

**BEDFORDSHIRE POLICE
AUTHORITY**

**STATEMENT OF
ACCOUNTS**

2008/2009

BEDFORDSHIRE POLICE AUTHORITY
STATEMENT OF ACCOUNTS – 2008/2009

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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 2008/09, which will be the basis for the Audit Opinion, are set out on Pages 2 to 56. They consist of:

- (i) **Financial Review** – this outlines the Revenue and Capital spending in 2008/09 and the financing, the major changes to the Accounts from 2007/08 and future prospects for the Authority (page 3)
- (ii) **Statement of Responsibilities** - this includes the financial responsibilities of the Police Authority and the Treasurer (page 7)
- (iii) **Annual Governance Statement** – this statement sets out how the Authority has ensured that it has proper arrangements for governance of its affairs allowing it to effectively exercise its functions including the arrangements for the management of risk, during the financial year (page 8)
- (iv) **Statement of Accounting Policies** - the policies adopted in compiling the Accounts (page 18)
- (v) **Audit Opinion** - the statutory opinion for the Statement of Accounts (page 24)
- (vi) **Income and Expenditure Account** – The account summarises the Income and Expenditure for the year (pages 25/26). This is presented both in the CIPFA Subjective Classification and in accordance with the Best Value Accounting Code of Practice. In order to give a full presentation of the financial performance of the Authority during the year the balance on the income and expenditure account needs to be reconciled to the net expenditure position shown in the Statement of Movement on the Police Fund Balance.
- (vii) **Statement of Movement on the Police Fund Balance** – this statement summarises the differences between the outturn on the Income and Expenditure account and the net expenditure position on the Police Fund Balance (page 27).
- (viii) **Statement of Total Recognised Gains and Losses (STRGL)** - this statement shows the total recognised gains and losses during the year, including those that have not been reflected in the Income and Expenditure account (page 28).
- (ix) **Balance Sheet** - Assets and Liabilities of the Authority at 31st March 2009 (page 29)
- (x) **Cash Flow Statement** - the inflows and outflows of cash for revenue and capital purposes (page 30)
- (xi) **Notes to the Accounts** – The notes that support the core financial statements (page 31).
- (xii) **Police Pension Fund Accounting Statement** - Accounting statement for the Police Pension fund in accordance with the Police Financing Arrangements (page 53).

Financial Review

Revenue Expenditure

The 2008/09 Revenue Budget was set at £96.056M. Underspends of £0.968M from 2007/08 were carried forward providing a full budget for 2008/09 of £97.024M. Actual expenditure for the year was £1.727M lower at £95.297M.

The financing of Revenue Expenditure was as follows:

	<u>£'M</u>
Expenditure	95.297
Transfers to Reserves	0.558
Transfer to Police fund	0.201
Net Expenditure	<u>96.056</u>
Met From:	
Home Office Grant	40.114
Revenue Support Grant	3.470
Business Rates	24.924
Council Tax	27.548
	<u>96.056</u>
Net Surplus for the year	<u>-</u>

The underspend for the year of £ 1.727M arose in the following areas:

	<u>£'M</u>
Authority	(0.075)
Airwave Equipment	(0.100)
Body Armour	(0.150)
PSA reward Grant	(0.130)
Interest Received	(0.140)
MRP and Loan Interest	(0.259)
Police and Staff Pay	(0.395)
PCSO Grant Surplus	(0.200)
Major Crime Unit	(0.278)
	<u>(1.727)</u>

Transfers to/from Earmarked Reserves comprised:

	<u>£'M</u>
2007/08 Underspend	0.969
2008/09 Underspend to earmarked reserves	(1.125)
Transfer to Insurance Reserve	(0.205)
Transfer to Collaboration/ Performance Reserve	(0.220)
Transfer to Capital Reserve	(0.880)
Transfer from Capital Reserve	0.525
Transfer from Pensions Reserve	0.200
Chiltern Air Support – Revenue	0.053
Net transfer to Earmarked Reserves	<u>(0.683)</u>

Police Fund

A transfer of £0.201M was made in 2008/09 and therefore the Police fund now stands at £2.860M.

Capital Expenditure

Capital expenditure in the year amounted to £3.152M, compared with an original programme of £7.265M. Payments are analysed on page 36.

Financial Review

The financing of Capital Expenditure was as follows:

	<u>£'M</u>
Capital Grants	2.161
Capital Receipts	0.133
Revenue Contributions in year and from Reserve	0.858
Total	<u>3.152</u>

Pension Reserves

The balance sheet includes a liability of £498.2M which is the commitment that the authority has in the long-term to pay retirement benefits. This liability has a substantial impact on the net worth of the Authority as recorded in the balance sheet, resulting in a negative overall balance of £467.1M. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy as the deficit of the LGPS will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary. Finance is only required to be raised to cover police pensions when the pensions are actually paid. Under the Police Pension Fund Regulations 2007, if the amounts receivable by the pensions fund for the year is less than amounts payable, the police authority must annually transfer an amount required to meet the deficit to the pension fund. Subject to parliamentary scrutiny and approval, up to 100% of this cost is met by central government pension top-up grant. If however the pension fund is in surplus for the year, the surplus is required to be transferred from the pension fund to the police authority which then must repay the amount to central government.

Changes compared to 2007/08

The accounting policies were amended as under the 2008 SORP the Authority has adopted the amendments to FRS17, Retirement benefits. As a result quoted securities held as assets in defined benefit pension schemes are now valued at bid price rather than mid-market value. The prior year figures have not been restated as the impact of this change is not material. Current and prior year surplus have been unaffected by this change. The Police Pension scheme has been unaffected by this change as no assets are held.

Impairment of Fixed Assets

In accordance with accounting policies, an impairment review of the Authority's Land and Buildings was carried out. The review identified a reduction in the value of Land and Buildings of £6.2M at the balance sheet date compared to the previous year. This change in value is as a result of the recent decline in the property market. Although the impairment affects the balance sheet value of fixed assets, it is not a charge against council tax as any charge to the Income and Expenditure account is reversed through the Statement of Movement on Police fund balance in accordance with the SORP.

Treasury Management

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

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

Details of Authority Borrowing are shown at note 28.

Financial Review

Bedfordshire Police Partnership Trust

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

Future Prospects

Again for 2009/10, 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. There are still uncertainties about continuation of grant in excess of £10.5M that provides for 145 police officers and 153 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 2009 remain broadly consistent, when taken account of underspending in the year, with that envisaged when the Budget was agreed except for the effect of the expected spend on the Greyfriars replacement project slipping into future years. Police Fund Balance totals £2.860M, Earmarked Reserves total £8.675M (as detailed on page 47) and Provisions of £0.808M (as detailed on page 41)

Financial Review

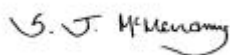
Further information

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

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

Any person interested also has a statutory right to inspect the Accounts at Police Headquarters, Woburn Road, Kempston before the completion of each annual Audit as publicly advertised. The Accounts are available for inspection during the period 10 August 2009 to 7 September 2009.

I certify that these accounts present fairly the financial position of the Authority as at 31 March 2009 and its income and expenditure for that period.



Stephanie McMenemy
Treasurer
23rd June 2009

I confirm that these accounts were approved by the Finance Committee at its meeting on 23rd June 2009



Peter Conniff
Chair of the Police Authority
23rd June 2009

Statement of Responsibilities

The Authority's Responsibilities

The Authority is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Treasurer;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- to ensure that there is an adequate annual governance statement;
- approve the statement of accounts.

The Treasurer's Responsibilities

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

In preparing this statement of accounts the Treasurer has:

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

The Treasurer has also:

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

Annual Governance Statement

1. Scope of Responsibility

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

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

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

This statement explains how the Authority has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) 2006 in relation to the publication of a statement on internal control.

2. The Purpose of the Governance Framework

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

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

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

Annual Governance Statement

3. The Governance Framework

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

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

- The Authority undertake a series of consultation exercises with the public to both engage with priorities for the Authority and Force but also to evaluate performance against initiatives such as Neighbourhood Policing.
- The Authority through consultation with the public and businesses produces an annual policing plan and three year strategic plan that provide clarity around the Authority's purpose, vision and objectives for the forthcoming period.
- The publication of the Authority's key principles in its strategic and local plans incorporating national policing priorities.
- The setting and monitoring of targets are subject to close scrutiny by the Performance Committee.
- Regular independent reports from Internal and External Audit with follow up processes
- The Police Authority has an approved Risk Management Strategy.
- 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.
- Established a Value for Money structure approach that also provides for scrutiny and provides a business assurance role for the Audit Committee.
- Completion of the Audit Commission Use of Resources programme
- Internal and External audit Reviews
- Medium Term Financial Planning for both Revenue and Capital budgets.
- An agreed Committee structure with Terms of Reference that provide for performance management on all key areas of the business.
- Performance Committee that regularly scrutinises overall performance and activity data
- The creation of a Force performance improvement board has provided the ability for the force to be clear on its performance priorities and ensure resources are being utilised effectively in the pursuit of those priorities.
- The Authority have refreshed and maintain an effective website that provides information that is regularly updated about finance, performance as well as providing for interaction with the public through a number of surveys.
- The Authority and Force have a joint communication strategy which guides how key messages relating to priorities, mission, vision and performance are effectively communicated.

Annual Governance Statement

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

- The Authority have an appointed Chair and Vice Chair with a structure of Committees with clear terms of reference.
- The Authority have approved a revised scheme of delegation and financial regulations during the year to clearly identify specific roles.
- The Authority have a dedicated Chief Executive/Treasurer as well as a Deputy Treasurer and have a dedicated monitoring officer.
- The force hold regular meetings of both the Force Executive and Force Strategy Board
- The Police Authority have an approved business plan which outlines its direction as well as developing an improvement plan.
- Distinct portfolios for each member of the Force Executive.
- Annual self-assessment of Committee Effectiveness and a review of its Internal Controls.
- Complete self-assessment of the Authority against the police authority inspection framework has been undertaken.
- Continuation of a Lead Member Scheme
- HR Planning and Deployment Group
- Relationship protocol
- Full engagement with Partners through CDRPs & LAAs
- Joint working group for collaboration activity as well as a clear regional joint collective agreement have been developed in 2008/09.

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

- The use of the Equality and Diversity Programme Board to oversee all diversity issues both internally and in service delivery.
- Professional staff in key support areas
- Comprehensive policies and procedural guides.
- The Authority has a monitoring officer to whom all Committee reports are sent prior to actual meetings.
- The Force's Professional Standards Department which is responsible for investigating complaints against the police and internal conduct issues.
- The Authority have a distinct Committee for reviewing complaints and Professional Standard issues. The terms of reference for this committee have been reviewed and amended to more define its purpose and role.
- Collaboration agreed with Hertfordshire on Professional Standards to further enhance the force's role in pro-active anti-fraud and corruption.
- The Force has a policy and means of confidential reporting.
- Regular update across the force for lessons learned from specific cases as well as advice columns from the Head of Professional Standards
- Mechanism for Audit and Business Assurance Committee to receive regular updates to progress on audit recommendations and the ability to bring action owners to account.
- Financial regulations and financial instructions.
- Financial Management Scheme for devolved budgets
- The adoption of CIPFA's Code on Treasury Management. Approved Treasury Management Policy, Strategy and Management Practises.
- Codes of Conduct for Staff and Members and polices on gifts and hospitality
- The Authority has a Standards Committee.

Annual Governance Statement

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

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

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

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

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

- The Authority and Force undertook a number of surveys during 2008, such as the bluelight survey and satisfactions surveys. Representatives of both the Force and Authority attend various community meetings and engage in strong partnership activities.
- Separate Committee of the Authority for Community Engagement with Terms of Reference covering: Community Engagement, Partnership, Consultation and Communications.
- Joint Community Engagement Strategy with the Force providing for effective engagement with all sections of the community and aiming to promote visible awareness and a recognised profile for both the Force and Authority.
- The dedicated Safer Neighbourhood teams provide for enhanced engagement between the Force and the public to develop solutions to the issues that undermine confidence and general feelings of insecurity.

Annual Governance Statement

Reliability of Financial Reporting and internal financial controls

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

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

- Financial Regulations establish the principles of financial control. They are designed to ensure that the Authority conducts its financial affairs in a way which complies with statutory provision and reflects best professional practice. Standing Orders set out the rules to be followed in respect of contracts for the supply of goods and services.
- The Authority's Scheme of Devolved Financial Management is designed to ensure that responsibility and accountability for resources rest with managers who are responsible for service provision.
- The Police Authority has adopted the CIPFA Code of Practice on Treasury Management requiring the Authority to approve an annual treasury management strategy including an annual investment strategy.
- In accordance with the Prudential Code and best accounting practice the Force and Authority produce a three year medium term revenue financial plan and a three year capital programme. These are considered in the autumn each year and form the basis of further discussion and debate on the annual revenue budget and capital programme.
- The medium term finance plan (MTFP) includes full provision for inflation, known commitments and other expenditure items which the Chief Constable has identified as necessary to deliver both national and local policing priorities.
- The revenue budget provides an estimate of the annual income and expenditure requirements for the police service and sets out the financial implications of the Authority's policies. It provides chief officers with authority to incur expenditure and a basis on which to monitor the financial performance of the Authority.
- The Authority is required to set its budget and council tax level (precept) by the end of February prior to the start of the relevant financial year.
- Capital expenditure is an important element in the development of the Authority's services since it represents major investment in new and improved assets. The Authority approves a capital programme each year.
- Efficiency targets have been established for the period 2008/09 to 2010/11 and are based on challenging targets delivering over 10% efficiencies by 2011, the first target of 3.7% has been met in 2008/09.

Annual Governance Statement

4. Review of Effectiveness

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

◆ Police Authority

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

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

To ensure the Authority paid particular focus on effective use of resources in that its scrutiny on performance was undertaken in the context of the Force's financial and people position. The Chair of the Authority's Committees are also required to attend the performance committee so that there is an all round focus on effectiveness.

The Audit and Business Assurance committee continued to scrutinise the value for money programme as well as the creation of a joint working group with Hertfordshire Police Authority to scrutinise collaboration business cases from both a performance, resilience and efficiency perspective.

The agreement to collaborate on Major Crime provided significant cashable and non cashable savings for the Authority and reducing the number of abstractions from front line policing thus providing a significant improvement in the effectiveness of the force resources. Four further business cases were approved during 2009/10 which again will provide for a significant improvement in the use of resources.

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

A review of all of the Authority's individual Committees terms of reference has been undertaken as well as the approval of revised schemes of delegation, standing orders and financial regulations.

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

The Audit 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.

Annual Governance Statement

- ◆ Force Executive

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

The Authority agreed to increase the Force Executive team by an additional Assistant Chief Constable which has provided for a greater ability for the Deputy Chief Constable to scrutinise performance and to take the lead for the force on driving forward collaboration, particularly in the areas of Protective Services.

Below the Force Executive is the main decision making board of the force, known as the strategy Board. This board comprises of the full Force Executive and all Divisional Commanders and Heads of Department, and approves all major strategic and policy decisions for the force.

- ◆ Risk Management Board

During the financial year work has continued around ensuring risk management remains embedded within the organisation. The implementation of the bow tie methodology for risk management has provided for a greater ability to embed risk throughout 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.

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 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.

Further work is being undertaken around risk management both within the Force and the Authority to further embed strategic risk management into day to day business and decision making both short and long term.

- ◆ Internal Audit

Various internal audits were undertaken during 2008/09 reviewing both financial and non-financial controls. These audits are undertaken in adherence to CIPFA's Code of Internal Audit Practice and the Accounting Practices Board guidelines for Internal Auditors.

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

The Internal Auditor in his annual report has provided a positive assurance for the 12 months ended 31 March 2009 for governance, internal control and risk management.

Annual Governance Statement

- ◆ External Audit

The District Auditor agreed the annual audit plan with Authority members and provided an unqualified opinion on the 2007/08 final accounts with very few weaknesses identified.

The District Auditor provided their opinion on the Authority's use of resources for 2007/08 for which showed that the Authority scored average or above average in all areas assessed.

- ◆ HMIC

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

The HMIC have undertaken a number of assessments during 2008/09 which have provided positive assurance around work undertaken in the areas of Neighbourhood Policing, Citizen Focus and protecting vulnerable people. It also provided a positive assurance around Civil Contingencies and business continuity.

- ◆ Progress on Weaknesses Previously Identified

The Annual Governance Statement for 2007/08 included 5 weaknesses against which action has been taken and has been reported to the Authority via various Committees, as follows:

- Implementation of Neighbourhood Policing

This area of activity was graded as poor by the HMIC during 2007/08 and has since been subject to a follow up review by the HMIC. The outcome of this follow up was that the HMIC, recognising the high level of work that had been undertaken in this area, graded Neighbourhood Policing as now meeting their required standard.

The Force have created dedicated Safer Neighbourhood Teams which are fully established and are monitored closely to ensure minimal abstractions. Communications and visibility in all neighbourhood areas is being achieved through the use of neighbourhood offices or through the use of transport such as mobile police officers on bicycles.

- Protecting Vulnerable People

The 2008/09 budget provided for investment into this area of business as well as specific focus upon resilience and a uniformed approach across the force. The HMIC also conducted a follow up assessment in this area and confirmed that the Force were now meeting the required HMIC standard. The HMIC provided a verbal update to the full Authority during 2008/09 covering both Neighbourhood Policing and Protecting Vulnerable People highlighting what processes and structural changes had been made by the Force to ensure that standards were being met and could be sustained.

Annual Governance Statement

- Business Continuity

During 2008/09 the Force, utilising its Business Continuity Manager, who is employed in collaboration with Hertfordshire, undertook a full review of all of its business continuity processes and plans. These were subject to a complete overhaul ensuring that the business continuity strategy was fully understood across the Force, ownership was clearly identified and plans were fit for purpose. Upon the completion of the strategy and plans a test was undertaken to ensure that the plans were appropriate for the need.

In addition to the test Business Continuity was subject to both a follow up audit by the internal auditors and a HMIC Inspection. Both assessments provided the Authority and Force with positive assurances that Business Continuity was now being delivered at the appropriate standard.

- Recruitment (Workforce Planning)

The Human Resources Committee and Force Executive now receive a regular People Services performance report which provides a significant level of detail associated with the workforce, in terms of actual strength against establishment, highlighting the priority areas of recruitment and deployment as well as indirect impacts on workforce planning such as sickness and special leave such as Maternity. The actual number of vacancies within the force have also reduced dramatically over the past 12 months and this, with the recruitment focus being in areas of priority, has assisted in the improvements mentioned in the two areas of Neighbourhood Policing and Protecting Vulnerable People above.

The internal auditors also undertook a follow up audit of this area and provided the Authority and Force with a positive assurance.

- Communications

Following the appointment of a new Head of Communications and a restructure of the Communications team significant improvements have been seen within the area of internal communication, particularly associated with Neighbourhood Policing but also in terms of keeping the workforce updated. Pro-active communications have been commissioned and the internal auditors provided the Authority and Force with a very positive assurance around the improvements made in this area.

5. Significant Governance Issues

- Serious and Organised Crime

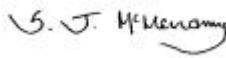
This area was assessed by the HMIC during 2008/09 and although not subject to an individual report it was concluded that Bedfordshire Police required significant investment into this area to ensure that it met the required HMIC standard. Whilst the Force have put some further investment into this area as part of the 009/10 budget it is recognised that it is not an area of activity that Bedfordshire can resource fully enough to deal with the demand and therefore is being considered as an activity or collaboration with another Force(s).

Annual Governance Statement

- Procurement
The internal auditors were commissioned by the Authority to undertake a specific value for money review of Procurement. The result of the audit was one of limited assurance. The Authority were assured via a follow up audit by the internal auditor that processes had been put into place to address the weaknesses, however these need to be reviewed during the ensuing year to ensure they are effective. Due to the resilience issues within the Procurement function this is also an area that is being considered for collaboration with other forces.



Peter Conniff
Chairman



Stephanie McMenamy
Chief Executive / Treasurer



Gillian Parker
Chief Constable

June 2009

Statement of Accounting Policies

1. General

The Statement of Accounts has been prepared in accordance with the 2008 Code of Practice on Local Authority Accounting in the United Kingdom which is recognised by statute as representing proper accounting practice. The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

2. Recognition of Fixed Assets

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

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

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

3. Measurement of Fixed Assets

Land and Buildings are valued as at 1st April 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.

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

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

Vehicles are held at historical cost less depreciation except for 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.

4. Impairment of Fixed Assets

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

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

Statement of Accounting Policies

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

5. Disposal of Fixed Assets

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

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

6. Depreciation

(i) Buildings

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

(ii) Vehicles, Furniture and Equipment

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

(iii) Intangible Assets

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

7. Charges to Revenue for Fixed Assets

The Authority is not required to raise council tax to cover depreciation, impairment losses or amortisations. However, the authority has a statutory duty to make a prudent annual provision from revenue to contribute towards the reduction in its overall borrowing requirement. Depreciation, impairment losses and amortisations are therefore replaced by the Minimum Revenue Provision (MRP) in the Statement of Movement on the Police Fund Balance, by way of an adjusting transaction within the Capital Adjustment Account. For 2008/09 the MRP has been calculated as 4% of the Capital Financing Requirement.

8. Debtors and Creditors

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

Statement of Accounting Policies

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

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

9. Funds Held on behalf of Third Parties

The Authority holds funds seized from individuals whilst enquiries are conducted under the Proceeds of Crime Act 2002. The Authority will either return or repay these funds (to the courts or the individual) on conclusion of the enquiries. The balance of Third Party funds held at 31 March 2009 is shown in the notes to the accounts (note 25).

10. Stocks and Stores

The Authority holds stocks of uniforms, vehicle equipment, and other operational equipment. These stock items are all valued at cost based upon the average cost methodology. This is not consistent with SSAP 9, which requires stock to be valued at the lower of cost or net realisable value. 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.

11. Provisions

Provisions are amounts set aside either to meet any liabilities or losses that are likely or certain to be incurred, but uncertain as to the dates on which they will arise. The Provisions as at 31st March 2009 are:

- (i) **Insurance £0.628M**
This is for identified but unpaid claims at 31st March 2009 that are to be met under self funding insurance arrangements for combined liability, motor vehicle and fidelity guarantee.
- (ii) **Provision for Redundancy Costs £0.180M**
A provision has been set aside for known liabilities relating to material redundancy costs.

12. Reserves

Reserves are amounts set aside from the Income and Expenditure Account and earmarked for future expenditure. As at 31st March 2009 these comprise of:

- (i) **Insurance £1.498M**
This provides for partial self-funding of insurance for combined liability, motor vehicle and fidelity guarantee.
- (ii) **Devolved Budget Reserves £1.125M**
This reserve contains underspendings from 2008/09 which have been earmarked for use in 2009/10.
- (iii) **Pensions Reserve £0.300M**

Statement of Accounting Policies

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

(iv) **Collaboration/Performance Reserve £0.620M**

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

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

(v) **Capital Reserve £5.133M**

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

13. Police Fund

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

14. Capital Receipts

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

15. Value Added Tax (VAT)

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

16. Bad and Doubtful Debts

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

17. Government Grant and Contributions

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

18. Pensions

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

(i) **Uniformed Police - Police Pension Scheme**

This Scheme is 'unfunded'. The charge to the Accounts represents the applicable FRS17 charges as determined by the Actuary.

Statement of Accounting Policies

The SORP requires a separate statement to be produced for this Account which is shown on page 53.

(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 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.

Under the 2008 SORP the Authority has adopted the amendments to FRS17, Retirement benefits. As a result quoted securities held as assets in defined benefit pension schemes are now valued at bid price rather than mid-market value. The prior year figures have not been restated as the impact of this change is not material. Current and prior year surplus have been unaffected by this change. The Police Pension scheme has been unaffected by this change as no assets are held.

19. Officers' Emoluments

Officers' Emoluments are disclosed in note 3 to the accounts on a cash basis of gross pay as notified in the P60's to the 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.

20. Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability multiplied by the effective rate of interest for the instrument. Therefore the amount shown in the Balance Sheet is the outstanding principal repayable and interest is charged to the Income and Expenditure account. The fair value as at 31 March is also disclosed at note 28.

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

21. Financial Assets - Loans and Receivables

Investments are limited to approved investments as specified in the Local Authority (Capital Finance) (Approved Investment) Regulations 1990 and are contained within

Statement of Accounting Policies

the Authority's Treasury Management Strategy. These Investments are initially measured at fair value and carried at their amortised cost. Therefore the amount shown in the Balance Sheet is the outstanding principal receivable and interest receivable is credited to the Income and Expenditure Account. The fair value as at 31 March is also disclosed at note 28.

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

22. Group Accounts

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

23. Overhead and Support Services

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

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

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

Audit Opinion

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

Opinion on the financial statements

I have audited the accounting statements, the police pension fund accounting statements and related notes of Bedfordshire Police Authority for the year ended 31 March 2009 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, Statement of Movement on the General Fund Balance, Balance Sheet, Statement of Total Recognised Gains and Losses, Cash Flow Statement, and the related notes. The police pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. The 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 the members of Bedfordshire Police Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies 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 Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities.

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

I report to you my opinion as to whether the accounting statements, the police pension fund accounting statements and related notes present fairly, in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2008:

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

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

I read other information published with the accounting statements, the police pension fund accounting statements and related notes and consider whether it is consistent with the audited accounting statements, the police pension fund

Audit Opinion

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

Basis of audit opinion

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

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

Opinion

In my opinion:

- The accounting statements and related notes present fairly, in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 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 2008, the financial transactions of the police pension fund during the year ended 31 March 2009 and the amount and disposition of the fund's assets and liabilities as at 31 March 2009, other than liabilities to pay pensions and other benefits after the end of the scheme year.

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

Authority's Responsibilities

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

Audit Opinion

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.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for police authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, and the supporting guidance, 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 2009.

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.

Debbie Hanson
District Auditor
Audit Commission
Regus House
1010 Cambourne Business Park
Cambourne
CAMBRIDGE
CB23 6DP
30 September 2009

Income and Expenditure Account

CIPFA Best Value Accounting Code of Practice Classification

2007/08 Outturn £'000		Gross Expenditure £'000	Income £'000	2008/09 Outturn £'000	See Note 2
103,664	Police Services	120,309	(17,678)	102,631	
948	Corporate & Democratic Core	924	(1)	923	
640	Non-Distributed Costs	658		658	
105,252	Net Cost of Services	121,891	(17,679)	104,212	
101	Loss on Disposal of Fixed Assets			168	
162	External Interest Paid			173	12
(1,023)	Interest & Investment Income			(978)	
307	Pensions Interest Cost and Expected Return on Pensions Assets – LGPS			715	32
31,600	Pensions Interest Cost and Expected Return on Pensions Assets – Police Pensions			34,700	32
(2,483)	Contribution to Corporate Costs re Police Pensions			(3,196)	
133,916	Net Operating Expenditure			135,794	
(24,858)	Council Tax			(27,548)	
(3,887)	Revenue Support Grant			(3,470)	
(23,163)	National Non-Domestic Rates			(24,924)	
(39,321)	General Government Grants			(40,114)	
42,687	Deficit for the Year			39,738	

S. J. McMenemy

Stephanie McMenemy
Treasurer

Income and Expenditure Account

CIPFA Subjective Classification 2007/08 £'000		2008/09 £'000	See Note
Bedfordshire Police Force			
49,029	Police Pay & Allowances	51,150	
26,823	Police Staff Pay & Allowances	27,778	
2,572	Other Employee Expenses	1,917	
17,710	Police Pensions	12,510	
2,587	Premises	2,614	
2,554	Transport	2,538	
7,901	Supplies & Services	9,215	
2,869	Agency & Contracted Services	3,823	
9,510	Depreciation and Impairment	9,525	11
121,555		121,070	
Bedfordshire Police Authority			
245	Police Staff Pay & Allowances	260	
1	Other Employee Expenses	2	
7	Premises	6	
11	Transport	12	
419	Supplies & Services	402	
141	Agency & Contracted Services	139	
824		821	
122,379	Gross Operating Expenditure	121,891	
(4,219)	Income from Fees & Charges	(3,846)	
(11,205)	Specific Grants	(12,115)	
(1,703)	Deferred Government Grants	(1,718)	
105,252	Net Cost of Services	104,212	
101	Loss on Disposal of Fixed Assets	168	
162	External Interest Paid	173	12
(1,023)	Interest & Investment Income	(978)	
307	Pensions Interest Cost and Expected Return on Pensions Assets – LGPS	715	32
31,600	Pensions Interest Cost and Expected Return on Pensions Assets – Police Pensions	34,700	32
(2,483)	Contribution to Corporate Costs re Police Pensions	(3,196)	
133,916	Net Operating Expenditure	135,794	
(24,858)	Council Tax	(27,548)	
(3,887)	Revenue Support Grant	(3,470)	
(23,163)	National Non-Domestic Rates	(24,924)	
(39,321)	General Government Grants	(40,114)	
42,687	Deficit for the year	39,738	

S. J. McMenemy

Stephanie McMenemy, Treasurer

Statement of Movement on the Police Fund Balance

Statement of Movement on the Police Fund Balance		
2007/08		2008/09
£'000		£'000
42,687	(Surplus) or Deficit for the year on the Income and Expenditure Account	39,738
(42,853)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the Police Fund Balance for the year	(39,939)
(166)	(Increase)/Decrease in Police Fund Balance for the year	(201)

2,493	Police Fund Balance Brought Forward	2,659
166	Transfer to Revenue	201
2,659	Police Fund Balance Carried Forward	2,860

Note to Statement of Movement on the Police Fund Balance		
2007/08		2008/09
£'000		£'000
(42,853)	Net additional amount required to be credited to the Police Fund Balance for the year	(39,939)
	Comprising:	
	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the Police Fund Balance for the year	
(9,510)	Depreciation and Impairment of Fixed Assets	(9,525)
1,703	Government Grants Deferred Amortisation	1,718
(200)	Disposal of fixed assets	(275)
	Net charges made for retirement benefits in accordance with FRS17	
(3,518)	LGPS Pension	(3,273)
(49,948)	Police Pension	(47,210)
	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	
166	Statutory provision for repayment of debt	177
	Capital Expenditure charged to the Police Fund Balance:	
	In Year	333
49	From Reserve	525
3,396	Employers Contributions payable to the LGPS	2,827
9,511	Employers Contributions payable to the Police Pensions Scheme	9,735
1,189	Payment of Injury Awards	1,150
2,483	Additional Contribution to the Pension Fund to balance the deficit on the Fund Account	3,196
	Transfers to or from the Police Fund Balance that are required to be taken into account when determining the Movement on the Police Fund Balance for the year	
1,826	Transfer to/from Earmarked Reserves	683
(42,853)	Net Additional amount required to be credited to the Police Fund Balance for the year	(39,939)

Statement of Total Recognised Gains and Losses

2007/08 £'000		2008/09 £'000
42,687	Deficit/(Surplus) on the Income and Expenditure Account for the year	39,738
-	Deficit/(Surplus) arising from the revaluation of Fixed Assets	-
(123,293)	Actuarial (Gains) and Losses on Pension Fund Assets and Liabilities	(48,120)
(80,606)	Total Recognised (Gains)/Loss for the year	(8,382)

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Balance Sheet

As at 31 st March 2008		As at 31 st March 2009		See Note
£'000	£'000	£'000	£'000	
		Net Fixed Assets		
		Operational		
		Intangible Assets		
1,561		1,363		
		Tangible Assets		
32,761		26,689		
3,396		3,375		
4,091		3,825		
40,248		33,889		
	41,809		35,252	19
		Non Operational		
	142		-	
	41,951		35,252	
	63		34	
	42,014		35,286	
		Current Assets		
582		447		21
279		257		22
2,771		3,708		23
14,139		14,189		28
923		465		24
26		26		24
18,720		19,092		
		Current Liabilities		
(715)		(520)		26
(6,492)		(6,070)		27
(7,207)		(6,590)		
	11,513		12,502	
	53,527		47,788	
		Long Term Liabilities		
(3,798)		(3,798)		28
(10,929)		(11,449)		29
(807)		(646)		33
(9,329)		(15,163)		32
(503,446)		(483,067)		32
(744)		(808)		30
	(529,053)		(514,932)	
	(475,526)		(467,144)	
2,659		2,860		34
8,020		8,703		35
-		-		36
26,569		19,523		37
(9,328)		(15,163)		32
(503,446)		(483,067)		32
	(475,526)		(467,144)	
	Total Equity		Total Equity	

G. J. McManamy

Balance Sheet

Stephanie McMenemy - Treasurer

Cash Flow Statement

2007/08			2008/09		See
<u>£'000</u>	<u>£'000</u>		<u>£'000</u>	<u>£'000</u>	Note
		Revenue Activities			
		Cash Outflows			
67,979		Cash paid to and on behalf of employees	71,241		
38,446		Other operating cash payments	42,107		
	106,425			113,348	
		Cash Inflows			
(24,858)		Precept Income	(27,548)		
(23,163)		National Non-Domestic Rates	(24,924)		
(3,887)		Revenue Support Grant	(3,470)		
(39,321)		Police Grant	(40,114)		
(12,004)		Specific Government Grants	(13,070)		43
(4,641)		Cash received for goods and services	(3,371)		
(104)		Other operating cash receipts	(539)		
	<u>(107,978)</u>			<u>(113,036)</u>	
	(1,553)	Net Cash Outflow from Revenue Activities		312	40
		Returns on Investments & Servicing of Finance			
		Cash Outflows			
133		Interest paid	173		
		Cash Inflows			
(934)		Interest received	(1,128)		
	(801)			(955)	
		Capital Activities			
		Cash Outflows			
2,594		Purchase of fixed assets	3,230		
		Cash Inflows			
(98)		Sale of fixed assets	(239)		
(1820)		Capital grants received	(2,090)		
	676			901	
	(1,678)	Net Cash Outflow Before Financing		258	
		Management of Liquid Resources			
	2,150	Increase/(Decrease) in Short-Term Investments		200	42
		Financing			
		Cash Outflows			
		Repayments of amounts borrowed			
		Decrease in Short Term Borrowing			
		Cash Inflows			
(1,000)		New Loans Raised			
		(Increase) in Short Term Borrowing		-	
	(1,000)			-	
	(528)	(Increase) /Decrease in Cash		458	41

1. Issue of Statement of Account

The statement of accounts were considered by the Finance Committee and authorised for issue on 23rd June 2009. Events after the balance sheet date have been considered for inclusion in the accounts up to the authorised for issue date.

Notes to the Accounts

2. 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. For 2008/09 there is only one mandatory domain which is "Police Services".

3. Officers' Emoluments

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

2007/08	Remuneration Band (£)	2008/09
99	50,000 – 59,999	117
10	60,000 – 69,999	19
10	70,000 – 79,999	9
3	80,000 – 89,999	2
1	90,000 – 99,999	2
1	100,000 – 109,999	
1	110,000 – 119,999	2
	120,000 – 129,999	
1	130,000 – 139,999	
	140,000 – 149,999	1
126	Total	151

4. Members Allowances

Allowances to Members are paid based on legislation introduced in December 2003. This has resulted in local agreements and in Bedfordshire, a basic allowance of £8,824. Special responsibility allowances have also been approved ranging from £3,183 to £20,263. 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 £244k compared with £233k in 2007/08.

5. Air Support Consortium

The Authority, together with Thames Valley and Hertfordshire Police own two helicopters within a consortium arrangement. Direct operating costs are allocated to the three forces based upon the actual number of flying hours during the previous 18 months with other overheads apportioned based upon resident population. The contribution for Bedfordshire in 2008/09 was 19.5% of spend, totalling £439K (£375K in 2007/08). 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:

2007/08		2008/09
<u>£'000</u>		<u>£'000</u>
130	Employee Costs	118
31	Running Costs	38
1,693	Aircraft Costs	2,135
185	Capital Financing	-
(79)	Income	(38)
1,960		2,253

Notes to the Accounts

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

2007/08		2008/09
<u>£'000</u>		<u>£'000</u>
641	Fixed Assets	626
63	Long Term Debtors	34
-	Creditors over one year	
	Creditors less than one year	(16)
(16)	Grants	(103)
<u>688</u>		<u>541</u>
81	Earmarked Reserves	27
607	Capital Adjustment Account	514
<u>688</u>		<u>541</u>

6. Transport Consortium

The Authority, together with Thames Valley Police and since 1 April 2008 Hertfordshire Police, operate a consortium for vehicle provision. Costs are allocated to the three forces in proportion to the size of the fleet. Bedfordshire's contribution for 2008/09 was £1.9m (15% of spend). The total costs of the consortium are shown below:

2007/08		2008/09
<u>£'000</u>		<u>£'000</u>
1,871	Employee Costs	2,608
139	Premises	325
1,941	Running Costs	2,629
1,684	Insurance	2,763
3,139	Vehicles	4,953
(874)	Income	(1,126)
<u>7,900</u>		<u>12,152</u>

The capital value of the vehicles is £2.749M and is included in the Balance Sheet.

7. Major Crime Unit Collaboration

The Bedfordshire and Hertfordshire Major Crime Unit (B&HMCU) became operational during November 2007 and is a joint collaboration between the two forces. Benefits from working together include increased availability of dedicated staff, improved professionalism in the investigation of a wide range of serious offences and critical incidents and better supervision, in addition to the deliver of better fiscal management. The unit is jointly funded by the two forces pro rata to historic activity levels. In addition the Home Office is providing three years set-up funding totalling £300k. The table below sets out the income and expenditure on the unit during 2008/09.

2007/08		2008/09
<u>£'000</u>		<u>£'000</u>
3,337	Running Costs	8,513
146	Set-up Costs	83
<u>3,483</u>	Total Expenditure	<u>8,596</u>
Funded by:		
(1,101)	Bedfordshire Contribution	(2,809)
(2,236)	Hertfordshire Contribution	(5,704)
(146)	Home Office Grant	(83)
<u>(3,483)</u>		<u>(8,596)</u>

Notes to the Accounts

8. 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:

2007/08		2008/09
<u>£'000</u>		<u>£'000</u>
130	Recruitment Advertising	320
77	Other Advertising	278
86	Authority Advertising and Publicity	73
<u>293</u>		<u>671</u>

2008/09 other Advertising includes £89K externally funded advertising and publicity costs.

9. Lease Rentals

In 2008/09 the Authority did not make any material lease rental payments. At 31st March 2009 there was no liability for payments in future years.

10. Agency & Contracted Services

This includes levies totalling £1.7M towards the cost of Forensic and DNA Testing.

11. Depreciation and Impairment

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

2007/08		2008/09
<u>£'000</u>		<u>£'000</u>
3,134	Depreciation of Fixed Assets	3,264
6,376	Impairment of Fixed Assets	6,261
<u>9,510</u>		<u>9,525</u>

Impairment of Fixed Assets in 2008/09 mainly relates to a 15% reduction in market value for operational properties.

12. External Interest Paid

External Interest paid comprised:

2007/08		2008/09
<u>£'000</u>		<u>£'000</u>
157	PWLB Loan Interest Charges	173
5	CASU Loan Interest Charges	-
<u>162</u>		<u>173</u>

Notes to the Accounts

13. Appropriation to/(from) Capital Adjustment Account

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

2007/08		2008/09
<u>£'000</u>		<u>£'000</u>
(3,134)	Depreciation	(3,264)
(6,376)	Impairment of Fixed Assets	(6,261)
143	Minimum Revenue Provision (MRP)	177
23	Loan Repayments (CASU)	-
1,703	Government Grants Deferred	1,718
49	Revenue Contributions in year	333
	Revenue Contributions from Reserves	525
	Capital Receipts	133
	Building Disposals	(142)
(200)	Vehicle Disposals	(265)
<u>(7,792)</u>		<u>(7,046)</u>

14. 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 2008/09 was nil (£28K in 2007/08).

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.

15. 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 2008/09 £36K (£24K in 2007/08) was distributed. The funds available for distribution in 2009/10 totals £31K (£36k at 31 March 2008). The £31K 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.

16. Supply of Goods and Services to Other Local Authorities

The Police Authority in 2008/09 secured income of £152k (£195K in 2007/08) (equivalent to the expenditure incurred) from other Local Authorities under the Local Authority (Goods & Services) Act 1970.

17. Related Party Transactions

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

Central Government exercises some control over the general operations of the Police Authority and it is responsible for providing the statutory framework within which the Police Authority operates and provides the majority of its funding in the form of grants. Details of grants received from government departments are disclosed in the Income and Expenditure Account and in a note to the cash flow statement (see note 43).

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

A review to determine related party transactions with the Authority/Force involved all

Notes to the Accounts

Members and Senior Officers of the Authority/Force. No material transactions were identified other than those disclosed elsewhere in the Statement of Accounts.

18. Audit Fees

The Police Authority paid the following fees to the Audit Commission in relation to external audit services for the 2008/09 Financial Year:

2007/08		2008/09
<u>£'000</u>		<u>£'000</u>
70	Statutory Audit	72
2	Certification of Grant Claims	-
<u>72</u>		<u>72</u>

19. Net Fixed Assets

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

	Intangible Assets	Land & Buildings	Tangible Assets		Total	Total Fixed Assets
			Vehicles	Furniture & Equip		
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Book Value as at 1st April 2008	2,284	40,183	5,539	7,915	53,637	55,921
Revaluation In Year		-				
Additions	230	1,154	858	990	3,002	3,232
Disposals		-	(889)		(889)	(889)
Written Out	(52)	-	-	(850)	(850)	(902)
Reclassification of Asset			-		-	
Gross Book Value as at 31st March 2009	2,462	41,337	5,508	8,055	54,900	57,362
Depreciation and Impairment as at 1st April 2008	(723)	(7,422)	(2,143)	(3,824)	(13,389)	(14,112)
Depreciation for year	(428)	(965)	(614)	(1,256)	(2,835)	(3,263)
Impairment for year		(6,261)			(6,261)	(6,261)
Disposals	-		624		624	624
Written Out	52		-	850	850	902
Depreciation and Impairment as at 31st March 2009	(1,099)	(14,648)	(2,133)	(4,230)	(21,011)	(22,110)
Net Book Value as at 31st March 2009	1,363	26,689	3,375	3,825	33,889	35,252

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.

Notes to the Accounts

Intangible Assets consist of purchased software licences.

Impairment of Fixed Assets in 2008/09 related mainly to a 15% reduction in market value for operational properties.

(ii) Surplus Assets Held for Disposal

The property that was previously classified as a surplus asset for disposal in the 2007/08 accounts (£142k) has now been sold.

(iii) Statement of Physical Assets

The number of assets as at 31st March 2009 comprised:

	2007/08	2008/09
Police Stations	12	12
Radio Stations	3	3
Police Houses	3	3
Police House held for disposal	1	-
Vehicles	314	311
Helicopter (share of)	2	2

(iv) Capital Expenditure

Capital expenditure during the year was as follows:

	2007/08	2008/09
	<u>£'000</u>	<u>£'000</u>
Estates:		
Forensics Upgrade	17	7
HQ Accommodation	81	-
Neighbourhood Policing	-	13
Replace Bedford Police Station	-	482
Minor Works	441	429
Probationer Development Unit	4	-
Training Accommodation	-	136
Enquiry Offices	13	-
Other	5	111
IS/IT Capital Spend	795	903
Transport Strategy: Vehicles	747	776
Airwave	-	89
ANPR	-	120
Equipment	45	86
	<u>2,148</u>	<u>3,152</u>

Notes to the Accounts

(v) Capital Financing

The method of financing capital expenditure was as follows:

	2007/08 <u>£'000</u>	2008/09 <u>£'000</u>
Capital Grant	1,148	2,161
Borrowing	1,000	-
Revenue Contributions		333
Capital Receipts		133
Capital Reserve		525
	<u>2,148</u>	<u>3,152</u>

(vi) Commitments under Capital Contracts

The Authority has authorised expenditure in future years of £26.5M under its Capital Programme, of which £7.4M has been contractually committed.

20. Long Term Debtors

Long term debtors relate to the Chiltern Air Support Unit:

2007/08 <u>£'000</u>		2008/09 <u>£'000</u>
63	Chiltern Air Support Unit	34
<u>63</u>	Balance at 31st March	<u>34</u>

21. Payments in Advance

These represent payments prior to 31st March 2009 for supplies and services relating to the period after 1 April 2009.

22. Stock

Stock of uniforms and other operational equipment was valued at £257K on 31 March 2009 (£279K on 31 March 2008).

23. Debtors

Debtors, net of £14K provision for bad and doubtful debts (£33k in 07/08), may be analysed as below:

2007/08 <u>£'000</u>		2008/09 <u>£'000</u>
1,991	Government Departments	3,016
443	Other Local Authorities	465
337	Sundry Debtors	227
<u>2,771</u>	Balance at 31st March	<u>3,708</u>

24. Bank and Imprest

Bank represents the total of the Income, Payment and Interest account bank balances. Balances relating to the Pension Fund Account are shown separately as part of the Pension Fund Statement on page 53. Imprest is the total of the imprest bank accounts held by Divisional and HQ offices.

25. 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 2009 the balance of these funds was £626K (£404K at 31 March 2008).

Notes to the Accounts

26. Receipts in Advance

This relates to income received prior to 31st March 2009 funding activities that had not commenced at that date.

27. Creditors

The creditors of the Authority can be analysed as follows:

2007/08		2008/09
<u>£'000</u>		<u>£'000</u>
1,994	Government Departments	1,903
1,568	Other Local Authorities	1,690
2,913	Sundry Creditors	2,435
17	Stock	43
<u>6,492</u>	Balance at 31st March	<u>6,071</u>

28. Financial Instruments

Financial Instruments Balances

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

	Long-Term		Current	
	2007/08	2008/09	2007/08	2008/09
<i>Financial Liabilities at amortised cost:</i>				
-Loans Outstanding	3,798	3,798		
<i>Loans and Receivables:</i>				
-Short-Term Investments at cost			14,139	14,189

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

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

Fair Value of Assets and Liabilities Carried at Amortised Cost

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

- The discount rate used is the applicable market rate on 31st March using bid prices where applicable.
- For fixed term deposits it is assumed that interest is received on maturity.
- The new borrowing rate at 31 March has been used as the discount factor for PWLB borrowing.

Notes to the Accounts

- The fair value of trade and other receivables is taken to be the invoiced or billed amount

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

	31 March 2008		31 March 2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Liabilities				
PWLB Borrowing	3,798	3,758	3,798	4,042
Creditors and Receipts in Advance	7,207	7,207	6,591	6,591
Loans and Receivables				
Short Term Investments	14,139	14,137	14,189	14,084
Debtors and Payments in advance	3,353	3,353	4,155	4,155
Bank and Imprest	949	949	491	491

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

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

	31 March 2008	31 March 2009
Financial Liabilities:		
PWLB Loans interest accrued	78	78
Loans and Receivables		
Short Term Investments interest accrued	239	89

Nature and Extent of Risks Arising from Financial Instruments

Credit Risk

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

All direct investments made by the Authority may only be to those organisations included in the approved lending list and will in the majority of circumstances be for a period of less than 365 days and cannot be more than £5M to an individual counter party. In compiling the lending list certain criteria have been applied and credit ratings (issued by the Fitch Group which the Authority receive as part of the service from Sector) are considered.

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

Notes to the Accounts

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

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

	Amount as at 31 March 2009 £'000	Historical experience of default %	Estimated maximum exposure to default and uncollectability £'000
Deposits with banks and financial institutions	14,680	-	-
Customers	3,708	0.10	4

The authority does not generally allow credit for customers, such that £0.086M of the £3.708M balance was past its due date for payment as at 31 March 2009. The past due amount can be analysed by age as follows:

	£'000's
Less than one month	52
One to three months	6
Over three months	<u>28</u>
	86

Liquidity Risk

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

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

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

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

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

2007/08	Analysis of PWLB Loans by Maturity	2008/09
2,020	Between 14 and 20 years	2,020
1,700	Between 20 and 25 years	1,700
<u>3,720</u>	Total	<u>3,720</u>

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

Notes to the Accounts

Market Risk

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

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

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

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

Loans and short-term investment balances shown in the balance sheet are at fixed rates and therefore not effected by market fluctuations as at 31 March 2009.

Price and Foreign Currency Risk

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

29. 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.

2007/08		2008/09
<u>£'000</u>		<u>£'000</u>
(11,480)	Balance at 1 st April	(10,929)
(1,152)	Grants to Fund Expenditure	(2,238)
1,703	Release of Government Grants	1,718
<u>(10,929)</u>	Balance at 31st March	<u>(11,449)</u>

30. Provisions

The Provisions are shown below and detailed on page 20.

2007/08		2008/09
<u>£'000</u>		<u>£'000</u>
(372)	Insurance	(293)
(272)	Transport Consortium Insurance	(335)
(100)	Airwave Equipment	-
-	Redundancy Costs	(180)
<u>(744)</u>	Balance at 31st March	<u>(808)</u>

31. Contingent Liability

The police authority continue to face a legal claim by Group 4 totalling some £42M, due to the events that occurred at Yarlswood Detention Centre on 14th February 2002, and this claim is currently subject to a legal process. The authority's insurance arrangements are such that £40M of the overall claim will be met through the insurers, if the outcome of this legal process goes against the Authority.

Notes to the Accounts

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

Under the 2008 SORP the Authority has adopted the amendment to FRS17 retirement benefits. As a result quoted securities held as assets in the LGPS defined benefit pension scheme are now valued at bid price rather than mid-market value. The prior year figures have not been restated as the impact of this change is not material. Current and prior year surplus have been unaffected by this change.

The cost of retirement benefits are recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that the authority are required to make against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out through the Statement of Movement on the Police Fund Balance. The transactions below are included in the Income and Expenditure Account during the year:

Notes to the Accounts

	Local Government Pension Scheme		Police Pension Scheme	
	2007/08 £'000	2008/09 £'000	2007/08 £'000	2008/09 £'000
Net Total Cost of Service				
Current Service Costs	3,211	1,901	17,710	12,510
Past Service Costs		658	640	-
Net Operating Expenditure				
Interest Costs	3,257	3,810	31,600	34,700
Expected return on assets	(2,950)	(3,095)		
Net Charge to the Income and Expenditure Account	3,518	3,274	49,948	47,210
Statement of Movement on the Police Fund Balance				
Reversal of net charges made for retirement benefits in accordance with FRS17	(3,518)	(3,274)	(49,948)	(47,210)
Actual Amounts charged against the Police Fund Balance for pensions in the year				
Employers Contributions payable to the scheme	3,396	2,827		
Retirement Benefits payable to pensioners			9,511	9,735
Injury Award Benefits			1,189	1,150

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains and losses of £48.120M were included in the Statement of Total Recognised Gains and Losses (STRGL). The cumulative amount of actuarial gains and losses recognised in the STRGL is £38.364M. The 48.120M includes an adjustment of £11.5M which relates to the correction of a 2007/08 non material error. As a result of the impact of this non material error in the 2007/08 statements being projected forward by the actuary this has increased the Police Pension Scheme balance sheet liability total by £11.5M.

Notes to the Accounts

Assets and Liabilities in relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities:

	Funded Liabilities: Local Government Pension Scheme		Unfunded Liabilities: Police Pension Scheme	
	2007/08	2008/09	2007/08	2008/09
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
1 April	58,800	53,959	582,480	503,446
Current Service Cost	3,211	1,901	17,710	12,510
Interest Cost	3,257	3,810	31,600	34,700
Contributions by scheme participants	1,149	1,288	4380	4,863
Actuarial gains and losses	(10,478)	(6,669)	(115,800)	(53,507)
Benefits paid	(1,332)	(1,281)	(17,564)	(18,945)
Past Service Costs		658	640	
31 March	54,607	53,666	503,446	483,067

Reconciliation of fair value of the scheme assets

	Local Government Pension Scheme	
	2007/08	2008/09
	<u>£'000</u>	<u>£'000</u>
1 April	42,100	44,630
Expected rate of return	2,950	3,095
Actuarial gains and losses	(2,985)	(12,056)
Employer contributions	3,396	2,827
Contributions by scheme participants	1,149	1,288
Benefits paid	(1,332)	(1,281)
31 March	45,278	38,503

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

The actual return on scheme assets for the period 1 April 2008 to 31 December 2008 was -13%.

Scheme History

	2004/05	2005/06	2006/07	2007/08	2008/09
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Present Value of Liabilities					
Local government Pension Scheme	(43,000)	(56,100)	(58,800)	(53,959)	(54,024)
Police Pension Scheme	(466,470)	(584,040)	(582,480)	(503,446)	(483,067)
Fair Value of Assets in the Local Government Pension Scheme	28,400	36,800	42,100	44,630	38,861
Surplus/(deficit) in the scheme:					
Local Government Pension Scheme	(14,600)	(19,300)	(16,700)	(9,329)	(15,163)
Police Pension Scheme	(466,470)	(584,040)	(582,480)	(503,446)	(483,067)
Total	(481,070)	(603,340)	(599,180)	(512,775)	(498,230)

Notes to the Accounts

The liabilities show the underlying commitments that the Authority has in the long-term to pay retirement benefits. The liability of £498.230M has a substantial impact on the net worth of the authority as recorded in the balance sheet, resulting in a negative overall balance of £467.114M. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy:

- The deficit of the LGPS will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.
- Finance is only required to be raised to cover police pensions when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2010 is £2.9M. Expected contributions for the Police Pension Scheme in the year to 31 March 2010 are £9.8M

Basis for estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The 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.

Notes to the Accounts

The principal assumptions used by the actuaries have been are:

	Local Government Pension Scheme		Police Pension Scheme	
	2007/08 %	2008/09 %	2007/08 %	2008/09 %
Long-term expected rate of return on assets in the scheme:				
Equity Investments	7.7	7.0		
Bonds	5.7	5.6		
Other	10.5	8.9		
Mortality Assumptions:				
Longevity at 65 for current pensioners				
Men		19.6	23.6	23.4
Women		22.5	26.4	26.6
Longevity at 65 for future pensioners				
Men		20.7	25.5	25.6
Women		23.6	28.6	28.6
Rate of inflation	3.6	3.1	3.7	3.0
Rate of increase in salaries	5.1	4.6	5.2	4.5
Rate of increase in pensions	3.6	6.0	3.7	3.0
Rate for discounting scheme Liabilities	6.9	6.9	6.9	6.9
Take-up of option to convert annual pension into retirement lump sum		50	-	-

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

	2007/08 %	2008/09 %
Equity investments	56	54
Bonds	17	21
Other Assets	27	25
Total	100	100

Notes to the Accounts

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2008/09 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2009.

	2004/05	2005/06	2006/07	2007/08	2008/09
	%	%	%	%	%
LGPS					
Differences between the expected and actual return on assets	3.1	10.8	0.7	(6.7)	(31.0)
Experience gains and (losses) on liabilities	6.0	(0.7)	(0.3)	(3.7)	(0.01)
Police Pension Scheme					
Experience gains and losses on liabilities	1.6	0.0	0.1	2.4	2.5

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.

2007/08		2008/09
<u>£'000</u>		<u>£'000</u>
426	Balance at 1 st April	807
1,533	Grants and Contributions received	2,077
(1,152)	Grants and Contributions applied	(2,238)
<u>807</u>	Balance at 31st March	<u>646</u>

34. Police Fund

The Police Fund comprised general balances at 31st March 2009 of £2.860M.

35. Earmarked Reserves

The Earmarked Reserves are detailed on page 20 and comprise of:

2007/08		2008/09
<u>£'000</u>		<u>£'000</u>
968	Devolved Budget Reserves	1,125
1,293	Insurance Reserve	1,498
4,778	Capital Expenditure Reserve	5,133
500	Pensions Reserve	300
400	Collaboration/Performance Reserve	620
81	CASU Revenue Reserve	27
<u>8,020</u>	Balance at 31st March	<u>8,703</u>

36. Revaluation Reserve

This reserve records unrealised revaluation gains from revaluations made since April 2007. There were no unrealised revaluation gains for 2008/09.

Notes to the Accounts

37. Capital Adjustment Account

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

2007/08		2008/09
<u>£'000</u>		<u>£'000</u>
34,360	Balance at 1 st April	26,569
49	Contribution applied from Capital Reserve	525
	Contribution applied in year	333
	Capital Receipts Applied	132
1,703	Government Grants Released	1,718
143	MRP	177
23	CASU repayment of Loans	-
(9,510)	Depreciation and Impairment	(9,525)
-	Building Disposals	(142)
(200)	Vehicle Disposals	(264)
<u>26,569</u>	Balance at 31st March	<u>19,523</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	Earmarked Reserves (see Note 39)	Revaluation Reserve	Capital Adjustment 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>
Balance as at 1 st April 2008	2,659	8,020	-	26,569	(9,328)	(503,446)	(475,526)
SMPFB							
- Transfer to SMPFB		(1,747)		(9,932)	(447)	(33,129)	(45,255)
- Transfer from SMPFB	201	2,430		2,886			5,517
Transfers Between Reserves							
Gains and Losses in 2008/09:							
FRS 17 Actuarial Gains and Losses					(5,388)	53,508	48,120
Revaluation of Fixed Assets							
Balance as at 31st March 2009	2,860	8,703	-	19,523	(15,163)	(483,067)	(467,144)

Notes to the Accounts

39. Summary of Movement on Earmarked Reserves:

	Devolved Budget Reserves	Insurance Reserve	Capital Expenditure Reserve	Pensions	Collaboration /Performance Reserve	Chiltern Air Support Revenue Reserves	Total Earmarked Reserves
	<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 2008	968	1,293	4,778	500	400	81	8,020
SMPFB							
- Transfer to SMPFB	(968)		(525)	(200)		(54)	(1,747)
- Transfer from SMPFB	1,125	205	880		220		2,430
Transfers Between Reserves							-
Balance as at 31 st March 2009	1,125	1,498	5,133	300	620	27	8,703

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.

2007/08			2008/09	
<u>£'000</u>	<u>£'000</u>		<u>£'000</u>	<u>£'000</u>
	(42,687)	Deficit for the Year		(39,738)
		Non Cash Transactions		
(1,703)		Deferred Government Grants	(1,718)	
9,510		Depreciation and Impairment	9,525	
76		Contribution to Provisions	64	
36,888		FRS17 Adjustments	33,576	
(25)		CASU (Surplus)/Deficit		
	44,746			41,447
		Accruals		
1359		Increase/(Decrease) in Creditors (excluding capital creditors)	(425)	
(7)		(Increase)/Decrease in Payments in Advance	135	
(289)		(Increase)/Decrease in Debtors (including long term but excluding capital debtors)	(907)	
(870)		Increase/(Decrease) in Receipts in Advance	(208)	
60		(Increase)/Decrease in Stock	22	
	254			(1,383)
	(861)	Servicing of Finance		(806)
	101	Disposal of Fixed Assets		168
	<u>1,553</u>	Net Cash Inflow/(Outflow) from Revenue Activities		<u>(312)</u>

41. Movement in Cash

The movement in cash reflected in the Balance Sheet on page 29 is as follows.

	As at 1st April 2008 <u>£'000</u>	As at 31st March 2009 <u>£'000</u>	Movement in the year <u>£'000</u>
Cash - Imprests	26	26	-
Cash - Force	923	465	458
Total	<u>949</u>	<u>491</u>	<u>458</u>

Notes to the Accounts

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

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

	As at 1 st April 2008 <u>£'000</u>	As at 31 st March 2009 <u>£'000</u>	Movement in the year <u>£000</u>
Short Term Investments	(13,900)	(14,100)	200
New Loans Raised	3,720	3,720	-
Total	<u>(10,180)</u>	<u>10,380</u>	<u>200</u>

43. Analysis of Government Specific Grants (Cash Flow)

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

	<u>2007/08</u> <u>£'000</u>	<u>2008/09</u> <u>£'000</u>
Home Office Grants		
Crime Fighting Fund	2,713	2,713
Counter Terrorism	1,275	941
BCU Fund	525	494
Special Operations	278	27
Community Support Officers	319	2,139
Manpad	201	512
LCJB Performance Management	123	140
Drug Testing Programme	304	324
Rule 2 Grant	1,698	1,698
Pension Top Up Grant	1,082	1,788
Dedicated Security Posts	962	1,191
IPLDP	243	238
NPF Round 2	1595	
Prevent Funding	-	260
Collaboration	-	148
Capacity Building for Specials	60	30
Luton Weeks of Action	80	
National Ports	132	8
LCJB - CJSSS	133	(60)
Other	281	479
Total Specific Government Grants	<u>12,004</u>	<u>13,070</u>

Police Pension Fund Accounting Statement

2007/08	Police Pension Fund Accounting Statement		2008/09
£000	£000		£000 £000
		Contributions receivable	
		- From Employer	
		Normal	(9,634)
(9,343)		Early Retirements for Ill-Health	(71)
(143)		Reimbursement of Unabated Pensions of	(29)
(25)		'30+' Police Officers	
<u>(4,154)</u>		- From members of the Pension Scheme	<u>(4,324)</u>
	(13,665)		(14,058)
		Transfers in	
	(226)	- Individual Transfers in from Other Schemes	(540)
		Benefits Payable	
12,779		- Pensions	13,631
<u>3,341</u>		- Commutations and Lump Sums	<u>4,015</u>
	16,120		17,646
		Payments to and on Account of Leavers	
28		- Refund of Contributions	16
<u>226</u>		- Individual Transfers out to Other Schemes	<u>132</u>
	254		148
	<u>2,483</u>	Sub-Total: Net amount receivable for the year before top-up grant	<u>3,196</u>
	(2,483)	Top-Up Grant from Police Fund	(3,196)
		- Net Amount Payable/Receivable for the year	-

2007/08	Net Assets Statement		2008/09
£'000			£'000
		Payments in Advance:	
		- April Pensions Paid March	1,197
1,109			
		Creditors/Receipts in Advance:	
		- Lump Sums & Refunds	(512)
(366)			
		Other current assets and liabilities	
		- Cash	(685)
(743)			
		- Net Current Assets/Liabilities	-

Police Pension Fund Accounting Statement

2007/08			2008/09	
£'000	£'000	Cash Flow Statement	£'000	£'000
		Revenue Activities		
		Cash Outflows		
	16,461	Other Operating Cash Payments		17,648
		Cash Inflows		
(2,484)		Specific Grants	(3,196)	
<u>(13,891)</u>		Other operating cash receipts	<u>(14,510)</u>	
	<u>(16,375)</u>			<u>(17,706)</u>
	86	(Increase)/Decrease in Cash		(58)

Notes to the Police Pensions Accounting Statement

The Accounting Policies for the Police Pension fund are disclosed in the main accounting policies on pages 18 to 23.

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

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

Police Pension Fund Accounting Statement

Notes to the Police Pensions Cash Flow Statement

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

	As at 1st April 2008 <u>£'000</u>	As at 31st March 2009 <u>£'000</u>	Movement in the year <u>£'000</u>
Cash Police Pension Fund	(743)	(685)	58

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

2007/08		2008/09	
<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
	-		-
	-		-
	(14)		146
	(72)		(88)
	(86)		58
<u>(86)</u>	Net Cash Inflow/(Outflow) from Revenue Activities	<u>58</u>	58

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 2008/09 include the following:
Internal Audit – Bentley Jennison
Payroll and Pensions – Logica
Treasury Management Advice - Sector
- (ii) **Insurance**
Heath Lambert Group provide a service to the Police Authority which includes undertaking an annual review of insurance arrangements and putting these out to tender in accordance with EU regulations.
- (iii) **Banking**
Banking services and advice are provided by National Westminster Bank plc.

Glossary of Terms

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Glossary of Terms

DEBTOR - Money owed to the Authority.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Glossary of Terms

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

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

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

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

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

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

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

PRECEPTS - The demands made by the Authority on the 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.

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

Glossary of Terms

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

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

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

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

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