005)
	<u>0.019</u>

Transfers to/from Earmarked Reserves comprised:

	<u>£'M</u>
2006/07 Police Authority Underspend	(0.015)
2006/07 Devolved Budgets Overspend	0.034
2005/06 Underspend	0.204
Transfer from Insurance Reserve	0.116
Transfer from Pension Reserve	0.500
Capital Financing Reserve	2.252
Chiltern Air Support	0.015
Net transfer from earmarked Reserves	<u>3.106</u>

Police Fund

A contribution of £0.600M from the Police Fund was made as part of the financing of the 2006/07 budget and therefore the Police fund now stands at £2.493M.

Capital Expenditure

Capital expenditure in the year amounted to £3.997M, compared with an original programme of £5.582M. Payments are analysed on page 30.

Financial Review

The financing of Capital Expenditure was as follows:

	<u>£'M</u>
Capital Grant	1.745
Capital Reserve	2.252
Total	<u>3.997</u>

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.

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, 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.

Prior Period Adjustments

In the 2006/07 Statement of Accounts, the authority has adopted three new accounting policies required by the 2006/07 SORP that have an impact on the comparative figures for 2005/06 in the Income and Expenditure Account.

- Capital financing charges for the use of fixed assets are no longer required and therefore the 2005/06 figures have been restated to exclude Notional Interest.
- Amortisation of government grants deferred of has been credited to Net Cost of Services and "Net Income on the Asset Management Revenue Account" (AMRA) has been removed.
- Gains and losses on the disposal of fixed assets are now recognised in the Income and Expenditure Account.

The value of the prior period adjustments is as follows:

	£'000
Net Cost of Services:	
Remove Notional Interest	(1,777)
Add Deferred Grants	(1,537)
Remove Income from Vehicle Disposals	66
Net Operating Expenditure:	
Add Loss on Disposal of Fixed Assets	175
Add External Interest Paid	109
Remove "AMRA"	3,205
Statement of Movement on Police Fund Balance:	
Disposal of Fixed Asset tr. to Capital Financing Account	(241)
Balance Sheet:	
Capital Financing Account	602
Fixed Asset Restatement Account	(602)
	<u>-</u>

Financial Review

Future Prospects

Again for 2007/08, the Authority in setting its budget and level of spending has had to balance the increasing demands on the Police Service with its impact on the Council Tax. The settlement for 2007/08 is broadly similar to 2006/07. There are still uncertainties about continuation of grant in excess of £8.2M that provides for 155 police officers, 171 police staff and other non-staff costs.

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 2007 remain broadly consistent with that envisaged when the Budget was agreed. Police Fund Balance totals £2.493M, Earmarked Reserves total £4.853M (as detailed on page 37) and Provisions of £0.667M (as detailed on page 32)

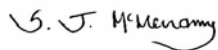
Further information

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

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 16th July to 10th August 2007.

I certify that these accounts present fairly the financial position of the authority as at 31 March 2007 and its income and expenditure for that period.



Stephanie McMenemy
Treasurer
26th June 2007

I confirm that these accounts were approved by the Finance Committee at its meeting on 26th June 2007



John Wells
Chair of the Finance Committee
26th June 2007

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 statement on internal control;
- 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.

Statement of Internal Control

1. Scope of Responsibility

Bedfordshire Police Authority ("the 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 ensuring that there is a sound system of internal control which facilitates the effective exercise of the Authority's functions, the achievement of objectives and includes arrangements for the management of risk.

2. The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, 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 system of internal control has been in place in the Authority for the year ended 31st March 2007 and up to the date of approval of the annual report and accounts and, except for the details of significant internal control issues at section 5, accords with proper practice.

3. The Internal Control Environment

The key elements of the internal control environment are:

- ◆ Establishing and Monitoring the Achievement of the Authority's Objectives.
 - Consultation with the public and businesses to ensure objectives and priorities reflect local need.
 - The publication of the Authority's key principles in our strategic and local plans incorporating national policing priorities
 - The setting and monitoring of targets are subject to close scrutiny by the Performance Committee.
 - Regular meetings of both the Force Executive and Force Strategy Board
 - The rationalisation of BCUs within the Force.
 - The development of a Police Authority business plan.
 - The use of the Equality and Diversity Programme Board to oversee all diversity issues both internally and in service delivery.
 - Production and scrutiny of Support Service departmental plans detailing linkages of departmental objectives and strategic objectives
 - Reassurance Improvement Delivery Plan

- ◆ The Facilitation of Policy and Decision Making.
 - Specified terms of reference for all committees approved by the Police Authority
 - Schemes of delegation
 - The creation of a Member Development Scheme

Statement of Internal Control

- Regular workshops for Members and Force Portfolio Holders.
- ◆ Ensuring Compliance with Established Policies, Procedures, Laws and Regulations
 - Comprehensive policies and procedural guides.
 - Ownership allocated to area of responsibility of each Force Executive member.
 - Professional staff in key support areas
 - Schemes of Delegation and key responsibilities for Force Executive members.
 - Regular independent reports from Internal and External Audit with follow up processes
 - Dedicated Policy Unit overseeing all new and amended policies for the Force.
 - The Authority have a dedicated monitoring officer to whom all Committee reports are sent prior to actual meetings.
- ◆ Identifying, Assessing and Managing the Risks of the Authority's Objectives.
 - The Police Authority have approved the Risk Management Strategy.
 - The Force's Professional Standards Department which is responsible for investigating complaints against the police and internal conduct issues.
 - The Force has a policy and means of confidential reporting.
 - Divisions are aware of the Risk Management Strategy and have formal reporting lines to feed identified and reviewed risks to the Risk Manager
 - A Risk Management Board, 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
 - 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 strategic risks are owned and reviewed by relevant committees of the Authority.
 - Risk assessments are undertaken on all new policies, prior to approval, to establish the risk impact of introducing the policy into the organisation
 - Risk is recognised and features in all business change projects.
 - The Authority are members of the South and South-East Region Insurance Consortium (SEERPIC)
 - Business Continuity Plans have been produced and approved by the Authority for all 'Critical Activities'.
 - The Authority have an up to date and approved Anti-Fraud and Corruption Policy.
 - Monitoring of Health & Safety policies.
- ◆ Ensuring the Economical, Effective and Efficient Use of Resources, and for Securing Continuous Improvement in the way in which its Functions are Exercised.
 - Established a Value for Money structure approach replacing the Best Value process which also provides for scrutiny and provides a business assurance role for the Audit Committee.
 - A more streamlined and centralised (Corporate Services) approach for the provision of back office functions.
 - Detailed monitoring by the Human Resources Committee on human resources and training.
 - Annual Decision Conferencing Process driven by ABC and activity analysis.
 - Production and monitoring of an Efficiency Plan
 - Review of the funding allocation to BCUs
 - Completion of the Audit Commission Use of Resources programme
 - Internal and External Audit Reviews

Statement of Internal Control

- Mechanism for Audit Committee to receive regular updates to progress on audit recommendations and the ability to bring action owners to account.
 - Production of an annual action plan as a result of analysing ABC data to assist in driving up police productivity and visibility.
 - HR Planning and Deployment Group
- ◆ The Financial Management of the Authority and the Reporting of Financial Management.
- 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.
 - Medium Term Financial Planning for both Revenue and Capital budgets.
 - Assessment of adequacy of reserves and the robustness of estimates.
- ◆ The Performance Management of the Authority and Subsequent Reporting
- 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
 - Distinct portfolios for each member of the Force Executive.
 - Regular operational performance reviews including a quarterly force performance review and Making Costs Visible presentations for Support Services
 - Performance Development Reviews for all staff
 - System for enabling analysis and cost of performance of teams/sections
 - Dedicated Performance Development Unit
 - Annual self-assessment of Committee Effectiveness and a review of its Internal Controls.
 - Self-assessment of the Authority's performance management arrangements.

4. Review of Effectiveness

The Authority has a responsibility for conducting, at least annually, a review of the effectiveness of 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.

During 2006/07 the Authority completed a Association of Police Authorities / Home Office best value readiness review self assessment as well as a performance management self-assessment which has led to action plans being produced.

Statement of Internal Control

A new structure for Value for Money has been approved by the Authority including revised terms of references for Committees and the role of Business Assurance being subsumed by the Audit Committee.

As part of the Authority's value for money strategy a full review of back office functions has been undertaken which has resulted in the implementation of a Corporate Services structure.

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 Committee's has been undertaken during 2006/07 assessing the ability of the Committee to fulfil its terms of reference as well as reviewing the risks for which it is responsible and incorporating a self-assessment of its own performance.

The Audit 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.

A review of the Force Executive portfolios has been undertaken which has led to three distinct portfolios, these being Protective Services, Territorial Policing and Corporate Services.

- ◆ Risk Management Board

During the financial year work has continued around ensuring risk management remains embedded within the organisation.

The Force Risk Manager continues to attend meetings with each of the Divisions to assist in the understanding of the risk management framework and to assist in driving out both the risks and opportunities within individual Divisional areas of operation.

The risk management policy and procedures have been reviewed and approved by the Authority and also include a set of detailed guidelines.

To ensure, risks are considered with performance and the strategic objectives of the Force as well as to aid decision making and increase the ownership of risk management, the Force Executive and the Force Strategy Board now receive all risk registers.

Each Committee of the Police Authority now reviews its own strategic risks on an annual basis as well as them being reviewed quarterly by the Audit Committee. This, along with the Force Executive and Strategy Board reviewing all risks, provides for greater ownership across both the Authority and Force for risk management.

Statement of Internal Control

- ◆ Internal Audit

Various internal audits were undertaken during 2006/07 reviewing both financial and non-financial controls. These audits are undertaken in adherence to CIPFAs 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 stated that for the 12 months ended 31 March 2007 Bedfordshire Police Authority had adequate and effective risk management, control and governance processes to manage the achievement of the organisation's objectives.

- ◆ External Audit

The District Auditor agreed the annual audit plan with Authority members and provided an unqualified opinion on the 2005/06 final accounts and stated that other than the weaknesses outlined in the 2005/06 Statement on Internal Control that no other material weaknesses were found.

The District Auditor provided their opinion on the Authority's use of resources for 2005/06. The Authority's arrangements were assessed as at least adequate and for four of the five categories were assessed as consistently above minimum requirements.

- ◆ 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, in October 2006, issued its annual baseline assessment of police forces. The outcome of which showed that Bedfordshire was graded either good or fair in 21 out of the 23 categories considered and that performance was either improving or stable in these individual areas.

The Force have developed a tracker system that details all of the areas highlighted by the HMIC as areas for improvement and monitors the progress against these at the Force Strategy Board and via the three force programme boards.

- ◆ Progress on Weaknesses Previously Identified

The Statement on Internal Control for 2005/06 included 4 weaknesses against which action has been taken, as follows:

Community Engagement

An action plan in relation to Community Engagement, produced as part of the Authority's readiness for inspection self-assessment, was governed by a working party of the Authority which has led to the creation of a separate Committee of the Authority being created with Terms of Reference covering: Community Engagement, Partnership, Consultation and Communications. The Authority also approved a joint Community Engagement Strategy with the Force. These initiatives strengthened Community Engagement both within the Authority and Force.

Statement of Internal Control

Risk Management

Risks are now mapped against the strategic objectives of the Authority and Force whilst still maintaining the split between strategic and operational risks. These continue to be reviewed by the Authority at each Audit Committee.

Absence Management

The action plan produced as a result of the internal audit on absence management, whereby it was graded as limited assurance, has in the main been completed and some improvement has been achieved although current levels remain above the targets set for 2006/07. A further action plan was agreed by the Authority in December 2006 and is regularly monitored by the HR Committee.

Force Mergers

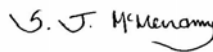
The move towards merging forces across England and Wales has at this stage been put on hold by the Government, however, there is still a drive to deliver Protective Services through the collaboration of both front-line services and back office functions.

5. Significant Internal Control Issues (2006/07)

- ◆ Tackling Serious and Organised Criminality
The HMIC baseline inspection classified this area of the business as 'Poor' mainly due to the lack of resilience in the Drugs and Serious Crime Unit (DASCU) as a result of major incidents. The Force have therefore agreed to implement a centralised major incident team, as well as in principle agreeing to collaborate on Major Incidents with Hertfordshire, which will reduce the number of these abstraction from the DASCU thus providing for a more resilient unit. In addition to this it is intended that the DASCU becomes a stand-alone Serious and Organised Crime Unit to provide dedicated level 2 activity. To assist, additional resources, mainly financed through the proceeds of Proceeds of Crime Act (POCA), have been allocated to the Financial Investigation Unit.
- ◆ Protecting Vulnerable People
This is another area that was graded as poor by the HMIC mainly due to inconsistent approaches across the force in the differing areas of protecting vulnerable people. It has therefore been agreed that a centralised Public Protection Unit, under the command of the Detective Chief Superintendent, will be implemented thus providing consistent practices across the force.
- ◆ Training
The internal audit of force training concluded that there was limited assurance around the internal controls of the training function within the force. An action plan has been produced which is owned by the Director of Corporate Services and monitored by the Human Resources Committee of the Authority which will address the areas of concern highlighted in the report.



Peter Conniff
Chairman
26th June 2007



Stephanie McMenemy
Treasurer



Gillian Parker
Chief Constable

Statement of Accounting Policies

1. General

The Statement of Accounts has been prepared in accordance with the 2006 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 fixed assets.

2. 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.

Land and Buildings are valued as at 1st April 2007 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.

In accordance with FRS 11 – Impairment of Fixed Assets, requiring the Authority to reflect a general fall in prices or losses due to physical damage or deterioration in an asset, where losses have resulted from physical damage or deterioration, these are recognised through the Income and Expenditure Account, all other losses are accounted for through the Fixed Asset Restatement Account.

Vehicles are held at historical cost less depreciation except for the Chiltern Air Support Helicopters which have been revalued as at 1 April 2006. 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.

3. 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). Amounts in excess of £10,000 are categorised as capital receipts (see para. 12) 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 Financing Account from the Statement of Movement on the Police Fund Balance.

Statement of Accounting Policies

4. 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, Plant, 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 including purchased software licences are amortised on a straight line basis over 5 years, commencing the year after acquisition and assuming a nil residual value.

5. Charges to Revenue for Fixed Assets

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

In accordance with the 2006 SORP, notional interest is no longer charged in the accounts. The 2005/06 figures have been restated to exclude notional interest.

6. 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 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.

7. 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 2007 is shown in the notes to the accounts (note 24).

Statement of Accounting Policies

8. 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. 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.

9. 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 2007 are:

- (i) **Insurance £0.567M**
This is for identified but unpaid claims at 31st March 2007 that are to be met under self funding insurance arrangements for combined liability, motor vehicle and fidelity guarantee.
- (ii) **Airwave Equipment £0.100M**
The Airwave Equipment provision was established in 2002/03 due to a claim lodged by O₂ (UK) Limited for damage to their equipment whilst being used by Bedfordshire Police.

In compliance with FRS12, the Authority also recognise in its accounts a contingent liability of £42m resulting from a claim lodged for the disturbances of Yarl's Wood Immigration Detention Centre.

10. Reserves

Reserves are amounts set aside from the Income and Expenditure Account and earmarked for future expenditure. As at 31st March 2007 these comprise of:

- (i) **Insurance £0.908M**
This provides for partial self-funding of insurance for combined liability, motor vehicle and fidelity guarantee.
- (ii) **Earmarked Revenue £0.232M**
Included in this reserve are the underspendings in 2006/07 which have been earmarked for use in 2007/08.
- (iii) **Pensions Reserve £1.215M**
This reserve is to provide for unexpected or extraordinary costs relating to Police Officer or Staff pensions.
- (iv) **Capital Reserve £3.713M**
This reserve is comprised of revenue resources and is provided to assist in the funding of future years' Capital Programmes.

11. 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.

Statement of Accounting Policies

12. 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.

13. 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.

14. Bad and Doubtful Debts

An assessment is made annually as to what level of debts outstanding at the end of the financial year are and a provision made for those debts deemed to be doubtful, this has the impact of reducing the debtors balance shown within the balance sheet.

15. 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 43. 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 Financing Account when applied.

16. 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 funding arrangements for the Police Pension Scheme has changed from 1 April 2006 and the Authority is now required to maintain a separate Police Pensions Account. The 2006 SORP requires a separate statement to be produced for the this Account which is shown on page 42.

(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 Bedfordshire County 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

Statement of Accounting Policies

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.

The Local Government Pension Scheme (Amendment) Regulations 2006 (SI2006/966) came into effect from 6 April 2006. These regulations enable members to give up pension in order to increase their tax-free lump sum at retirement. The figures shown do not make any allowance for potential variations in the liability arising from this change due to the unavailability of data.

17. Officers' Emoluments

Officers' Emoluments are disclosed in note 2 to the accounts on a cash basis of gross pay as notified in the P60's to the Inland Revenue 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.

18. Borrowing

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.

19. Investments

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. Investments are carried at cost.

20. 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 and Chiltern Transport Consortium, within the accounts of the Authority.

Audit Opinion

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

Opinion on the financial statements

I have audited the financial statements and the police pension fund accounting statements of Bedfordshire Police Authority for the year ended 31 March 2007 under the Audit Commission Act 1998. The financial statements comprise the Explanatory Foreword, Financial Review, Income and Expenditure Account, Balance Sheet, Statement of Total Recognised Gains and Losses, Cash Flow Statement, and the related notes. The police pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial statements and police pension fund accounting statements have been prepared under the accounting policies set out within them.

This report is made solely to Bedfordshire Police Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Treasurer and auditor

The Treasurer's responsibilities for preparing the financial statements, including the police pension fund accounting statements, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006 are set out in the Statement of Responsibilities.

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

I report to you my opinion as to whether the financial statements and the police pension fund accounting statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006:

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

I review whether the statement on internal control reflects compliance with CIPFA's guidance 'The statement on internal control in local government: meeting the requirements of the Accounts and Audit Regulations 2003' issued in April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

Audit Opinion

Basis of audit opinion

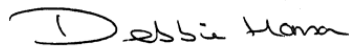
I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

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

Opinion

In my opinion:

- The financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial position of the Authority as at 31 March 2007 and its income and expenditure for the year then ended; and
- The police pension fund accounting statements present fairly, in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial transactions of the police pension fund during the year ended 31 March 2007, and the amount and disposition of the fund's assets and liabilities as at 31 March 2007, other than liabilities to pay pensions and other benefits after the end of the scheme year.



Auditor: Debbie Hanson
District Auditor

Address: Audit Commission
Sheffield House
Lytton Way
Stevenage
Herts
SG1 3HG

Date: 27 September 2007

Audit Opinion

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

Authority's Responsibilities

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

Under the Local Government Act 1999, the Authority is required to prepare and publish a best value performance plan summarising the Authority's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

Auditor's Responsibilities

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

I am required by section 7 of the Local Government Act 1999 to carry out an audit of the Authority's best value performance plan and issue a report:

- certifying that I have done so;
- stating whether I believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for police authorities specified by the Audit Commission and published in December 2006, I am satisfied that, in all significant respects, Bedfordshire Police Authority made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2007.

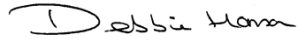
Best Value Performance Plan

I issued my statutory report on the audit of the Authority's best value performance plan for the financial year 2006/07 in December 2006. I did not identify any matters to be reported to the Authority and did not make any recommendations on procedures in relation to the plan.

Audit Opinion

Certificate

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



Auditor: Debbie Hanson
District Auditor

Address: Audit Commission
Sheffield House
Lytton Way
Stevenage
Herts
SG1 3HG

Date: 27 September 2007

Income and Expenditure Account

CIPFA Best Value Accounting Code of Practice Classification

2005/06 Outturn £'000		Gross Expenditure £'000	Income £'000	2006/07 Outturn £'000	See Note 1
	CRIME				
6,113	Reducing Crime	9,068	(1,325)	7,743	
43,437	Investigating Crime	53,716	(5,904)	47,812	
49,550	Total for CRIME	62,784	(7,229)	55,555	
	POLICING IN THE COMMUNITY				
22,794	Promoting Public Safety	31,955	(8,075)	23,880	
19,925	Assistance to the Public	25,089	(1,642)	23,447	
42,719	Total for POLICING IN THE COMMUNITY	57,044	(9,717)	47,327	
836	Corporate & Democratic Core	860		860	
	Non-Distributed Costs	200		200	
93,105	Net Cost of Services	120,888	(16,946)	103,942	
175	Loss on Disposal of Fixed Assets			55	
109	External Interest Paid			131	10
(831)	Interest & Investment Income			(870)	
	Contribution to Pension Fund Account in respect of deficit on Police Pension Fund Account			974	
300	Pensions Interest Cost and Expected Return on Pensions Assets – LGPS			300	31
25,260	Pensions Interest Cost and Expected Return on Pensions Assets – Police Pensions			28,840	31
127	Net Change in provision for FRS 17 Liability			(1,618)	
118,245	Net Operating Expenditure			131,754	
(22,160)	Council Tax			(23,357)	
(15,777)	Revenue Support Grant			(4,150)	
(9,322)	National Non-Domestic Rates			(21,496)	
(40,024)	General Government Grants			(38,332)	
30,962	Deficit for the Year			44,419	

S. J. McMenemy

Stephanie McMenemy
Treasurer

Income and Expenditure Account

CIPFA Subjective Classification			
2005/06		2006/07	See
£'000		£'000	Note
Bedfordshire Police Force			
46,817	Police Pay & Allowances	48,275	
23,066	Police Staff Pay & Allowances	26,084	
2,286	Other Employee Expenses	3,991	
14,370	Police Pensions	19,990	
1,936	Premises	2,504	
2,346	Transport	2,569	
8,397	Supplies & Services	8,560	
3,165	Agency & Contracted Services	3,048	
3,205	Depreciation	5,051	9
105,588		120,072	
Bedfordshire Police Authority			
159	Police Staff Pay & Allowances	171	
4	Other Employee Expenses	3	
19	Premises	2	
12	Transport	11	
444	Supplies & Services	460	
160	Agency & Contracted Services	169	
798		816	
106,386	Gross Operating Expenditure	120,888	
(3,699)	Income from Fees & Charges	(3,937)	
(8,045)	Specific Grants	(11,248)	
(1,537)	Deferred Government Grants	(1,761)	
93,105	Net Cost of Services	103,942	
175	Loss on Disposal of Fixed Assets	55	
109	External Interest Paid	131	10
(831)	Interest & Investment Income	(870)	
	Contribution to Pension Fund Account in respect of deficit on Police Pension Fund Account	974	
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(9,322)	National Non-Domestic Rates	(21,496)	
(40,024)	General Government Grants	(38,332)	
30,962	Deficit for the year	44,419	

S. J. McMenamy

Stephanie McMenamy, Treasurer

Statement of Movement on the Police Fund Balance

Statement of Movement on the Police Fund Balance		
2005/06		2006/07
£'000		£'000
30,962	Surplus or Deficit for the year on the Income and Expenditure Account	44,419
(30,962)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the Police Fund Balance for the year	(43,819)
-	(Increase)/Decrease in Police Fund Balance for the year	600

3,343	Police Fund Balance Brought Forward	3,093
	Transfer to Revenue	(600)
(250)	Transfer to Reserves	
	Increase/Decrease in Police Fund Balance for the year	-
3,093	Police Fund Balance Carried Forward	2,493

Note to Statement of Movement on the Police Fund Balance		
2005/06		2006/07
£'000		£'000
(30,962)	Net additional amount required to be credited to the Police Fund Balance for the year	(43,819)
	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	
(3,205)	Depreciation of Fixed Assets	(5,051)
1,537	Government Grants Deferred Amortisation	1,761
(241)	Disposal of fixed assets	(125)
	Net charges made for retirement benefits in accordance with FRS17	
(2,901)	LGPS Pension	(4,402)
(39,856)	Police Pension	(47,196)
	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	
150	Statutory provision for repayment of debt	173
	Capital Expenditure charged to the Police Fund Balance:	
30	In Year	
2,376	From Reserve	2,252
(3,208)	Transfer from Earmarked Reserves	(3,376)
319	Transfer to Earmarked Reserves	270
2,201	Employers Contributions payable to the LGPS	2,479
11,836	Employers Contributions payable to the Police Pensions Scheme	9,396
(30,962)	Total	(43,819)

Statement of Total Recognised Gains and Losses

2005/06 £'000		2006/07 £'000
30,962	Deficit/(Surplus) on the Income and Expenditure Account for the year	44,419
(87)	Deficit/(Surplus) arising from the revaluation of Fixed Assets	(2,073)
93,427	Actuarial (Gains) and Losses on Pension Fund Assets and Liabilities	(43,760)
<u>124,302</u>	Total Recognised (Gains)/Loss for the year	<u>(1,414)</u>

Balance Sheet

As at 31 st March 2006			As at 31 st March 2007		
£'000	£'000		£'000	£'000	See Note
		Net Fixed Assets			
		Operational			
		Intangible Assets			
	1,638			1,800	
		Tangible Assets			
	39,453	Land and Buildings		39,738	
	2,486	Vehicles		3,376	
	4,958	Furniture & Equipment		4,514	
	<u>46,897</u>			<u>47,628</u>	
	48,535	Total Net Fixed Assets		49,428	17
	159	Long Term Debtors		145	
	48,694	Total Long Term Assets		49,573	
		Current Assets			
	1,383	Payments in Advance		575	19
	312	Stock		339	20
	2,729	Debtors		2,924	21
	13,000	Short Term Investments		11,750	22
	782	Bank		395	23
	26	Imprest		26	23
	<u>18,232</u>			<u>16,009</u>	
		Current Liabilities			
	(253)	Receipts in Advance		(1,585)	25
	<u>(5,630)</u>	Creditors		<u>(5,633)</u>	26
	(5,883)			(7,218)	
	<u>12,349</u>	Net Current Assets		<u>8,791</u>	
	61,043	Total Assets less Current Liabilities		58,364	
		Long Term Liabilities			
	(49)	Creditors over one year		(23)	26
	(2,720)	Loans Outstanding		(2,720)	27
	(11,486)	Government Grants Deferred		(11,480)	28
	(536)	Grants and Contributions Unapplied		(426)	33
	(19,177)	Liability – LGPS Pension Scheme		(16,700)	31
	(584,040)	Liability – Police Pension Scheme		(582,480)	31
	(583)	Provisions		(667)	29
	<u>(618,591)</u>			<u>(614,496)</u>	
	(557,548)	Total Assets less Liabilities		(556,132)	
	3,093	Police Fund		2,493	34
	48	CASU Capital Reserve		49	
	9,251	Earmarked Reserves		6,146	35
	33,768	Fixed Asset Restatement Account		35,841	36
	(491)	Capital Financing Account		(1,481)	37
	(19,177)	Pensions Reserve – LGPS		(16,700)	31
	<u>(584,040)</u>	Pensions Reserve – Police		<u>(582,480)</u>	31
	(557,548)	Total Equity		(556,132)	

S. J. McMenemy

Stephanie McMenemy - Treasurer

Cash Flow Statement

2005/06			2006/07		See
£'000	£'000		£'000	£'000	Note
		Revenue Activities			
		Cash Outflows			
63,762		Cash paid to and on behalf of employees	66,607		
<u>43,201</u>		Other operating cash payments	<u>43,261</u>		
	106,963			109,868	
		Cash Inflows			
(22,160)		Precept Income	(23,357)		
(9,322)		National Non-Domestic Rates	(21,496)		
(15,777)		Revenue Support Grant	(4,150)		
(40,023)		Police Grant	(38,332)		
(8,698)		Specific Government Grants	(12,685)		43
(5,246)		Cash received for goods and services	(4,025)		
<u>(4,643)</u>		Other operating cash receipts	<u>(4,882)</u>		
	<u>(105,869)</u>			<u>(108,927)</u>	
	1,094	Net Cash Outflow from Revenue Activities		941	40
		Returns on Investments & Servicing of Finance			
		Cash Outflows			
103		Interest paid	117		
		Cash Inflows			
<u>(791)</u>		Interest received	<u>(844)</u>		
	(688)			(727)	
		Capital Activities			
		Cash Outflows			
5,793		Purchase of fixed assets	3,918		
		Cash Inflows			
(427)		Sale of fixed assets	(70)		
<u>(2,278)</u>		Capital grants received	<u>(1,768)</u>		
	3,088			2,080	
	3,494	Net Cash Outflow Before Financing		2,294	
		Management of Liquid Resources			
	(3,800)	Increase/(Decrease) in Short-Term Investments		(1,250)	42
		Financing			
		Cash Outflows			
		Repayments of amounts borrowed			
		Decrease in Short Term Borrowing			
		Cash Inflows			
(700)		New Loans Raised			
		(Increase) in Short Term Borrowing			
	(700)				
	<u>(1,006)</u>	(Increase) /Decrease in Cash		<u>1,044</u>	41

Notes to the Accounts

1. Best Value

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 of policing are to be analysed to provide a comparable total cost between Authorities. The analysis details the mandatory divisions of service required by the Code of Practice.

The figures included in the Income and Expenditure Account have been derived using the Force's Activity Based Costing model coupled with the mapping of Force expenditure to the activities defined by the Best Value Accounting Code of Practice.

A brief description of what costs are included follows:

Reducing Crime - Crime prevention and reduction including community safety teams, local and force intelligence and local community services.

Crime Investigation - Resources involved with the investigation of crime including bringing offenders to justice.

Promoting Public Safety - Includes local reactive policing, the management of traffic related issues and the execution of police operations for public events such as football matches and other major gatherings.

Providing Assistance - Includes visibility and reassurance, community policing, PCSO's and press and public relations.

Corporate and Democratic Core - All aspects of Bedfordshire Police Authority Members' activities including officer time spent providing appropriate advice and support for them.

2. Officers' Emoluments

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

2005/06	Remuneration Band (£)	2006/07
69	50,000 – 59,999	89
11	60,000 – 69,999	16
10	70,000 – 79,999	10
1	80,000 – 89,999	3
	90,000 – 99,999	
1	100,000 – 109,999	1
1	110,000 – 119,999	1
1	120,000 – 129,999	1
1	130,000 – 139,999	1
95	Total	122

Notes to the Accounts

3. Members Allowances

Allowances to Members are paid based on legislation introduced in December 2001. This has resulted in local agreements and in Bedfordshire, a basic allowance of £8,487. Special responsibility allowances have also been approved ranging from £3,183 to £16,479. 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 £236k compared with £211k in 2005/06.

4. 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 2006/07 was 18% of spend, totalling £355K (£353K in 2005/06). 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:

2005/06		2006/07
<u>£'000</u>		<u>£'000</u>
117	Employee Costs	138
25	Running Costs	39
1,822	Aircraft Costs	1,683
209	Capital Financing	204
(95)	Income	(87)
<u>2,078</u>		<u>1,977</u>

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

2005/06		2006/07
<u>£'000</u>		<u>£'000</u>
175	Fixed Assets	604
159	Long Term Debtors	144
(49)	Creditors over one year	(23)
<u>285</u>		<u>725</u>
140	Earmarked Reserves	127
445	Fixed Asset Restatement Account	914
18	Grants	18
(318)	Capital Financing Account	(334)
<u>285</u>		<u>725</u>

Notes to the Accounts

5. Transport Consortium

The Authority, together with Thames Valley Police commenced operation of a consortium for vehicle provision from 1 April 2006. Costs are allocated to the two forces in proportion to the size of the fleet. Bedfordshire's contribution for 2006/07 was £1.7m (22% of spend). The total revenue costs of the consortium are shown below:

2005/06		2006/07
<u>£'000</u>		<u>£'000</u>
1,638	Employee Costs	1,781
141	Premises	138
1,707	Running Costs	1,745
1,644	Insurance	1,634
3,072	Vehicles	3,029
(771)	Income	(765)
<u>7,431</u>		<u>7,562</u>

6. Advertising & Publicity

In accordance with the Local Government Act 1986, the Authority is required to disclose certain spending on advertising and publicity during the year. This consisted of:

2005/06		2006/07
<u>£'000</u>		<u>£'000</u>
329	Authority Advertising and Publicity	259
136	Advertising for Staff	117
<u>465</u>		<u>376</u>

7. Lease Rentals

In 2006/07 the Authority did not make any material lease rental payments. At 31st March 2007 there was no liability for payments in future years.

8. Agency & Contracted Services

This includes levies totalling £1.758M towards the cost of Forensic and DNA Testing.

9. Depreciation

Under the capital accounting requirements the depreciation charge to the Income and Expenditure Account was £5,051k in 2006/07 (£3,205k in 2005/06).

10. External Interest Paid

External Interest paid comprised:

2005/06		2006/07
<u>£'000</u>		<u>£'000</u>
104	PWLB Loan Interest Charges	125
6	CASU Loan Interest Charges	6
<u>110</u>		<u>131</u>

Notes to the Accounts

11. Appropriation to/(from) Capital Financing Account

The transactions appropriated to/(from) the Capital Financing Account comprised:

2005/06		2006/07
<u>£'000</u>		<u>£'000</u>
(3,205)	Depreciation	(5,051)
126	Minimum Revenue Provision (MRP)	148
24	Loan Repayments (CASU)	25
1,537	Government Grants Deferred	1,761
2,406	Revenue Contributions	2,252
(241)	Vehicle Disposals	(125)
<u>647</u>		<u>(990)</u>

12. Sponsorship

The Police Authority is allowed, under the Police and Magistrates Courts' Act 1994, to obtain sponsorship of gifts up to a value of 1% of the annual budget. The value received during 2006/07 was £25K (£26K in 2005/06).

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.

13. 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 2006/07 £12K (£18K in 2005/06) was distributed. The funds available for distribution in 2007/08 totals £25K (£11k at 31 March 2006). The £25K 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.

14. Supply of Goods and Services to Other Local Authorities

The Police Authority in 2006/07 secured income of £118k (£68K in 2005/06) (equivalent to the expenditure incurred) from other Local Authorities under the Local Authority (Goods & Services) Act 1970.

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. 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 2006/07 Financial Year:

2005/06		2006/07
<u>£'000</u>		<u>£'000</u>
61	Statutory Audit	67
2	Certification of Grant Claims	
8	Voluntary Improvement Work	
<u>71</u>		<u>67</u>

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 2006	1,943	41,316	4,987	7,387	53,690	55,633
Revaluation In Year		(3,353)	(226)		(3,579)	(3,579)
Additions	412	1,801	1,112	799	3,712	4,124
Disposals			(471)		(471)	(471)
Written Out	(111)			(700)	(700)	(811)
Reclassification of Asset						
Gross Book Value as at 31st March 2007	2,244	39,764	5,402	7,486	52,652	54,896
Depreciation as at 1st April 2006	(305)	(1,863)	(2,501)	(2,429)	(6,793)	(7,098)
Depreciation for year	(250)	(3,120)	(438)	(1,243)	(4,801)	(5,051)
Disposals			346		346	346
Written Out	111	4,957	567	700	6,224	6,335
Depreciation as at 31st March 2007	(444)	(26)	(2,026)	(2,972)	(5,024)	(5,468)
Net Book Value as at 31st March 2007	1,800	39,738	3,376	4,514	47,628	49,428

The freehold and leasehold properties which comprise the Authority's Property Portfolio were valued at 1st April 2007 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.

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.

Notes to the Accounts

(ii) **Statement of Physical Assets**

The number of assets as at 31st March 2007 comprised:

	2005/06	2006/07
Police Stations	12	12
Radio Stations	3	3
Police houses	4	4
Vehicles	281	297
Helicopter (share of)	2	2

(iii) **Capital Expenditure**

Capital expenditure during the year was as follows:

	2005/06	2006/07
	<u>£'000</u>	<u>£'000</u>
Estates:		
Forensics Upgrade	1	599
HQ Accommodation	930	291
Minor Works	410	427
Capitalised R & M	380	163
Probationer Development Unit	-	220
Leighton Buzzard	381	22
Video Facilities	110	-
Enquiry Offices	826	89
IPLDP	82	20
Other		49
IS/IT Strategy	1,135	1056
Transport Strategy: Vehicles	870	983
Equipment	274	78
ANPR	150	-
	<u>5,549</u>	<u>3,997</u>

(iv) **Capital Financing**

The method of financing capital expenditure was as follows:

	2005/06	2006/07
	<u>£'000</u>	<u>£'000</u>
Capital Grant	2,082	1,745
Borrowing	700	-
Capital Receipts	361	-
Revenue Contributions	30	-
Capital Reserve	2,376	2,252
	<u>5,549</u>	<u>3,997</u>

(v) **Commitments under Capital Contracts**

The Authority has authorised expenditure in future years of £23.250M under its Capital Programme, of which £2.525M has been contractually committed.

Notes to the Accounts

18. Long Term Debtors

Long term debtors relate to the Chiltern Air Support Unit:

2005/06		2006/07
<u>£'000</u>		<u>£'000</u>
159	Chiltern Air Support Unit	145
<u>159</u>	Balance at 31st March	<u>145</u>

19. Payments in Advance

These represent payments prior to 31st March 2007 for supplies and services and police pension payments relating to the period after 1st April 2007.

20. Stock

Stock of uniforms and other operational equipment was valued at £339K on 31 March 2007 (£312K on 31 March 2006).

21. Debtors

Debtors, net of £14K provision for bad and doubtful debts, may be analysed as below:

2005/06		2006/07
<u>£'000</u>		<u>£'000</u>
1,785	Government Departments	1,564
694	Other Local Authorities	1,003
250	Sundry Debtors	357
<u>2,729</u>	Balance at 31st March	<u>2,924</u>

22. Short Term Investments

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

23. Bank and Imprest

Bank represents the total of the Income, Payment and Interest account bank balances. Imprest is the total of the imprest bank accounts held by Divisional and HQ offices.

24. 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 2007 the balance of these funds was £389K (£298K at 31 March 2006).

25. Receipts in Advance

This relates to income received prior to 31st March 2007 funding activities that had not commenced at that date.

Notes to the Accounts

26. Creditors

The creditors of the Authority can be analysed as follows:

2005/06		2006/07
<u>£'000</u>		<u>£'000</u>
1,887	Government Departments	1,931
924	Other Local Authorities	1,132
2,801	Sundry Creditors	2,558
18	Stock	12
<u>5,630</u>	Balance at 31st March	<u>5,633</u>

Creditors over one year related to the Chiltern Air Support Unit and total £23K in 2006/07 (£49K in 2005/06).

27. Loans Outstanding

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

2005/06	Analysis of Loans by Maturity	2006/07
1,145	Between 17 and 20 years	1,595
1,575	Between 20 and 25 years	1,125
<u>2,720</u>	Total	<u>2,720</u>

28. 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.

2005/06		2006/07
<u>£'000</u>		<u>£'000</u>
(10,941)	Balance at 1 st April	(11,486)
(2,082)	Grants to Fund Expenditure	(1,755)
1,537	Release of Government Grants	1,761
<u>(11,486)</u>	Balance at 31st March	<u>(11,480)</u>

29. Provisions

The Provisions are shown below and detailed on page 15.

2005/06		2006/07
<u>£'000</u>		<u>£'000</u>
(243)	Insurance	(309)
(240)	Transport Consortium Insurance	(258)
(100)	Airwave Equipment	(100)
<u>(583)</u>	Balance at 31st March	<u>(667)</u>

30. Contingent Liability

As at 31st March 2007, a legal claim placed against Bedfordshire Police, by Group 4, for the sum of £42M, due to the events that occurred at Yarlswood Detention Centre on 14th February 2002, remained in dispute.

Notes to the Accounts

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 Bedfordshire County Council – this is a funded 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 scheme, meaning that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

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 we 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:

	Local Government Pension Scheme		Police Pension Scheme	
	2005/06 £'000	2006/07 £'000	2005/06 £'000	2006/07 £'000
Net Total Cost of Service				
Current Service Costs	2,700	3,700	14,370	19,990
Curtailment and Settlement Cost		200		
Net Operating Expenditure				
Interest Costs	2,400	2,800	25,260	28,840
Expected return on assets	(2,100)	(2,500)		
Net Expenditure to be met from Grants & Taxation				
Movement on Pensions Reserve	(700)	(1,923)	(28,020)	(37,800)

Notes to the Accounts

The actual amounts charged against Council Tax for pensions in the year were as follows:

	Local Government Pension Scheme		Police Pension Scheme	
	2005/06	2006/07	2005/06	2006/07
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Employers Contributions payable to the scheme	2,201	2,479	-	
Retirement Benefits payable to pensioners	-		11,836	9,396

The underlying assets and liabilities for retirement benefits attributable to the Authority at 31st March are as follows:

	Local Government Pension Scheme		Police Pension Scheme		Total	
	2005/06	2006/07	2005/06	2006/07	2005/06	2006/07
	<u>£'M</u>	<u>£'M</u>	<u>£'M</u>	<u>£'M</u>	<u>£'M</u>	<u>£'M</u>
Estimated liabilities in scheme	(56.1)	(58.8)	(584.0)	(582.5)	(640.1)	(641.3)
Estimated assets in scheme	36.9	42.1			36.9	42.1
Net asset/(liability)	(19.2)	(16.7)	(584.0)	(582.5)	(603.2)	(599.2)

The liabilities show the underlying commitments that the authority has in the long-term to pay retirement benefits. The liability of £599.2M has a substantial impact on the net worth of the authority as recorded in the balance sheet, resulting in a negative overall balance of £556.1M. 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.

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 County 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. The actuarial valuations are as at 31 March 2007.

Notes to the Accounts

The main assumptions used within the calculations are:

	Local Government Pension Scheme		Police Pension Scheme	
	2005/06	2006/07	2005/06	2006/07
	%	%	%	%
Rate of inflation	3.1	3.2	3.2	3.4
Rate of increase in salaries	4.6	4.7	4.7	4.9
Rate of increase in pensions	3.1	3.2	3.2	3.4
Rate for discounting scheme Liabilities	4.9	5.4	4.9	5.4

The Police Pension Scheme has no assets to cover its liabilities. Assets in the Local Government Pension fund are valued at fair value, principally market value for investments, and consist of the following categories:

	2005/06			2006/07		
	Value £(000)	Asset Distribution %	Long Term Return %	Value £(000)	Asset Distribution %	Long Term Return %
Equity investments	24,100	65	7.4	26,300	62	7.8
Bonds	5,800	16	4.6	6,700	16	4.9
Property	3,600	10	5.5	4,300	10	5.8
Cash	3,300	9	4.6	4,800	11	4.9
Total	36,800	100	6.5	42,100	100	6.8

Notes to the Accounts

32. Movement on Pension Reserves

The actuarial gains and losses identified as movements on the Pension Reserve in 2006/07 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 07:

	2003/04		2004/05		2005/06		2006/07	
	£'000	%	£'000	%	£'000	%	£'000	%
Local Government Pension Scheme								
Differences between the expected and actual return on assets	2,500	12.3	900	3.1	3,877	10.5	300	0.7
Differences between actuarial assumptions about liabilities actual experience	(94)	0.3	2,600	6.0	(400)	0.7	(200)	0.3
Changes in the demographic and financial assumptions used to estimate liabilities			(8,100)	18.8	(7,354)	13.0	4,300	6.0
	2,406		(4,600)		(3,877)		4,400	
Police Pension Scheme								
Differences between the expected and actual return on assets								
Differences between actuarial assumptions about liabilities actual experience	(4,390)	1.2	7,370	1.6	60	0.0	(340)	0.1
Changes in the demographic and financial assumptions used to estimate liabilities	(68,568)	19.0	(91,470)	19.6	(89,610)	15.3	39,700	6.8
	(72,958)		(84,100)		(89,550)		39,360	

33. Grants and Contributions Unapplied

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

2005/06		2006/07
£'000		£'000
568	Balance at 1 st April	536
2,050	Grants and Contributions received	1,646
(2,082)	Grants and Contributions applied	(1,756)
536	Balance at 31st March	426

34. Police Fund

The Police Fund comprised general balances at 31st March 2007 of £2.493M.

Notes to the Accounts

35. Earmarked Reserves

The Earmarked Reserves are detailed on page 15 and comprise of:

2005/06		2006/07
<u>£'000</u>		<u>£'000</u>
456	Earmarked Revenue Reserve	232
92	CASU Reserves	78
1,024	Insurance Reserve	908
5,964	Capital Expenditure	3,713
1,715	Pensions Reserve	1,215
<u>9,251</u>	Balance at 31st March	<u>6,146</u>

36. Fixed Asset Restatement Account

The Capital Accounting Practice requires the establishment of the Fixed Asset Restatement Account. The balance represents the difference between the valuation of assets under the previous system of capital accounting and the revaluation of assets as at 1st April 2007. The reserve will be written down by the net book value of the assets as they are disposed of and also adjusted as a result of future revaluations.

2005/06		2006/07
<u>£'000</u>		<u>£'000</u>
(33,681)	Balance at 1 st April	(33,768)
(87)	Revaluation of Fixed Assets	(2,073)
<u>(33,768)</u>	Balance at 31st March	<u>(35,841)</u>

37. Capital Financing Account

The Capital Financing Account is the amount required by statute to be set aside from capital receipts for the repayment of external loans, the amount of capital expenditure financed from revenue and capital receipts, government grants deferred and the amounts required to be charged to revenue to repay the principal element (MRP) of external loans less depreciation.

2005/06		2006/07
<u>£'000</u>		<u>£'000</u>
(1,138)	Balance at 1 st April	(491)
	Capital Financing:	
361	Capital Receipts applied	-
30	Revenue	-
2,376	From Capital Reserve	2,252
1,537	Government Grants Released	1,761
(3,055)	MRP net of depreciation	(4,878)
(361)	Land and Building Disposals	-
(241)	Vehicle Disposals	(125)
<u>(491)</u>	Balance at 31st March	<u>(1,481)</u>

Notes to the Accounts

38. 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	Chiltern Air Support Unit	Earmarked Reserves (see Note 39)	Fixed Asset Restatement Account	Capital Financing Account	Pensions Reserve LGPS	Pensions Reserve – Police Pensions	Total Reserves
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Balance as at 1 st April 2006	3,093	48	9,251	33,768	(491)	(19,177)	(584,040)	(557,548)
SMGFB								
- Transfer to SMPFB	(600)		(3,375)		(5,176)	(1,923)	(37,800)	(48,874)
- Transfer from SMPFB		1	270		4,186			4,457
Gains and Losses in 2006/07:								
FRS 17 Actuarial Gains and Losses						4,400	39,360	43,760
Revaluation of Fixed Assets				2,073				2,073
Balance as at 31st March 2007	2,493	49	6,146	35,841	(1,481)	(16,700)	(582,480)	(556,132)

Notes to the Accounts

39. Summary of Movement on Earmarked Reserves:

	Chiltern Air Support Unit	Capital Expenditure Reserve	Earmarked Revenue Reserves	Insurance Reserve	Pensions	Total Earmarked Reserves
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Balance as at 1 st April 2006	92	5,964	456	1,024	1,715	9,251
SMPFB						
- Transfer to SMPFB	(14)	(2,251)	(493)	(116)	(500)	(3,374)
- Transfer from SMPFB			269			269
Balance as at 31 st March 2007	78	3,713	232	908	1,215	6,146

Notes to the Accounts

40. 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.

2005/06			2006/07	
<u>£'000</u>	<u>£'000</u>		<u>£'000</u>	<u>£'000</u>
	(30,962)	Deficit for the Year		(44,419)
		Non Cash Transactions		
(1,537)		Deferred Government Grants	(1,761)	
3,205		Depreciation	5,051	
(87)		Contribution to Provisions	84	
28,720		FRS17 Adjustments	39,723	
<u>(7)</u>		CASU (Surplus)/Deficit	<u>(8)</u>	
	30,294			43,089
		Accruals		
(1,197)		Increase/(Decrease) in Creditors (excluding capital creditors)	303	
(219)		(Increase)/Decrease in Payments in Advance	(229)	
1,473		(Increase)/Decrease in Debtors (excluding capital debtors)	(318)	
55		Increase/(Decrease) in Receipts in Advance	1,332	
<u>8</u>		(Increase)/Decrease in Stock	<u>(27)</u>	
	120			1,061
	(721)	Servicing of Finance		(727)
	175	Disposal of Fixed Assets		55
	<u>(1,094)</u>	Net Cash Inflow/(Outflow) from Revenue Activities		<u>(941)</u>

41. Movement in Cash

The movement in cash reflected in the Balance Sheet on page 23 is as follows.

	As at 1st April 2006 <u>£'000</u>	As at 31st March 2007 <u>£'000</u>	Movement in the year <u>£'000</u>
Cash - Impests	26	26	-
Cash - Force	782	395	(387)
Cash Police Pension Fund	0	(657)	(657)
Total	<u>808</u>	<u>(236)</u>	<u>(1,044)</u>

Notes to the Accounts

42. Financing and Management of Liquid Resources

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

	As at 1 st April 2006 <u>£'000</u>	As at 31 st March 2007 <u>£'000</u>	Movement in the year <u>£000</u>
Short Term Investments	(13,000)	(11,750)	1,250
New Loans Raised	<u>2,720</u>	<u>2,720</u>	-
Total	<u>(10,280)</u>	<u>(9,030)</u>	<u>1,250</u>

43. Analysis of Government Specific Grants (Cash Flow)

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

	<u>2005/6</u> <u>£'000</u>	<u>2006/07</u> <u>£'000</u>
Home Office Grants		
Crime Fighting Fund	3,391	2,713
Airwave	164	-
Counter Terrorism	1,195	919
BCU Fund	554	467
Special Priority Payments	572	-
Forensic Integration Strategy	373	217
South East Allowance	421	110
N.I.M	66	22
Rural Policing	164	-
Drug Pilot Scheme	16	-
Occupational Health Initiative	78	-
Community Support Officers	647	482
Manpad	117	134
LCJB Performance Management	121	122
Drug Testing Programme	244	309
Rule 2 Grant		1,698
Pension Top Up Grant		1,662
Dedicated Security Posts		1,006
IPLDP		288
NWNJ		93
NPF Round 2		1,383
Pump Priming Grant		268
Violent Crime Luton		122
Other	575	670
Total Specific Government Grants	<u>8,698</u>	<u>12,685</u>

Police Pension Fund Accounting Statement

Police Pension Fund Accounting Statement	2006/07	
	£000	£000
Contributions receivable		
- From Employer		
Normal	(9,210)	
Early Retirements for Ill-Health	(178)	
Reimbursement of Unabated Pensions of '30+' Police Officers	(8)	
- From members of the Pension Scheme	<u>(4,112)</u>	
		(13,508)
Transfers in		
- Individual Transfers in from Other Schemes		(462)
Benefits Payable		
- Pensions	12,090	
- Commutations and Lump Sums	<u>2,659</u>	
		14,749
Payments to and on Account of Leavers		
- Refund of Contributions	36	
- Individual Transfers out to Other Schemes	<u>159</u>	
		195
Sub-Total: Net amount receivable for the year before top-up grant		<u>974</u>
Top-Up Grant from Police Fund		(974)
Net Amount Payable/Receivable for the year		-
		2006/07
Net Assets Statement		£'000
Payments in Advance:		
- April Pensions Paid March		1,037
Creditors/Receipts in Advance:		
- Lump Sums		(380)
Other current assets and liabilities		
- Cash		(657)
Net Current Assets/Liabilities		-

Notes to the Police Pensions Accounting Statement

From 2006/07 a separate accounting statement is required for the Police Pension fund under the new Police Financing Arrangements. The new 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.

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 2006/07 include the following:
Internal Audit – Bentley Jennison
Payroll and Pensions - Logica
- (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.
- (iv) **External Audit**
External Audit Services are provided by the Audit Commission.

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.

ACTIVITY BASED COSTING - A costing methodology which links inputs (expenditure) with outputs (incidents/activities).

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.

Glossary of Terms

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.

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 district 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.

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.

Glossary of Terms

USEFUL LIFE - A term used to express the remaining life expectancy of a fixed asset given reasonable repairs and maintenance are applied to it. This is then used to help calculate the depreciation charge for that asset.

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