

# NOTTINGHAMSHIRE POLICE AUTHORITY

## STATEMENT OF ACCOUNTS 2009/2010

	<b>Page</b>
<b>Explanatory Foreword</b>	2
<b>Statement of Accounting Policies</b>	9
<b>Statement of Responsibilities for the Statement of Accounts</b>	16
<b>Accounting Statements:</b>	
Income & Expenditure Account	18
Statement of the Movement on the General Fund (SMGF)	19
Reconciling items for the SMGF	20
Statement of Total Recognised Gains and Losses (STRGL)	21
Balance Sheet	22
Cash Flow Statement	24
<b>Notes to the Accounts</b>	25
<b>Pension Fund Account and Net Assets Statement</b>	62
<b>Report of the Auditors</b>	63
<b>Governance Statement</b>	67
<b>Glossary of Terms</b>	87

## EXPLANATORY FOREWORD

### 1. Introduction

The purpose of this foreword is to provide a clear guide to the most significant matters reported in the accounts. It explains the purpose of the financial statements that follow, a summary of the Authority's financial activities during 2009/2010 and its financial position as at 31 March 2010.

### 2. Background

Nottinghamshire Police Authority is responsible for the finances of Nottinghamshire Police, with a net budget of £196 million for 2009/2010. It is responsible for providing policing services to a population of over 1 million in the City of Nottingham and County of Nottinghamshire.

The main duty of the Police Authority is to provide an efficient and effective Police Service. The Authority sets its own budget and its own council tax precept to finance expenditure not met by Central Government funding. It is responsible for managing overall expenditure within the budget. However, responsibility for day-to-day financial management is delegated to the Chief Constable in accordance with the Authority's Scheme of Delegation and Financial Regulations.

### 3. The Financial Statements

The accounts are prepared in accordance with the Code of Practice on Local Authority Accounting: A Statement of Recommended Practice (SORP 2009).

To assist the reader an explanation of the various sections contained within the Statement of Accounts is set out below.

**The Statement of Accounting Policies (Page 9)**

This shows the policies adopted in compiling the Statement of Accounts.

**The Statement of Responsibilities (Page 16)**

This sets out the responsibilities of the Authority and Treasurer and also includes the Chair's certificate of approval signed by the Chair of the Nottinghamshire Police Authority.

□ **Accounting Statements:**

**Income & Expenditure Account (Page 18)**

This summarises all of the resources that the Authority has generated, consumed or set aside in providing services during the year.

**Statement of the Movement on the General Fund Balance (Page 19)**

This reconciles the surplus or deficit on the Income and Expenditure Account to the items that are required to be charged or credited to the General Fund and which therefore must be taken into account in determining the Authority's budget requirement and in turn its Council Tax demand.

**Statement of Total Recognised Gains & Losses (Page 21)**

This reconciles the outturn on the Income and Expenditure Account to the total movement in the Authority's net worth during the year. This statement recognises those gains and losses in the Balance Sheet that are not debited or credited to the Income and Expenditure Account.

**Balance Sheet (Page 22)**

This shows Nottinghamshire Police Authority's financial position as at 31 March 2010 (the end of the financial year 2009/2010).

**Cash Flow Statement (Page 24)**

This shows a summary of the cash flowing in and out of the Police Authority arising from transactions with Third Parties.

**Notes to the Accounts (Page 25)**

These provide additional information concerning items in the core financial statements.

**Pension Fund Account and Net Assets Statement (Page 62)**

This shows the Fund Account for the year and the Net Assets Statement as at 31 March 2010 for the Police Officers Pension Scheme.

**Independent Auditor's Report (Page 63)**

This sets out the opinion of the Authority's external auditor on whether the Police Authority's accounts present a true and fair view, the financial position and operations of the Authority for 2009/2010.

## 4. Governance Arrangements

Nottinghamshire Police Authority is responsible for ensuring that its business is conducted in accordance with the law and proper standards. The Police Authority is also responsible for ensuring that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. In discharging this accountability, members and senior officers are responsible for putting in place proper procedures for the governance of the Authority's affairs and the stewardship of the resources at its disposal.

The Chief Constable is responsible for the operational activities of the Force. This responsibility is discharged in accordance with statutory requirements, Oath of Police Officers, the Police Discipline Code and Police Regulations.

The annual review of the system of Internal Control has been included within the arrangements for the Annual Joint Assurance Statement. The Annual Joint Assurance Statement details how the Police Authority are doing the right things, in the right way, for the people of Nottinghamshire, in a timely, inclusive, open, honest and accountable manner.

The full statement is included on page 67.

## 5. Budget Variance

Budget monitoring reports are presented to the Police Authority each quarter. These show variations between budgeted and forecasted expenditure at a detailed level. Current budgetary position is also considered monthly at the Force's Executive Group meetings.

In 2009/2010, against a budget of £196.0 million, the overall net expenditure was £194.7 million. This leaves an under spending of £1.3 million.

The main variations in net expenditure for the year were:

	£m
Police Pay and Allowances	-0.3
Support Staff Pay and Allowances	-1.1
Transport Charges	0.3
All other net changes	-0.2
<b>2009/2010 over/under (-) spending</b>	<b>-1.3</b>

The main variation to the budget, as shown above, is on Support Staff pay and allowances. During the year, external recruitment to Support Staff posts was restricted and the vacancy rate increased.

## 6. Revenue Expenditure

The analysis of expenditure within the net cost of the service, as shown on the Income and Expenditure Account, for the year was as follows:

	Amount £m	Proportion %
Employees		
Police Officers	106.1	46.7
Police Staff	54.8	24.1
Other Employee Expenses	2.3	1.0
	163.2	71.8
Other Running Costs	34.2	15.1
Capital Charge to the I & E Account	9.1	4.0
Pensions	20.7	9.1
<b>Total Expenditure</b>	<b>227.2</b>	<b>100.0</b>
Income	-30.5	
<b>Net Cost of Service</b>	<b>196.7</b>	

## 7. Financing of Revenue Expenditure

The amount to be met from government grants and local taxation in 2009/2010 was £191.8 million this was funded as follows:

	Budget £m	Actual £m	Difference £m
<b>Financing of Net Revenue Expenditure</b>			
Police Grant	78.5	78.5	-
Precept	50.4	50.4	-
Revenue Support Grant	11.8	11.8	-
Non Domestic Rates Redistribution	51.1	51.1	-
<b>Total Financing</b>	<b>191.8</b>	<b>191.8</b>	<b>-</b>

## 8. Balances and Reserves

Reserves are maintained to finance future expenditure and to protect the Authority against unforeseen events. The General Fund is used to support revenue expenditure and any overspending in the financial year is funded from this source. The regulations also allow the Authority to earmark reserves for specific purposes. There are further details of earmarked reserves in Note 21 to the accounts.

The following table summarises the reserves held, and the movements within the year:

	01.04.2009 Restated £m	Movement £m	31.03.2010 £m
General Fund	6.1	0.9	7.0
Earmarked Reserves	12.0	-4.1	7.9
<b>Total Reserves</b>	<b>18.1</b>	<b>-3.2</b>	<b>14.9</b>

## 9. Capital Expenditure

The Police Authority's capital expenditure in 2009/2010 compared to the approved capital programme was as follows:

	Budget £m	Actual £m	Variance £m
<b>Capital Expenditure</b>			
Intangible Fixed Assets	-	0.3	0.3
Operational Land & Buildings	4.7	3.0	-1.7
Vehicles	-	0.6	0.6
Equipment	5.4	4.3	-1.1
Assets Under Construction	0.3	1.5	1.2
<b>Total Capital Expenditure</b>	<b>10.4</b>	<b>9.7</b>	<b>-0.7</b>
<b>Financing of Capital Expenditure</b>			
Supported Capital Expenditure	1.2	1.2	-
Government Grant	2.4	3.8	1.4
Internal Borrowing	6.8	4.4	-2.4
Capital Receipts	-	0.3	0.3
<b>Total Financing</b>	<b>10.4</b>	<b>9.7</b>	<b>-0.7</b>

## **10. Borrowing**

The Authority borrows, where necessary, to finance capital expenditure that it can not meet from its own resources. The main source of borrowing is the Public Works Loan Board (PWLB).

At 31 March 2010 the level of debt outstanding was £14.2m, this includes £10.7m of PWLB debt and a market loan of £3.5m. The maximum amount of PWLB debt due to mature in any future year is £1.3m. The £3.5m market loan matures in 2066. During 2009/2010 £1.3m principal was repaid on PWLB loans.

## **11. Future Outlook**

Since the 2010/11 budget was set in February 2010 the Authority has been notified of reductions in the region of £2.2m in Government funding in 2010/11, as part of the new coalition Government's £6.2 billion spending reductions. Reductions to the budgets will be made to match spending to the reduced resources available, and to protect the overall financial position of the Authority. The position for 2011/12 and beyond will be covered by the new Government's budget, which is anticipated in October 2010.

The Coalition's published "Programme for Government" does state that "We will freeze Council Tax in England for at least one year, and seek to freeze it for a further year, in partnership with local authorities." The Authority's Medium Term Financial Strategy already assumes a council tax freeze for 2011/12 and the following three years.

Despite the absence of firm information, it is clear that the size of the public sector deficit and the Government's plans to reduce it by lowering public spending will result in severely constrained grant settlements for all local and police authorities. There is a drive for even greater efficiencies within the public sector over the medium term, and the Authority and Force will continue to seek to deliver significant efficiencies locally to enable an appropriate balance between operational demands and the need to tailor spending to available resources.

In relation to capital investment the Force are undertaking a detailed review and will make recommendations to the Authority in the autumn. The ability to generate resources locally through asset sales will be key and finding the necessary resources will be challenging. The Authority will continue to seek to utilise the flexibility offered through the prudential borrowing framework whilst ensuring that this is done within the parameters of affordability and prudence.

## **12. International Financial Reporting Standards (IFRS)**

2009/2010 sees the first stage in the adoption of the IFRS. The adoption of IFRS was announced in the 2007 Budget Report and affects Central Government, Health and Local Government. Currently all accounts are required to be produced using UK Generally Accepted Accounting Practice (UK GAAP). A timetable has been agreed for Local Government which sees the adoption of IFRS for Private Finance Initiative (PFI) schemes for the 2009/2010 Statement of Accounts (see Accounting Policy 16). All other areas of IFRS are to be adopted in 2010/2011.

## STATEMENT OF ACCOUNTING POLICIES

### 1. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2009/2010 financial year and its position at the year-end 31 March 2010. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom - A Statement of Recommended Practice (SORP) 2009. The accounting convention adopted is historical cost, other than for certain categories of tangible fixed assets, which are subject to revaluation and are then shown at Current Value.

### 2. Fixed Assets

All expenditure, above the de minimis level, on the acquisition of fixed assets has been capitalised.

The following de minimis levels have been used:

	£
Land and Buildings	6,000
Vehicles and Plant	-
Equipment	2,500
Assets under Construction	-

Operational assets are fixed assets held and used by the Authority in the direct delivery of its service or used directly supporting that service. This includes Police Stations, Vehicles and Equipment. Non-operational assets are not directly used in the delivery of the service or are in the process of construction or development. This includes Police Houses, Police Stations under construction, and equipment purchased during the initial phases of a project that has two or three years before becoming operational.

Asset values have been included in the balance sheet as follows:

- (a) Land and building values used in the Accounts are based on a valuation carried out by Andrew Martin BSc MRICS, Director and Roger Smalley BSc MRICS, Associate Director of the independent valuers Lambert Smith Hampton, dated 1 April 2009. Operational buildings have been valued on the basis of Existing Use Value. Non-Operational buildings have been valued on the basis of Open Market Value.

All buildings are valued as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

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.

Where a loss (impairment) in value is recognised this is charged to the Income and Expenditure Account. If there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

- (b) Vehicles, I.T. and other equipment have been included at their written down valuation at 31 March 2010.
- (c) Furniture and Fittings are assessed to have a life of 15 years. Since 1 April 2003 furniture and fittings for new buildings have been capitalised at cost. For all buildings purchased or constructed between 1 April 1990 and 31 March 2003 furniture and fittings are included on the balance sheet at a written down value based on an original valuation of 7% of the cost of construction or purchase.
- (d) Assets under Construction are included at actual cost.

### **3. Charges to Revenue for Fixed Assets**

The Income and Expenditure Account is debited with depreciation and the amortisation of intangible fixed assets to record the real cost of holding fixed assets during the year.

The Authority is not required to raise council tax to cover depreciation or amortisation. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement, this Minimum Revenue Provision (MRP) replaces depreciation and amortisation in the Statement of the Movement on the General Fund Balance. Adjusting transactions are also shown in the Capital Adjustment Account.

## **4. Depreciation**

Depreciation is provided for on all assets with a determinable finite life by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use.

Depreciation is calculated on the following bases:

- Operational Buildings - straight line allocation over the life of the property as estimated by the valuers;
- Vehicles and Equipment - straight line allocation over the life of each asset.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account. The balance is then written down to revenue to offset depreciation charges made for the related assets in the Income and Expenditure Account, in line with the depreciation policy applied to them.

## **5. Disposal of Fixed Assets**

When an asset is disposed of, the gain or loss on disposal is written off to the Income and Expenditure Account. 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, which are required to be credited to the Usable Capital Receipts Reserve, and can then only be used for new capital expenditure or set aside to reduce the Authority's need to borrow (the Capital Financing Requirement).

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 the Movement on the General Fund Balance.

## **6. Grants**

Government grants, third party contributions and donations are recognised as income at the date that the Authority satisfies the conditions of entitlement to the grant/contribution.

Revenue grants are matched in the Income and Expenditure Account with the expenditure to which they relate. Grants to cover general expenditure (e.g. Revenue Support Grant) are credited to the Income and Expenditure Account after Net Operating Expenditure.

Capital grants are used in the financing of expenditure on fixed assets. If the grant relates to a specific asset then it is released from the Government Grants Deferred Account over the life of that asset, alternatively if the grant is of a more general nature then it is written off to the Capital Adjustment Account in the year the grant is used to finance the capital expenditure.

## **7. Leasing of Properties and Equipment**

The Authority currently leases a number of properties and items of equipment. All of these leases are accounted for as operating leases because all the risks and rewards relating to the leased items remain with the lessor. Rentals payable are charged to the Income and Expenditure Account on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

No assets have been acquired under finance leases.

## **8. Provisions**

Provisions are made where an event has taken place that gives the Authority an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain.

Provisions are charged to the Income and Expenditure Account in the year that the Authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the balance sheet.

The Authority makes appropriate provision for bad debts and this value impairs the value of the debt outstanding.

## **9. Reserves**

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Statement of the Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the Income and Expenditure account in that year to score against the Net Cost of Services. The reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for tangible fixed assets, retirement benefits and PFI agreements that do not represent usable resources for the Authority.

## **10. Debtors and Creditors**

The Income and Expenditure Account has been prepared on a general accruals basis in accordance with the Code of Practice and FRS18. Debtors and Creditors are included in the Accounts to provide for sums owing to and by the Authority at 31 March 2010, where the cash has not actually been paid or received during the year.

## **11. Temporary Investments**

All temporary investments are in the form of interest earning cash deposits held by counter parties that meet the strict criteria laid down in the Force's Treasury Management Strategy agreed annually by the Police Authority.

## **12. Stocks**

Stock accounts are maintained for uniforms, fuel, stationery, catering provisions and cleaning materials and these are valued at latest buying price. This is a departure from SSAP 9, but the differences are not material to the Accounts.

## **13. VAT**

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable from them. At the year end any amounts yet to be reclaimed are represented within debtors on the Balance Sheet.

## **14. Pensions**

The Authority participates in two different pension schemes, both of which provide members with defined benefits (retirement lump sums and pensions) related to pay and service. The Police Officers scheme is unfunded. Police Staff are, subject to certain criteria, eligible to join the Local Government Pension Scheme. This is a funded defined benefit scheme administered by Nottinghamshire County Council.

The Authority accounts for Pension costs in accordance with Financial Reporting Standard (FRS) 17, Retirement Benefits.

This requires an organisation to account for retirement benefits in the year they are earned, even if the actual payment of the benefit will be sometime in the future.

The Income and Expenditure Account shows the cost of pensions at current service cost within the net cost of the service, pension interest costs and return on assets appear within the net operating expenditure. However to ensure that the only liability is for the cash cost of the pension contributions these costs are reversed out as movements on the pension reserve prior to the amount to be met from government grant and local taxation.

The Balance Sheet recognises the net pension liability, reserve and long term debtors.

## **15. Private Finance Initiative Contracts**

PFI contracts are agreements for the receipt of services where the responsibility for making available the fixed assets needed to provide the service is with the PFI contractor.

The Authority has entered into two long-term contractual agreements, under PFI, with two contractors. The first is responsible for the initial design and construction, and now the ongoing maintenance of a traffic wing. The second contractor is responsible for the provision of vehicle services.

The accounting regulations in place in 2001/2002, when both these schemes began, were judged to have no impact on the balance sheet, only an ongoing revenue commitment. With the movement towards IFRS (see Accounting Policy 15) all Local Authority PFI schemes need to be reassessed in line with the requirements of International Financial Reporting Interpretations Committee (IFRIC) Standard 12. IFRIC 12 states that if a PFI scheme meets certain conditions then the Authority should recognise the asset on its Balance Sheet; these conditions aim to assess who has the main control of an asset and its use. Following this reassessment the Traffic Wing has been judged to fall within the scope of IFRIC 12 and therefore moves on to the Authority's Balance Sheet and is depreciated, impaired and revalued in the same way as other buildings.

IFRIC 12 was not designed to encompass vehicle supply arrangements and so the vehicle services contract remains off balance sheet. Details of the ongoing revenue commitments are described in Note 2.

## **16. Overheads and Support Services**

For the 2009/10 Statement of Accounts CIPFA has introduced a revised Best Value Accounting Code of Practice (BVACOP). Previously Police Service expenditure was shown as one figure, the revised BVACOP analyses this expenditure into nine groups relating the main areas of Police activity. The 2008/09 expenditure has been restated for comparative purposes. The revised analysis has been agreed following consultation between all the major stakeholders and aims to identify the costs of policing in a consistent manner across all Forces. The costs of overheads and support services are charged to the category of service that benefits from the usage of that service, with the exception of:

- Corporate and Democratic Core - costs relating to the Authority's status as a multi-functional, democratic organisation.
- Non Distributed Costs - the cost of discretionary benefits awarded to employees retiring early.

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

## **17. Joint Arrangement not an entity (JANE)**

The East Midlands Special Operations Unit (EMSOU) (see Note 24) is treated as a JANE in line with Financial Reporting Standard (FRS) 9 and the SORP.

A JANE is defined as a contractual arrangement under which the participants engage in joint activities that do not create an entity because it would not be carrying on a trade or business of its own.

In the case of EMSOU the contractual arrangement is between the five local Forces, Nottinghamshire, Derbyshire, Leicestershire, Lincolnshire and Northamptonshire. This arrangement is to undertake special operations in the area of the five Forces, but the EMSOU is not treated as a separate entity because it is not carrying out functions different to those carried out by the five Forces.

## STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

### 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 responsibility for the administration of those affairs. The Authority has determined the Treasurer as that officer;
- Manage its affairs to secure economic, efficient and effective use of resources and safe guard its assets;
- 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 statement is required to present fairly, the financial position of the Authority at the accounting date and its Income and Expenditure for the year ended 31 March 2010.

In preparing the 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 Code of Practice.

The Treasurer has also:

- Kept proper records which were up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Nottinghamshire Police Authority at 31 March 2010 and its income and expenditure for the year ended 31 March 2010.

**C M H Radford CPFA**  
**Treasurer to Nottinghamshire Police Authority**  
**30 June 2010**

### **Police Authority Approval**

In accordance with Regulation 10(3)b of the Accounts and Audit Regulations 2003 (as amended by the Accounts and Audit (Amendment) (England) Regulations 2009), I certify that the Police Authority approved the Statement of Accounts on 30 June 2010.

**Councillor J N Collins**  
**Chair of Nottinghamshire Police Authority**  
**30 June 2010**

## INCOME & EXPENDITURE ACCOUNT

Net Expenditure 2008/2009 Restated £000		Gross Expenditure 2009/2010 £000	Gross Income 2009/2010 £000	Net Expenditure 2009/2010 £000
103,925	Local Policing	126,950	-18,252	108,698
14,522	Dealing with the Public	15,870	-560	15,310
17,156	Criminal Justice Arrangements	18,280	-1,589	16,691
4,176	Road Policing	6,322	-2,223	4,099
11,109	Specialist Operations	13,986	-1,451	12,535
4,526	Intelligence	7,357	-1,010	6,347
21,489	Specialist Investigation	25,696	-1,554	24,142
6,837	Investigative Support	6,182	-672	5,510
1,074	National Policing	4,175	-2,460	1,715
394	EMSOU	739	-734	5
<b>185,208</b>	<b>Police Services</b>	<b>225,557</b>	<b>-30,505</b>	<b>195,052</b>
1,197	Corporate and Democratic Core	1,311	-26	1,285
10	Non Distributed Costs	332	-	332
<b>186,415</b>	<b>Net Cost of Services</b>	<b>227,200</b>	<b>-30,531</b>	<b>196,669</b>
-53	Gain (-) / Loss on the disposal of fixed assets			249
-	EMSOU Gain (-) / Loss on the disposal of fixed assets			-2
-13,858	Police Pension Top Up Grant			-12,583
1,391	Interest payable and similar charges			1,275
-525	Interest and investment income			-201
83,970	Pensions interest cost and expected return on pensions assets			79,151
<b>257,340</b>	<b>Net Operating Expenditure</b>			<b>264,558</b>
-47,935	Precepts			-50,416
-83,685	General Government Grants			-90,254
-53,177	Non Domestic Rates Redistribution			-51,125
<b>72,543</b>	<b>Surplus (-) / Deficit for the year</b>			<b>72,763</b>

## STATEMENT OF THE MOVEMENT ON THE GENERAL FUND

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

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

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

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

Total 2008/2009 Restated £000		Notts Police 2009/2010 £000	EMSOU 2009/2010 £000	Total 2009/2010 £000
72,543	Surplus (-) / Deficit for the year on the Income & Expenditure Account	72,760	3	72,763
-72,701	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	-73,611	-12	-73,623
<b>-158</b>	<b>Increase (-) / Decrease in General Fund Balance for the year</b>	<b>-851</b>	<b>-9</b>	<b>-860</b>
-6,066	General Fund Balance brought forward	-6,149	-75	-6,224
<b>-6,224</b>	<b>General Fund Balance carried forward</b>	<b>-7,000</b>	<b>-84</b>	<b>-7,084</b>

**RECONCILING ITEMS FOR THE STATEMENT OF THE MOVEMENT ON THE  
GENERAL FUND BALANCE**

Total 2008/2009 Restated £000		Notts Police 2009/2010 £000	EMSOU 2009/2010 £000	Total 2009/2010 £000
	<b>Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance</b>			
-231	Amortisation of intangible fixed assets	-355	-	-355
-6,773	Depreciation of fixed assets	-7,215	-138	-7,353
4,096	Government Grants Deferred amortisation	3,649	58	3,707
46	Net gain/(loss) on sale of fixed assets	-249	-	-249
-115,002	Net charges made for retirement benefits in accordance with FRS 17	-103,656	-	-103,656
-216	Impairment Charge	-5,133	-	-5,133
-292	Revenue Expenditure funded from Capital	-	-9	-9
105	Council Tax Accrual	-112	-	-112
<b>-118,267</b>		<b>-113,071</b>	<b>-89</b>	<b>-113,160</b>
	<b>Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance</b>			
2,189	Minimum Revenue Provision for Capital	1,499	-	1,499
357	Capital Expenditure charged in year to the General Fund Balance	-	78	78
13,858	Transfer of Top Up Grant to Pension Fund	12,583	-	12,583
27,387	Employer's contribution payable to the Pensions Account and retirement benefits payable direct to pensioners	29,430	-	29,430
<b>43,791</b>		<b>43,512</b>	<b>78</b>	<b>43,590</b>
	<b>Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance</b>			
1,775	Net transfer to or from earmarked reserves	-4,052	-1	-4,053
<b>1,775</b>		<b>-4,052</b>	<b>-1</b>	<b>-4,053</b>
<b>-72,701</b>	<b>Net additional amount required to be credited (-) / debited to the General Fund balance</b>	<b>-73,611</b>	<b>-12</b>	<b>-73,623</b>

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

This statement brings together all the gains and losses of the Police Authority for the year and shows the aggregate increase in its net worth. In addition to the (surplus)/deficit on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

Total 2008/2009 Restated £000		Notts Police 2009/2010 £000	EMSOU 2009/2010 £000	Total 2009/2010 £000
72,543	Surplus (-) / Deficit for the year on the Income and Expenditure Account	72,760	3	72,763
-79	Surplus (-) / Deficit arising on revaluation of fixed assets	-2,079	-	-2,079
-156,554	Actuarial gains (-) / losses on pension fund assets and liabilities	531,055	-	531,055
<b>-84,090</b>	<b>Total gain (-) / loss for the year</b>	<b>601,736</b>	<b>3</b>	<b>601,739</b>

The Statement of Total Recognised Gains and Losses has been restated due to changes in accounting for Council Tax and PFI (see Note 1 for further details).

## BALANCE SHEET

	Note	31 March 2009		31 March 2010	
		Restated		£000	£000
		£000	£000	£000	£000
<b>Intangible Fixed Assets</b>					
Intangible Fixed Assets	16	1,360		1,292	
EMSOU - Intangible Fixed Assets	24	6		13	
			<b>1,366</b>		<b>1,305</b>
<b>Tangible Fixed Assets</b>					
<b>Operational Assets</b>					
Land and Buildings	9	44,439		43,097	
Helicopter	9	940		802	
Vehicles	9	1,224		1,437	
Equipment, Furniture & Fittings	9	11,161		10,043	
EMSOU - Tangible Fixed Assets	24	336		259	
<b>Non-Operational Assets</b>					
Land and Buildings	9	1,463		1,425	
Assets under Construction	9	910		1,878	
<b>Total Tangible Fixed Assets</b>			<b>60,473</b>		<b>58,941</b>
Long Term Debtors	7		32		52
<b>Total Long Term Assets</b>			<b>61,871</b>		<b>60,298</b>
<b>Current Assets</b>					
Bank		393		1,510	
Stocks		645		652	
Debtors	7	17,831		10,413	
Temporary Investments		589		-	
Imprest Accounts		47		57	
EMSOU - Debtors	24	251		27	
EMSOU - Bank	24	381		581	
			20,137		13,240
<b>Total Assets</b>			<b>82,008</b>		<b>73,538</b>
<b>Current Liabilities</b>					
Short Term Borrowing		-1,271		-1,271	
Creditors	8	-18,736		-19,240	
Temporary Loans		-		-2,000	
EMSOU - Creditors	24	-354		-323	
			-20,361		-22,834
<b>Total Assets less Current Liabilities</b>			<b>61,647</b>		<b>50,704</b>
<b>Long Term Liabilities</b>					
Long Term Borrowing	30	-14,228		-12,957	
Government Grants Deferred		-743		-890	
Capital Grants Unapplied		-974		-35	
Finance Lease Liability		-1,762		-1,762	
Provisions	20	-2,560		-2,782	
Defined Benefit Pension Scheme	28	-1,153,984		-1,746,681	
EMSOU - Government Grants	24	-139		-79	
			<b>-1,174,390</b>		<b>-1,765,186</b>
<b>Total Assets less Liabilities</b>			<b>-1,112,743</b>		<b>-1,714,482</b>

**BALANCE SHEET CONTINUED**

	Note	31 March 2009		31 March 2010	
		Restated			
		£000	£000	£000	£000
<b>Financed by</b>					
Revaluation Reserve	21	828		2,737	
Pension Reserve	21 / 28	-1,153,984		-1,746,681	
Capital Adjustment Account	21	21,498		13,863	
General Fund	21	6,149		7,000	
Council Tax Adjustment Account	21	316		204	
Earmarked Reserves	21	11,969		7,917	
EMSOU - Capital Adjustment Account	24	203		192	
EMSOU - General Fund	24	75		84	
EMSOU - Earmarked Reserves	24	203		202	
<b>Total Net Worth</b>			<b>-1,112,743</b>		<b>-1,714,482</b>

## CASH FLOW STATEMENT

2008/2009 Restated £000		Note	2009/2010 £000
	<b>REVENUE ACTIVITIES</b>		
	<b>Cash Outflows</b>		
190,867	Cash paid to and on behalf of employees		199,336
29,661	Other operating cash payments		34,371
	<b>Cash Inflows</b>		
-47,830	Council Tax Receipts		-50,529
-7,402	Revenue Support Grant		-11,800
-53,177	National Non Domestic Rate		-51,125
-76,282	Police Grant		-78,454
-32,319	Other Government Grants	29.5	-40,698
-6,303	Cash Received for Goods & Services		-8,938
<b>-2,785</b>	<b>Revenue Activities Cashflow</b>	<b>29.1</b>	<b>-7,837</b>
	<b>SERVICING OF FINANCE</b>		
	<b>Cash Outflows</b>		
1,391	Interest Paid		1,275
	<b>Cash Inflows</b>		
-632	Interest Received		-209
<b>759</b>			<b>1,066</b>
	<b>CAPITAL ACTIVITIES</b>		
	<b>Cash Outflows</b>		
9,420	Purchase of Fixed Assets		10,344
	<b>Cash Inflows</b>		
-239	Sale of Fixed Assets		-524
-4,872	Capital Grants Received		-2,813
-59	Other Capital Cash Receipts		-45
<b>4,250</b>			<b>6,962</b>
<b>2,224</b>	<b>Net Cash Inflow (-) / Outflow Before Financing</b>	<b>29.2</b>	<b>191</b>
	<b>MANAGEMENT OF LIQUID RESOURCES</b>		
<b>-411</b>	Net increase / decrease (-) in Short-term Deposits	<b>29.4</b>	<b>-589</b>
	<b>FINANCING</b>		
	<b>Cash Outflows</b>		
1,271	Repayments of amounts borrowed		1,271
	<b>Cash Inflows</b>		
-4,000	New long-term loans		-
0	New short-term loans		-2,000
<b>-2,729</b>		<b>29.4</b>	<b>-729</b>
<b>-916</b>	<b>Net Increase (-) / Decrease in Cash</b>	<b>29.3</b>	<b>-1,127</b>

## NOTES TO THE ACCOUNTS

### 1. Prior Period Adjustments

The 2009/2010 Statement of Accounts includes two changes to accounting practice that resulted in the requirement to restate the 2008/2009 statements.

#### Private Finance Initiative

As explained in Explanatory Foreword 12 and Accounting Policy 15, the introduction of IFRIC 12 has resulted in the reassessment of the PFI scheme that provides the Authority with the traffic wing building. This building is now judged to be an asset of the Authority and therefore moves on to the Authority's balance sheet. The effect of this is that all previous transactions are removed from the accounts and the asset reaccounted for as though it had always been 'on balance sheet'.

#### Accounting for Council Tax

Up to 2008/2009 the SORP required the council tax income, included in the Income and Expenditure Account, to be the amount that under regulation was required to be paid from the billing Authority's collection fund to the Authority as precept. This has now been changed so that from the year commencing 1 April 2009 the council tax income included in the Income and Expenditure Account becomes the income for the year.

These two changes result in the following adjustments:

#### Income and Expenditure Account (Restated)

	2008/2009			
	Published Accounts £000	PFI Adjustment £000	Council Tax Adjustment £000	Restated Accounts £000
Net Cost of Services	186,828	-413	-	186,415
Net Operating Expenditure	257,302	38	-	257,340
Precepts	-47,830	-	-105	-47,935
<b>Surplus (-) / Deficit</b>	<b>72,610</b>	<b>38</b>	<b>-105</b>	<b>72,543</b>

**Statement of the Movement on the General Fund (Restated)**

	2008/2009			
	Published Accounts £000	PFI Adjustment £000	Council Tax Adjustment £000	Restated Accounts £000
Surplus (-) / Deficit on the I & E Account	72,610	38	-105	72,543
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance	-72,768	-38	105	-72,701
<b>Increase (-) / Decrease in General Fund Balance</b>	<b>-158</b>	<b>-</b>	<b>-</b>	<b>-158</b>
General Fund balance brought	-6,066	-	-	-6,066
<b>General Fund balance carried forward</b>	<b>-6,224</b>	<b>-</b>	<b>-</b>	<b>-6,224</b>

**Statement of Total Recognised Gains and Losses (Restated)**

	2008/2009			
	Published Accounts £000	PFI Adjustment £000	Council Tax Adjustment £000	Restated Accounts £000
Surplus (-) / Deficit on the I & E Account	72,610	38	-105	72,543
Surplus (-) / Deficit arising on revaluation of fixed assets	-79	-	-	-79
Actuarial gains (-) / losses on pension fund assets and liabilities	-156,554	-	-	-156,554
<b>Total gain (-) / loss</b>	<b>-84,023</b>	<b>38</b>	<b>-105</b>	<b>-84,090</b>

**Balance Sheet (Restated)**

	2008/2009			
	Published Accounts £000	PFI Adjustment £000	Council Tax Adjustment £000	Restated Accounts £000
Intangible Fixed Assets	1,366	-	-	1,366
Total Tangible Fixed Assets	59,201	1,272	-	60,473
Long Term Debtors	32	-	-	32
<b>Total Long Term Assets</b>	<b>60,599</b>	<b>1,272</b>	<b>-</b>	<b>61,871</b>
Current Assets	17,730	203	2,204	20,137
<b>Total Assets</b>	<b>78,329</b>	<b>1,475</b>	<b>2,204</b>	<b>82,008</b>
Current Liabilities	-18,473	-	-1,888	-20,361
<b>Total Assets less Current Liabilities</b>	<b>59,856</b>	<b>1,475</b>	<b>316</b>	<b>61,647</b>
Long Term Liabilities	-1,172,628	-1,762	-	-1,174,390
<b>Total Assets less Liabilities</b>	<b>-1,112,772</b>	<b>-287</b>	<b>316</b>	<b>-1,112,743</b>
<b>Total Net Worth</b>	<b>-1,112,772</b>	<b>-287</b>	<b>316</b>	<b>-1,112,743</b>

Cycle Loans to staff (£118,000), which was previously shown as a Long Term Debtor, has now been reclassified as a General Debtor, thus correcting the figures shown for Long Term Debtors and Current Assets in the 2008/2009 Published Accounts.

## 2. Private Finance Initiative

The Authority has two Private Finance Initiative (PFI) project agreements:-

The PFI contract for the provision of vehicle services to the Authority commenced in October 2001. The estimated capital value of this scheme is £14.8 million. The arrangement is for 25 years from 2001/2002 until 2026/2027. The amount paid in 2009/2010 was £3.3 million (£3.1 million in 2008/2009). Future payments will be linked to the movement in inflation, and are shown in the table below.

The Authority receives Special Grant towards the financing of the Vehicle Services PFI scheme. Grant of £1,259,435 was received in 2009/2010.

The PFI contract for the provision of a new Traffic Wing building commenced in February 2002. The estimated capital value of this scheme is £6.6 million. The arrangement is for 25 years from 2001/2002 until 2026/2027. The amount paid in 2009/2010 was £0.94 million (£0.91 million in 2008/2009). Future payments will be linked to the movement in inflation, and are shown in the table below.

The Authority receives Special Grant towards the financing of the Traffic wing PFI scheme. Grant of £588,481 was received in 2009/2010.

	<b>Vehicle Services £000</b>	<b>Traffic Wing £000</b>
<b>Future PFI Payments</b>		
2010/2011	3,251	946
2011/2012 to 2015/2016	16,254	4,728
2016/2017 to 2020/2021	16,254	4,728
2021/2022 to 2025/2026	16,254	4,728
2026/2027	813	709

## 3. Members' Allowances

The total amount of members allowances paid during 2009/2010 was £246,639 (2008/2009 £253,473).

#### 4. Officer Emoluments

The Accounts and Audit Regulations 2009 specifically requires that the Authority discloses the number of staff where payment to them exceeds £50,000.

All amounts paid to employees, excluding pension contributions, but including expense allowances and the money value of benefits, are included.

The bandings only include the remuneration of employees who have not been disclosed individually.

Remuneration Band	Number of Employees	
	2008/2009	2009/2010
£50,000 - £54,999	114	152
£55,000 - £59,999	56	81
£60,000 - £64,999	23	22
£65,000 - £69,999	8	6
£70,000 - £74,999	4	7
£75,000 - £79,999	5	9
£80,000 - £84,999	5	2
£85,000 - £89,999	1	3
£90,000 - £94,999	2	1

The following tables set out the remuneration disclosures for Senior Officers Posts; the officers included in these tables are not included in the table showing officers earning over £50,000 (above).

**SENIOR OFFICER EMOLUMENTS 2009/2010**

	Note	Salary	Expense Allowances (Note 4.8)	Benefits in Kind (Note 4.9)	Other Payments (Note 4.10)	Remuneration Total	Employers Pension Contribution	Total Remuneration including Pension Contribution
Chief Constable		£137,145	£24,535	£8,571	£7,068	£177,319	£33,189	£210,508
Deputy Chief Constable		£113,141	£951	£7,488	£8,306	£129,886	£27,380	£157,266
Assistant Chief Constable (Crime) - A	4.1	£105,605	£13,768	£7,901	£7,620	£134,894	£24,715	£159,609
Assistant Chief Constable (Crime) - B	4.2	£53,389	£1,292	£771	£3,063	£58,515	£12,052	£70,567
Assistant Chief Constable (Territorial)		£102,128	£2,185	£7,000	£3,554	£114,867	£24,715	£139,582
Director of Finance		£89,144	£416	£7,962	-	£97,522	£11,945	£109,467
Director of Information		£79,269	£245	£7,367	-	£86,881	£10,622	£97,503
Director of Human Resources - A (Retired 31/12/09)	4.3	£36,173	£38	£4,893	-	£41,104	£3,147	£44,251
Director of Human Resources - B	4.4	£35,747	£442	-	-	£36,189	£6,494	£42,683
Director of Human Resources - C (01/04/09-02/08/09)	4.5	£26,314	-	-	-	£26,314	£3,257	£29,571
Deputy Chief Executive and Treasurer	4.6	£70,884	£314	-	-	£71,198	£9,595	£80,793
Chief Executive	4.7	£78,873	-	-	-	£78,873	£10,569	£89,442
		<b>£927,812</b>	<b>£44,186</b>	<b>£51,953</b>	<b>£29,611</b>	<b>£1,053,562</b>	<b>£177,680</b>	<b>£1,231,242</b>

### Senior Officer Emoluments 2009/2010 Explanatory Notes

- 4.1 Assistant Chief Constable A was on secondment from 14/04/09-31/03/10; an amount of £156,576 was recharged.
- 4.2 Assistant Chief Constable B acted into the role between the following dates: 01/04/09-25/04/09; 22/08/09-30/08/09; 02/11/09-28/02/10 and 01/03/10-31/03/10.
- 4.3 The Director of Human Resources A was off sick between 01/04/09-21/06/09 and 16/07/09-31/12/09.
- 4.4 The Director of Human Resources B acted into the position, originally covering sickness for 14.5 hours a week between 13/07/09-08/11/09, and then for 29.6 hours a week between 09/11/09-31/03/10.
- 4.5 The Director of Human Resources C acted into the position, covering sickness between 01/04/09-02/08/09.
- 4.6 The Deputy Chief Executive and Treasurer's contract is for 30 hours per week; a back payment was made during the year for additional duties relating to 01/06/08-onwards.
- 4.7 Chief Executive was on secondment for 6 months; an amount of £47,815 was recharged.
- 4.8 Expenses include Travel, Accommodation, Subsistence and Relocation Costs.
- 4.9 Benefits in Kind include Car Allowance, Medical Insurance and Mortgage Interest Payments relating to relocation.
- 4.10 Other payments include Rent Allowance, Housing Allowance and Compensatory Grant.

In addition to the costs shown in the previous table the Force also paid sums to other Forces and Authorities relating to the following posts:

Deputy Chief Constable	£18,413
Assistant Chief Constable (Crime)	£61,498
Assistant Chief Constable (Performance Improvement)	£43,238
Chief Executive	£45,838

**SENIOR OFFICER EMOLUMENTS 2008/2009**

	Note	Salary	Expense Allowances (Note 4.18)	Benefits in Kind (Note 4.19)	Other Payments (Note 4.20)	Remuneration Total	Employers Pension Contribution	Total Remuneration including Pension Contribution
Chief Constable - A (Retired 23/06/08)		£30,224	-	£417	£6,310	£36,951	£7,314	£44,265
Chief Constable - B (Appointed 24/06/08)		£103,263	£7,286	£9,385	£3,291	£123,225	£24,990	£148,215
Deputy Chief Constable (From 01/06/08)	4.11	£110,251	£1,802	£6,489	£8,299	£126,841	£26,681	£153,522
Deputy Chief Constable - A (To 31/05/08)	4.12	£18,145	£264	£3,800	£1,267	£23,476	£4,097	£27,573
Assistant Chief Constable (Crime) - A (From 01/06/08)	4.12	£83,165	£1,318	£18,936	£6,312	£109,731	£20,420	£130,151
Assistant Chief Constable (Crime) - B (To 01/06/08 and 16/02/09-31/03/09)	4.13	£26,014	£1,031	£148	£1,517	£28,710	£5,325	£34,035
Assistant Chief Constable (Territorial)		£99,054	£1,484	£6,015	£5,895	£112,448	£24,414	£136,862
Director of Finance		£86,867	£395	£5,250	-	£92,512	£11,467	£103,979
Director of Information		£77,245	£648	£5,433	-	£83,326	£10,196	£93,522
Director of Human Resources - A	4.14	£54,633	£228	£5,250	-	£60,111	£7,212	£67,323
Director of Human Resources - B (15/01/09-16/02/09)	4.15	£3,018	-	-	-	£3,018	£399	£3,417
Director of Human Resources - C (16/03/09-31/03/09)	4.16	£3,209	-	-	-	£3,209	£1,470	£4,679
Deputy Chief Executive and Treasurer	4.17	£49,587	£691	-	-	£50,278	£6,546	£56,824
Chief Executive		£76,875	-	-	-	£76,875	£10,147	£87,022
		<b>£821,550</b>	<b>£15,147</b>	<b>£61,123</b>	<b>£32,891</b>	<b>£930,711</b>	<b>£160,678</b>	<b>£1,091,389</b>

### **Senior Officer Emoluments 2008/2009 Explanatory Notes**

- 4.11** The Deputy Chief Constable was on secondment between 01/04/08-31/05/08; an amount of £25,394 was recharged.
- 4.12** Assistant Chief Constable (Crime) A acted into the Deputy Chief Constable A post between 01/04/08-31/05/08, and then returned to their original post.
- 4.13** Assistant Chief Constable B acted into the role for the dates shown.
- 4.14** The Director of Human Resources A was off sick from the 30/11/08.
- 4.15**  
The Director of Human Resources B acted into the position, covering sickness for 14.5 hours a week between 15/01/09-16/02/09.
- 4.16** The Director of Human Resources C acted into the position, covering sickness between 16/03/09-31/03/09.
- 4.17** The Deputy Chief Executive and Treasurer's contract is for 30 hours per week.
- 4.18** Expenses include Travel, Accommodation, Subsistence and Relocation Costs.
- 4.19** Benefits in Kind include Car Allowance, Medical Insurance and Mortgage Interest Payments relating to relocation.
- 4.20** Other payments include Rent Allowance, Housing Allowance and Compensatory Grant.

## 5. Related Party Transactions

In accordance with the requirement of Financial Reporting Standard 8, the Authority is required to disclose details of any material transactions with bodies or individuals who have the potential to control or influence the Authority, and those who could potentially be controlled, or influenced by the Authority.

The Treasurer to the Police Authority has written to all Members, Senior Officers, Business Managers and Departmental Heads and obtained the required declarations.

The Authority has business relationships with Central Government other Police Forces and a number of other public organisations including Nottinghamshire County Council and Nottingham City Council.

	Payments £000	Receipts £000
<b>Central Government</b>		
Revenue Support Grant & NNDR	-	141,380
Other Government Grants	-	37,955
Capital Grants	-	2,460
<b>Local Authority - Precepts</b>		
Precepts and surpluses	-	50,529
<b>Local Authorities</b>		
Nottinghamshire County Council	8,140	1,990
Nottingham City Council	1,185	2,286
District Councils	1,265	724
Derbyshire Police	1,089	225
Leicestershire Police	836	783
EMSOU	-	445

## 6. Audit Costs

The following fees were paid to the Audit Commission, as appointed auditor, with regard to external audit services and inspection.

	2008/2009 £000	2009/2010 £000
Fees payable to the Audit Commission in relation to external audit services carried out by the appointed Auditor	76	79
<b>Total Audit Costs</b>	76	79

## 7. Debtors

The analysis of debtors shown on the Balance Sheet is:

	2008/2009 Restated £000	2009/2010 £000
<b>Long Term Debtors</b>		
Car Loans to Staff	32	52
<b>Balance at 31 March</b>	<b>32</b>	<b>52</b>
<b>General Debtors</b>		
Invoices issued but not paid	4,533	2,671
Pension payments in advance	232	238
Grants and Contributions due	7,747	2,286
Investments	9	-
VAT	819	1,098
Capital	381	245
Other Debtors	1,906	2,065
Precept Income	2,204	1,810
<b>Balance at 31 March</b>	<b>17,831</b>	<b>10,413</b>

## 8. Creditors

The analysis of creditors shown on the Balance Sheet is:

	2008/2009 Restated £000	2009/2010 £000
Invoices processed but not paid	-4,057	-2,744
Payroll	-6,332	-7,498
Capital	-922	-284
Grants in Advance	-1,780	-2,562
Other Creditors	-3,757	-4,546
Precept Income	-1,888	-1,606
<b>Balance at 31 March</b>	<b>-18,736</b>	<b>-19,240</b>

## 9. Fixed Assets

### Operational Assets

	Land and Buildings £000	Helicopter £000	Vehicles £000	Equipment £000	Total £000
<b>Certified Value of Assets as at 31 March 2009 (Restated)</b>	<b>47,665</b>	<b>1,631</b>	<b>2,592</b>	<b>28,326</b>	<b>80,214</b>
Accumulated Depreciation	-3,226	-690	-1,368	-17,166	-22,450
<b>Net Book Value of Assets as at 31 March 2009 (Restated)</b>	<b>44,439</b>	<b>941</b>	<b>1,224</b>	<b>11,160</b>	<b>57,764</b>
<b>Movement in 2009/2010</b>					
Additions	2,953	-	617	4,317	7,887
Disposals	-212	-	-165	-2,103	-2,480
Revaluation - Upwards	1,601	-	-	-	1,601
Impairment (No CEB)	-5,684	-	-	-	-5,684
Transfer	412	-	-	152	564
Depreciation:					
Current Year Depreciation	-1,248	-139	-361	-5,467	-7,215
Disposals	4	-	122	1,984	2,110
Revaluations	832	-	-	-	832
<b>Net Book Value of Assets as at 31 March 2010</b>	<b>43,097</b>	<b>802</b>	<b>1,437</b>	<b>10,043</b>	<b>55,379</b>

### Non-Operational Assets

	Land and Buildings £000	Assets Under Construction £000	Total £000
<b>Certified Value of Assets as at 31 March 2009</b>	<b>1,463</b>	<b>910</b>	<b>2,373</b>
Accumulated Depreciation	-	-	-
<b>Net Book Value of Assets as at 31 March 2009</b>	<b>1,463</b>	<b>910</b>	<b>2,373</b>
<b>Movement in 2009/2010</b>			
Additions	-	1,532	1,532
Disposals	-234	-	-234
Revaluation - Upwards	205	-	205
Impairment (No CEB)	-9	-	-9
Transfer	-	-564	-564
<b>Net Book Value of Assets as at 31 March 2010</b>	<b>1,425</b>	<b>1,878</b>	<b>3,303</b>

## 10. Financing of Capital Expenditure

	2008/2009 £000	2009/2010 £000
<b>Capital Investment</b>		
Operational Assets	7,810	7,887
Non Operational Assets	888	1,532
Intangible Assets	902	287
<b>Total</b>	<b>9,600</b>	<b>9,706</b>
<b>Sources of Finance</b>		
Supported Capital Expenditure	1,178	1,178
External Borrowing	4,000	-
Internal Borrowing	-	4,377
Government Grant	3,982	3,754
Capital Receipts	373	354
Capital Contribution	67	43
<b>Total</b>	<b>9,600</b>	<b>9,706</b>

## 11. Capital Expenditure Commitments

The estimated commitments for capital expenditure in future years for which the Authority had contractual commitments at 31 March 2010 are:

	2010/2011 £000	2011/2012 £000	2012/2013 £000	2013/2014 £000
Carlton ID Suite Refurbishment	182	-	-	-
Meadows Extension	222	10	-	-
Sherwood Lodge Refurbishment	1,808	1,432	125	-
Other Projects	397	50	-	-
<b>Total</b>	<b>2,609</b>	<b>1,492</b>	<b>125</b>	<b>-</b>

## 12. Information on Assets Held

	Number of Assets	
	31.03.2009	31.03.2010
Police Operational Buildings (Restated)	63	62
Police Houses	9	8
Radio Masts	4	3
Vehicles	245	263
Helicopter (share of)	1	1

## 13. Assets Held Under Lease

### Finance Leases

The Police Authority has no obligations under capitalised finance leases.

### Operating Leases

During the year lessors were paid £704,353 (£816,600 in 2008/2009).

Outstanding commitments in respect of operating leases at 31 March 2010 were as follows:

	31 March 2010	
	Property £000	Other £000
In 2010/2011	379	176
Between 2011/2012 - 2015/2016	1,317	52
After 2015/2016	2,066	-

## 14. Valuation of Assets

The Authority is required to ensure that valuations for those assets held at current value are reviewed at intervals of no more than five years. All properties were revalued at the beginning of the financial year (April 2009), having been valued previously in 1999 and 2004. After completion of major improvement works, properties are revalued to incorporate effects of that expenditure.

The valuations are carried out by Lambert Smith Hampton, external valuers. The basis for valuation is set out in the Statement of Accounting Policies.

	Operational Land and Buildings £000	Vehicles, Plant and Equipment £000	Non Op Land and Buildings £000	Total £000
Valued at historical	-	35,367	-	35,367
Valued at current value in 2009/2010	46,734	-	1,425	48,159
<b>Total</b>	<b>46,734</b>	<b>35,367</b>	<b>1,425</b>	<b>83,526</b>

## 15. Depreciation

Assets are depreciated over their useful economic lives. Depreciation is calculated on a straight-line basis, using the following asset lives:-

Property	10 – 50 years
Vehicles	1 – 20 years
Equipment	1 – 20 years
Furniture and Fittings (new buildings)	15 years

A full years charge is made in the year of acquisition, with no charge made in the year of disposal. Depreciation is charged to the Income & Expenditure Account.

## 16. Intangible Assets

Intangible Assets consist of assets capitalised at cost that do not have physical substance but are identifiable and controlled by the Authority. The amount stated on the Balance Sheet consists of purchased software licences.

	£000
Original Cost	2,283
Amortisations to 1 April 2009	-923
Balance at 1 April 2009	1,360
Expenditure in Year	287
Amortisation in Year	-355
<b>Balance at 31 March 2010</b>	<b>1,292</b>

Software licences are held for various systems, the cost is being written off over a seven year period, on a straight line basis.

## **17. Contingent Assets**

Contingent assets arise where the Authority is aware that a payment may be due to the Authority in respect of events prior to the balance sheet date. However, the certainty of the receipt will be affected by a future event.

The Authority has no contingent assets at 31 March 2010.

## **18. Contingent Liabilities**

Contingent liabilities arise where the Authority is aware of a possible obligation that has arisen because of events prior to the Balance Sheet date, but where the existence will only be confirmed by future events which are not in the Authority's control.

At 31st March 2010, the Authority was contesting two legal claims with a potential value of £500,000; all action is being taken to mitigate the risk.

## **19. Post Balance Sheet Events**

Since the accounts were prepared a material event has occurred which is not reflected in the accounts.

The Chancellor of the Exchequer announced in his Emergency Budget on 22 June 2010 that the consumer prices index rather than the retail prices index will be the basis for future public sector pension increases. In accordance with paragraph 21 of Financial Reporting Standard 21 (Events after the balance sheet date), this change is deemed to be a non-adjusting post balance sheet event. With regard to the pension scheme administered by the Nottinghamshire County Council, it is estimated that this change will reduce the value of an average employer's FRS17 liabilities in the Fund by around 6-8%. The impact on the pension schemes administered by the Government for Police Officers will be determined in due course.

## 20. Provisions

Provisions are amounts that have been set aside to meet liabilities that are certain to arise but because of their inherent nature cannot be quantified with any certainty. Provisions are made for estimated insurance liabilities. A new provision has been set up to meet expenditure, which is expected in the period for the Sports and Social Club as compensation for loss of assets at Epperstone.

	01.04.2009 £000	Movement £000	31.03.2010 £000
Employer and Public Liability	-1,783	-75	-1,858
Motor Vehicle Liability	-777	-77	-854
Compensation to Sports and Social Club	-	-70	-70
<b>Balance at 31 March 2010</b>	<b>-2,560</b>	<b>-222</b>	<b>-2,782</b>

The Authority takes out insurance policies to protect against the financial cost of several risks. However the policies carry an excess whereby the first part of a claim is the responsibility of the Authority. The Authority makes a provision in respect of outstanding liabilities based on the professional judgement of the Insurance Company. The level of provision required is reviewed by members during the year. The provision at 31 March 2010 was £2.8m (£2.6m 31 March 2009).

In addition to the above, the Authority has external insurances in place to protect its exposure to Business Continuity risks and a number of other minor risks including Personal Accident risks for members and volunteers.

The Authority has decided that it will not insure against damage caused to its own vehicles and any necessary repairs or replacements are financed directly from current expenditure.

## 21. Reserves

The Authority keeps 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.

	01.04.2009 Restated £000	Movement £000	31.03.2010 £000
Revaluation Reserve	828	1,909	2,737
Pensions Reserve	-1,153,984	-592,697	-1,746,681
Capital Adjustment Account	21,498	-7,635	13,863
Usable Capital Receipts	-	-	-
General Fund	6,149	851	7,000
Council Tax Adjustment Account	316	-112	204
Earmarked Reserves	11,969	-4,052	7,917
<b>Total</b>	<b>-1,113,224</b>	<b>-601,736</b>	<b>-1,714,960</b>

### Revaluation Reserve

The Revaluation Reserve records the accumulated gains on the fixed assets held by the Authority arising from increases in value, as a result of inflation or other factors. The overall balance on the Reserve thus represents the amount by which the Current Value (CV) of fixed assets carried in the Balance Sheet is greater because they are carried at revalued amounts rather than depreciated Historical Cost (HC).

Whilst these gains arising from revaluations increases the net worth of the Authority they would only result in an increase in spending power if the relevant assets were sold and capital receipts generated.

	2008/2009 £000	2009/2010 £000
<b>Balance at 1 April</b>	828	828
Increase in Valuation (includes depreciation)	75	2,638
Difference between CV and HC Depreciation	-19	-87
Assets not previously recognised	4	-
Write off on Disposal	-60	-83
Write off on impairment	-	-559
<b>Balance at 31 March</b>	<b>828</b>	<b>2,737</b>

## Pensions Reserve

As explained in Note 28. The Balance Sheet shows a liability which is the long term commitment the Authority has to pay retirement benefits. The amount shown as a Pension Reserve is the offset to that liability, and does not represent usable resources for the Authority.

## Capital Adjustment Account

The Capital Adjustment Account contains the write down of the historical cost of fixed assets as they are consumed by depreciation and impairments or written off on disposal. It also accumulates the resources that have been set aside to finance capital expenditure.

The balance on the account thus represents timing differences between the amount of the Historical Cost of fixed assets that has been consumed and the amount that has been financed in accordance with statutory requirements.

	2008/2009 £000	2009/2010 £000
<b>Balance at 1 April</b>	22,224	21,498
MRP	2,189	1,499
Depreciation	-6,477	-7,215
Intangible Assets	-398	-355
Impairment losses	-215	-5,133
Disposals - Book Value	-320	-604
Revaluations written off on disposal	60	83
Difference between CV and HC Depreciation	19	87
Government Grant Deferred	4,043	3,649
Capital Financing: Capital Receipt	373	354
<b>Balance at 31 March</b>	<b>21,498</b>	<b>13,863</b>

### Usable Capital Receipts

The use of capital receipts is regulated by Part 1 of the Local Government Act 2003 and Local Authorities (Capital Finance and Accounting) (England) Regulations 2003. It is expected that all future receipts will be used to finance capital expenditure in the year they are received.

	2008/2009 £000	2009/2010 £000
<b>Balance at 1 April</b>	-	-
Receivable	373	354
Applied	-373	-354
<b>Balance at 31 March</b>	-	-

### General Fund

The General Fund is used to support revenue expenditure and any overspending in the financial year is funded from this source.

	2008/2009 £000	2009/2010 £000
<b>Balance at 1 April</b>	6,014	6,149
Increase	135	851
<b>Balance at 31 March</b>	<b>6,149</b>	<b>7,000</b>

### Council Tax Adjustment Account

From 1 April 2009, the Council Tax shown in the Income and Expenditure Account has changed from being the amount collected under regulation to being the annual income due for the year. The balance on the Council Tax Adjustment Account reflects the difference between these two approaches.

## Earmarked Reserves

These are amounts that have been set aside to meet future expenditure that may be incurred but as yet are not sufficiently certain to be included within the general provisions.

	01.04.2009 Restated £000	Movement £000	31.03.2010 £000
Medium Term Financial Plan	9,143	-4,040	5,103
Helicopter Operational Reserve	90	-	90
Carry Forwards	910	-910	-
Police Payroll Reserve	548	-358	190
Policing For You	500	1,797	2,297
Market Loan Repayment	175	-175	-
Special Operation	400	-400	-
PFI Life Cycle Costs Reserve	203	34	237
<b>Total</b>	<b>11,969</b>	<b>-4,052</b>	<b>7,917</b>

## 22. Authorisation of Accounts

The Statement of Accounts were authorised for issue at the Police Authority on 30th June 2010.

## 23. Christopher McDonald Memorial Trust

Nottinghamshire Police operates the above Trust, which does not form a part of the Authority's Accounts. The Trust was set up in the late 1970's with donations that were received from the public, following the murder of PC McDonald whilst on duty in Worksop.

At 31 March 2010 the balance of the Trust stood at £4,873. During 2009/2010 awards of £4,248 were made.

## 24. East Midlands Special Operations Unit (EMSOU)

The East Midlands Special Operations Unit (EMSOU) was formed on the 1 January 2003 and is responsible for undertaking special operations across Nottinghamshire, Leicestershire, Derbyshire, Lincolnshire and Northamptonshire. Leicestershire act as the lead Authority.

Nottinghamshire contributes 27.6% to the net revenue budget of the EMSOU, this is included in the Forces Income and Expenditure Account. The contribution in 2009/2010 was £857,151.

The following tables show the accounts for the Joint Arrangements together with the balances attributable to Nottinghamshire.

2008/2009		Income and Expenditure Account	2009/2010	
EMSOU £000	Notts Police £000		EMSOU £000	Notts Police £000
2,259	624	Employee Expenses	2,833	782
601	166	Premises	775	214
299	83	Transport	334	92
1,674	462	Supplies and Services	1,519	419
1,336	369	Capital Charges	322	89
<b>6,169</b>	<b>1,704</b>	<b>Gross Operating Expenditure</b>	<b>5,783</b>	<b>1,596</b>
-596	-164	Other Income	-455	-126
1	-	Profit & Loss on Disposal of Fixed Assets	-7	-2
<b>5,574</b>	<b>1,540</b>	<b>Net Operating Expenditure</b>	<b>5,321</b>	<b>1,468</b>
		<b>Financed by:</b>		
-2,100	-580	Contributions from Partners	-3,106	-857
-2,050	-566	External Grants	-2,203	-608
<b>1,424</b>	<b>394</b>	<b>Surplus (-) / Deficit</b>	<b>12</b>	<b>3</b>

2008/2009		Reconciliation of Movement on the General Fund	2009/2010	
EMSOU £000	Notts Police £000		EMSOU £000	Notts Police £000
1,424	394	Surplus (-) / Deficit	12	3
-1,526	-422	Reversal of Capital Charges (Depreciation)	-534	-147
191	53	Government Grants Released	212	58
-25	-7	(Profit)/Loss on Disposal of Fixed Assets	-	-
1,295	357	Capital Expenditure Charged to Revenue	284	78
-1,442	-398	Transfer to/from Reserves	-5	-1
<b>-83</b>	<b>-23</b>	<b>Movement on General Fund</b>	<b>-31</b>	<b>-9</b>
<b>-189</b>	<b>-52</b>	<b>Balance Brought Forward</b>	<b>-272</b>	<b>-75</b>
<b>-272</b>	<b>-75</b>	<b>Balance Carried Forward</b>	<b>-303</b>	<b>-84</b>

31 March 2009		Balance Sheet	31 March 2010	
EMSOU £000	Notts Police £000		EMSOU £000	Notts Police £000
		<b>Net Fixed Assets</b>		
1,239	342	Vehicles and Equipment	983	272
<b>1,239</b>	<b>342</b>	<b>Total Long Term Assets</b>	<b>983</b>	<b>272</b>
		<b>Current Assets</b>		
1,382	381	Cash	2,105	581
909	251	Debtors	99	27
		<b>Current Liabilities</b>		
-1,180	-326	Creditors	-1,089	-301
-103	-28	Receipts in Advance	-81	-22
<b>1,008</b>	<b>278</b>	<b>Net Current Assets</b>	<b>1,034</b>	<b>285</b>
-503	-139	Government Grants Deferred	-286	-79
<b>1,744</b>	<b>481</b>	<b>Net Assets</b>	<b>1,731</b>	<b>478</b>
		<b>Represented by:-</b>		
272	75	EMSOU Reserve	303	84
736	203	Capital Adjustment Account	698	192
736	203	Earmarked Reserves	730	202
<b>1,744</b>	<b>481</b>	<b>Total Net Worth</b>	<b>1,731</b>	<b>478</b>

## 25. National Special Branch Account

Nottinghamshire Police provides the finance function for the above to which all Police Authorities and associated national security organisations contribute. The Force processes all transactions and holds the balance of contributions. None of the transactions, or the year end balance of £0.7m are reflected in the Force's Income and Expenditure Account or Balance Sheet.

## 26. Police Property Act Fund

Police Authorities are required under the Police Property Act 1997 to set aside any money received from the sale of property which has come into their possession in connection with a criminal charge. The net proceeds from this fund are subsequently either repaid to the individual, used to defray expenses incurred in the storage and safe custody of property, or distributed to local charities as directed by the Chief Constable.

	2008/2009 £000	2009/2010 £000
Balance at 1 April	-430	-509
Income	-488	-318
Expenditure	409	318
<b>Balance at 31 March</b>	<b>-509</b>	<b>-509</b>
Held in Property Act Bank A/C	<b>509</b>	<b>509</b>

## 27. North Midlands Helicopter Support Unit

This consortium was set up between Nottinghamshire Police and Derbyshire Constabulary to provide air support for the two counties. The consortium's new helicopter became operational in April 2004, this was purchased using Home Office Capital Grant and supported by Supplementary Credit Approval, both of which were granted to Derbyshire Constabulary.

The accounts for the unit are included as part of Derbyshire Constabulary's Accounts. The running costs of the unit are split 50:50 between the two Authorities, Nottinghamshire Police's budgeted contribution, for 2009/2010 was £580,180 (2008/2009 £534,100).

Both Authorities hold a reserve earmarked for the Helicopter Unit, into this any surplus can be paid or deficit charged. At the 31st March Nottinghamshire's share of the reserve was £90,000. For 2009/2010 the net expenditure of the unit was £1,033,925 (2008/2009 £1,190,534). The Nottinghamshire Police share of this figure is £516,963.

## **28. Pensions**

As part of the terms and conditions of employment of its staff, the Authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make these payments. The value of these payments needs 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 is administered by Nottinghamshire County Council. This is a funded scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

The Police Pension Scheme (PPS) for police officers is an unfunded scheme, meaning that there are no investment assets built up to meet the pension liabilities, and cash has to be generated to meet actual pension 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. In April 2006 the Home Office introduced changes to the arrangements for Police Pension financing. The existing Police Pension Scheme (1987) closed to new members on 5 April 2006. New Police recruits from 6 April 2006 will join the New Police Pension Scheme (2006).

### **Transactions relating to retirement benefits**

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

	Local Government Pension Scheme		Police Pension Scheme	
	2008/2009 £000	2009/2010 £000	2008/2009 £000	2009/2010 £000
<b>Net Cost of Services</b>				
Current service costs	4,832	3,272	26,190	20,900
Past service costs	-	-	10	130
Loss on curtailments and settlements	-	202	-	-
<b>Net Operating Expenditure</b>				
Interest cost	7,823	7,570	81,840	76,210
Expected return on assets in the scheme	-5,693	-4,629	-	-
<b>Net Charge to the Income and Expenditure Account</b>	<b>6,962</b>	<b>6,415</b>	<b>108,040</b>	<b>97,240</b>

	Local Government Pension Scheme		Police Pension Scheme	
	2008/2009 £000	2009/2010 £000	2008/2009 £000	2009/2010 £000
Reversal of net charges made for retirement benefits in accordance with FRS 17	-6,962	-6,213	-108,040	-97,240
<b>Actual amount charged against the General Fund Balance</b>				
Employers' contributions payable to scheme	4,905	5,543	-	-
Retirement benefits payable to pensioners (net of employee contributions)	-	-	36,440	36,410

In addition to the recognised gains included in the Income and Expenditure Account, actuarial losses of £531m (£156m 2008/2009) were included in the Statement of Total Recognised Gains and Losses.

## Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities:

	Funded Liabilities: Local Government Pension Scheme		Unfunded liabilities: Police Pension Scheme	
	2008/2009 £000	2009/2010 £000	2008/2009 £000	2009/2010 £000
<b>Balance at 1 April</b>	-126,064	-111,703	-1,191,130	-1,112,130
Current Service Cost	-4,832	-3,272	-26,190	-20,900
Interest Cost	-7,823	-7,570	-81,840	-76,210
Contributed by scheme participants	-2,465	-2,688	-9,250	-9,850
Actuarial Gains & Losses (-)	26,629	-56,496	150,700	-493,840
Benefits Paid	2,852	3,342	45,590	46,320
Past Service Costs	-	-	-10	-130
Losses / Gains (-) on curtailments	-	-202	-	-
<b>Balance at 31 March</b>	<b>-111,703</b>	<b>-178,589</b>	<b>-1,112,130</b>	<b>-1,666,740</b>

Included within the Local Government Pension Scheme (-£178,589k) is £1,432k which is unfunded. This relates to provisions under previous regulations that allowed an employees pension entitlement to be increased when retiring. These costs are met by the employer rather than the pension fund.

Reconciliation of fair value of the scheme assets:

	Local Government Pension Scheme	
	2008/2009 £000	2009/2010 £000
<b>Balance at 1 April</b>	80,413	69,849
Expected rate of return	5,693	4,629
Actuarial Gains & Losses (-)	-20,775	19,281
Employer Contributions	4,905	5,543
Contributions by scheme participants	2,465	2,688
Benefits Paid	-2,852	-3,342
<b>Balance at 31 March</b>	<b>69,849</b>	<b>98,648</b>

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investment are based on gross redemption at the Balance Sheet date. Expected returns on equity investments reflect long term real rates experienced in the respective markets.

The actual return on scheme assets in the year was £23.9m (2008/2009 - £15.1m)

### Scheme History

	2005/2006 £000	2006/2007 £000	2007/2008 £000	2008/2009 £000	2009/2010 £000
<b>Present Value of Liabilities</b>					
LGPS	-104,273	-108,727	-126,064	-111,703	-178,589
PPS	-1,332,220	-1,340,810	-1,191,130	-1,112,130	-1,666,740
<b>Fair value of assets in the LGPS</b>					
	66,076	75,795	80,413	69,849	98,648
<b>Total Surplus / Deficit (-)</b>	<b>-1,370,417</b>	<b>-1,373,742</b>	<b>-1,236,781</b>	<b>-1,153,984</b>	<b>-1,746,681</b>
LGPS	-38,197	-32,932	-45,651	-41,854	-79,941
PPS	-1,332,220	-1,340,810	-1,191,130	-1,112,130	-1,666,740
<b>Total Surplus / Deficit (-)</b>	<b>-1,370,417</b>	<b>-1,373,742</b>	<b>-1,236,781</b>	<b>-1,153,984</b>	<b>-1,746,681</b>

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £1.747bn has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance of £1.714bn.

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

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as
- finance is only required to be raised to cover police pensions when the pensions are actually paid out.

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2011 is £5.7m. Expected contributions for the Police Pension Scheme in the year to 31 March 2011 is £21.4m.

## Basis for estimated assets and liabilities

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

For the Local Government Pension Scheme, liabilities have been assessed by Barnett Waddingham, working for Nottinghamshire County Council, estimates for the fund being based on the latest full valuation at 31 March 2007.

For the Police Pension Scheme the Authority appointed the Government Actuary's Department to assist with the assessment of accrued pension liabilities under the Police Pension Scheme for the year to 31 March 2010.

The principal assumptions used by the actuary have been:-

	Local Government Pension Scheme		Police Pension Scheme	
	2008/2009	2009/2010	2008/2009	2009/2010
<b>Long-term expected rate of return on assets in the scheme</b>				
Equity Investments	6.90%	7.40%		
Bonds	4.70%	4.90%		
Other	5.70%	6.40%		
<b>Mortality assumptions</b>				
Longevity at 65 for current pensioners				
Men	20.30 yrs	20.30 yrs		
Women	23.91 yrs	23.91 yrs		
Longevity at 65 for future pensioners				
Men	21.22 yrs	21.22 yrs		
Women	24.91 yrs	24.91 yrs		
Rate of inflation	3.00%	3.90%	3.00%	3.90%
Rate of increase in salaries	4.50%	5.40%	4.50%	5.40%
Rate of increase in pension	3.00%	3.90%	3.00%	3.90%
Rate of discounting scheme liabilities	6.70%	5.50%	6.90%	5.80%
Take up of option to convert annual pension into retirement lump sum	50.00%	50.00%		

The Police Pension Scheme has no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held.

	2008/2009 %	2009/2010 %
Equity Investments	59.3	68.0
Bonds	20.8	15.0
Property	15.9	15.0
Cash	4.0	2.0
	<b>100.0</b>	<b>100.0</b>

### History of experience gains and losses

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

	2005/2006 %	2006/2007 %	2007/2008 %	2008/2009 %	2009/2010 %
<b>LGPS</b>					
<i>Difference between the expected and actual return on assets</i>	13	2.0	-6.8	-29.7	19.5
<i>Experience gains/losses (-) on liabilities</i>	-3	-	-0.3	-	0.2
<b>PPS (1987)</b>					
<i>Experience gains/losses (-) on liabilities</i>	1.3	-1.5	-0.8	1.2	1.6
<b>PPS (2006)</b>					
<i>Experience gains/losses (-) on liabilities</i>	-	23.5	-28.9	-2.8	-6.4

## 29. Cash Flow Statement

### 1. Reconciliation of Surplus (-) / Deficit to Revenue Activities Cash Flow

The table below shows the reconciliation of the net surplus (-) / deficit on the Income and Expenditure Account to the net cash inflow from revenue activities.

				£000
<b>Surplus (-) / Deficit for the year</b>				<b>72,760</b>
<b>Non-Cash transactions</b>				
Capital charges				-9,055
Contributions (to)/from Provisions				-222
FRS 17 Adjustment				-61,642
Gain / Loss (-) on disposal of Fixed Asset				-249
<b>Items on an Accrual Basis</b>	<b>01.04.2009 Restated £000</b>	<b>31.03.2010 £000</b>	<b>Movement £000</b>	
Stocks	645	652	7	
Debtors	17,677	10,456	-7,221	
Creditors	-17,814	-18,955	-1,141	-8,355
Interest Received				-1,074
<b>Revenue Activities Net Cash Flow</b>				<b>-7,837</b>

### 2. Reconciliation of Net Cash flow to Movement in Net Debt

		£000
Increase (-) / Decrease in cash		1,127
Cash inflow (-) / outflow from increase (-) / decrease in debt		-729
Cash inflow (-) / outflow from increase (-) / decrease in liquid resources		-589
<b>Change in Net Debt resulting from Cash Flows</b>		<b>-191</b>
Net debt at 1 April 2009		-14,470
Net debt at 31 March 2010		-14,661
<b>Movement in Net Debt during the year</b>		<b>-191</b>

### 3. Movement in Cash and Cash Equivalents

The following table shows the reconciliation of the Net Increase (-) / Decrease in Cash, from the Cash Flow Statement, to the movement in cash shown on the Balance Sheet.

	01.04.2009 £000	31.03.2010 £000	Movement £000
Cash Overdraft	393	1,510	1,117
Imprest Account	47	57	10
<b>Net Increase (-) / Decrease in Cash</b>	<b>440</b>	<b>1,567</b>	<b>1,127</b>

### 4. Reconciliation of Financing and Management of Liquid Resources

	01.04.2009 £000	31.03.2010 £000	Movement £000
<b>Financing</b>			
Repayment of amounts borrowed:-			
Repayable within 12 months	-1,271	-3,271	-2,000
Long term borrowing	-14,228	-12,957	1,271
	-15,499	-16,228	-729
<b>Management of Liquid Resources</b>			
Temporary Investments / Loans (-)	589	0	-589
<b>Net Cash Inflow (-) / Outflow from Financing and Management of Liquid Resources</b>	<b>-14,910</b>	<b>-16,228</b>	<b>-1,318</b>

## 5. Analysis of other Government Grants

	£000
Pension Fund Top-up Grant	-17,755
PCSO Grant	-5,712
Crime Fighting Fund	-4,633
Miscellaneous Grants	-3,040
Operation Prevent	-216
P F I Grant	-1,848
SPP Grant	-1,506
Drug Testing Pilot	-1,047
Community Neighbourhood Protection Service	-278
DNA Expansion Programme	-468
BCU Fund	-1,342
Neighbourhood Renewal Fund	-266
Initial Police Learning and Development Programme	-205
Dedicated Security Posts	-237
Sherwood Project	-170
Local Criminal Justice Board	-208
CDRP Fund	-144
TKAP Fund	-267
Police Incentivisation Scheme	-230
NCC Fund	-976
Prostitution Task Force	-150
<b>Total Grants Received</b>	<b>-40,698</b>

### 30. Financial Instruments

#### Gains and Losses from Financial Assets and Liabilities

The gains and losses recognised in the Income and Expenditure Account and Statement of Total Recognised Gains and Losses in relation to financial instruments are made up as follows:

	2009/2010			
	Financial Liabilities (at amortised cost) £000	Financial Assets		Total £000
		Loans and Receivables £000	Available for Sale Assets £000	
	Interest	-1,275	-	-
Losses on Derecognition	-	-	-	-
Impairment Losses	-	-	-	-
<b>Interest payable and similar charges</b>	<b>-1,275</b>	<b>-</b>	<b>-</b>	<b>-1,275</b>
Interest Income	-	201	-	201
Gains on Derecognition	-	-	-	-
<b>Interest and Investment Income</b>	<b>-</b>	<b>201</b>	<b>-</b>	<b>201</b>
Gains on Revaluation	-	-	-	-
Losses on Revaluation	-	-	-	-
Amounts recycled to the I & E Account after Impairment	-	-	-	-
<b>Surplus arising on Revaluation of Financial Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net gain / loss (-)</b>	<b>-1,275</b>	<b>201</b>	<b>-</b>	<b>-1,074</b>

## Fair Value of Assets and Liabilities carried at Amortised Cost

Financial Liabilities and Assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- The fair value of PWLB loans has been calculated by reference to the "premature payment" set of rates in force on that day;
- No early repayment or impairment is recognised.

The fair values calculated are as follows:

	31.03.2009		31.03.2010	
	Carrying amount	Fair value	Carrying amount	Fair value
	Restated £000	Restated £000	Restated £000	Restated £000
Financial Liabilities				
- PWLB	-11,999	-13,754	-10,728	-12,083
- Market Loan	-3,500	-3,266	-3,500	-3,176
- Creditors	-18,736	-18,736	-19,240	-19,240
- Temporary Loans	-	-	-2,000	-2,000
	<b>-34,235</b>	<b>-35,756</b>	<b>-35,468</b>	<b>-36,499</b>
Loans and Receivables				
- Bank Balance	393	393	1,510	1,510
- Debtors	17,831	17,831	10,413	10,413
- Temporary Investments	589	-	-	-
- Car Loans (over 1 year)	32	32	52	52
	<b>18,845</b>	<b>18,256</b>	<b>11,975</b>	<b>11,975</b>

The fair value of the PWLB loans is more than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date.

For creditors, the carrying amount as shown in the Balance Sheet is assumed to approximate to fair value, as the instrument will mature within the next 12 months.

Long term debtors are car loans to staff, which are not adjusted to fair value because they are at a prevailing PWLB rate when initially recognised. Debtors are reviewed and impaired for the likelihood of default; hence the carrying value approximated to fair value.

## Nature and Extent of Risks Arising from Financial Instruments

### Credit Risk

This is the risk that one party to a Financial Instrument will fail to meet their contractual obligations, causing a loss for the other party. Exposure to this risk is managed through the Authority's Treasury Management strategy. The Authority only invests in approved institutions with secure credit ratings, there are also limits in place as to how much can be invested with counter parties. The other risk is default by customers which is managed by a active credit control policy.

There were no short term investments held at the year end - hence there was no risk of default.

At 31st March 2010 the amount owed by customers was £2.9m (£4.7m in 2008/2009). The Authority's policy is to set aside a provision for bad debts in order to minimise the effect of default. At the end of 2009/2010 the provision for bad and doubtful debts was £220,000 (£182,000 in 2008/2009).

### Liquidity Risk

This is the risk that a party will be unable to raise funds to meet its commitments associated with Financial Instruments. As the Authority currently has ready access to borrowings from the Public Works Loan Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Authority will be bound to replenish a significant portion of its borrowings at a time of unfavourable interest rates. This risk is reduced because the financial liabilities have a spread of maturity dates.

The maturity analysis of debt is as follows:

	2008/2009 Restated £000	2009/2010 £000
<b>Analysis of Loans by Maturity</b>		
Maturing under 1 year	-1,271	-3,271
Maturing between 1 and 2 years	-1,271	-1,271
Maturing between 2 and 5 years	-3,813	-3,813
Maturing between 5 and 10 years	-4,890	-3,963
Maturing between 10 years or more	-4,254	-3,910
<b>Amount outstanding at 31 March</b>	<b>-15,499</b>	<b>-16,228</b>

## Market Risk

This is the risk that the value of an instrument will fluctuate because of changes in interest rates, market prices and foreign currency exchange rates. The Authority has limited risk. PWLB interest rates are fixed, the Authority has one market loan which is a LOBO (Lender Option Borrower Option) for which the interest rate is fixed for the first five years and reviewable at 5 year intervals. Investments are only temporarily invested (less than a year). The Authority does not invest in equity shares and has no financial assets or liabilities in foreign currencies.

## Borrowings and Investments

The Borrowings and Investments disclosed in the Balance Sheet are made up of the following categories of Financial Instruments:

	Long-Term		Current	
	2008/2009 Restated £000	2009/2010 £000	2008/2009 Restated £000	2009/2010 £000
<b>Financial Liabilities at:</b>				
Amortised cost - PWLB	-10,728	-9,457	-1,271	-1,271
Amortised cost - LOBO	-3,500	-3,500	-	-
Fair Value through I & E	-	-	-	-
Temporary Loans	-	-	-	-2,000
<b>Total Borrowings</b>	<b>-14,228</b>	<b>-12,957</b>	<b>-1,271</b>	<b>-3,271</b>
<b>Loans and Receivables:</b>				
Temporary Investments	-	-	-589	-
Available for Sale	-	-	-	-
Financial Assets	-	-	-	-
Unquoted Equity	-	-	-	-
Investments (at cost)	-	-	-	-
<b>Total Investments</b>	<b>-</b>	<b>-</b>	<b>-589</b>	<b>-</b>

## PENSION FUND ACCOUNT

The Police Pension Scheme, for police officers, is maintained under the Police Pension Fund Regulations 2007. It is an unfunded scheme, meaning that there are no investment assets built up to meet the pension liabilities. The fund is balanced to nil each year by a transfer out of the police fund. The police fund payment is matched by additional grant funding from the Home Office.

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

	2008/2009 £000	2009/2010 £000
<b>Contributions receivable</b>		
Employers Contributions	-19,826	-20,484
Additional Contributions for Early Retirements	-567	-477
Member Contributions	-8,924	-9,221
<b>Transfers in</b>	-334	-633
<b>Benefits Payable</b>		
Pensions	32,333	34,904
Commutations and Lump Sum Retirement Benefits	10,790	7,669
Lump Sum Death Benefits	158	134
<b>Payments to and on account of Leavers</b>		
Refund of Contributions	2	8
Transfers out	226	683
<b>Sub total for the year before transfer from the Police Authority of amount equal to the deficit</b>	<b>13,858</b>	<b>12,583</b>
Transfer of Government Grant from the Police Authority to meet the deficit	-13,858	-12,583
<b>Balance at 31 March 2010</b>	-	-

## NET ASSET STATEMENT

	2008/2009 £000	2009/2010 £000
Debtors - Pensions paid in advance	2,844	2,962
Creditors - Unpaid pensions benefits	-1,250	0
Other Current Assets	-1,594	-2,962
	-	-

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NOTTINGHAMSHIRE  
POLICE AUTHORITY**







**NOTTINGHAMSHIRE POLICE AUTHORITY AND  
NOTTINGHAMSHIRE POLICE**

**ANNUAL JOINT ASSURANCE STATEMENT  
2009/2010**

**1. SCOPE OF RESPONSIBILITIES**

- 1.1 The Nottinghamshire Police Authority is responsible for ensuring 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.
- 1.2 The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.3 In discharging this overall responsibility, the Authority is also responsible for putting in place proper arrangements for the governance of its affairs and facilitating the exercise of its functions, which includes ensuring a sound system of internal control is maintained through the year and that arrangements are in place for the management of risk.
- 1.4 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.nottinghamshire.police.uk/authority](http://www.nottinghamshire.police.uk/authority) or can be obtained from the Police Authority office. This statement explains how the Authority has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit [Amendment] [England] Regulations 2006 in relation to the publication of a Statement on Internal Control.

## **2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK**

- 2.1 The Governance Framework comprises the systems and processes, and culture and values by which the Authority is directed and controlled and its activities through which it accounts to and engages with the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services, including achieving value for money.
- 2.2 The System of Internal Control is a significant part of that framework and is designed to manage risk to a reasonable and foreseeable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.
- 2.3 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 effectively, efficiently and economically.
- 2.4 The Governance Framework has been in place for the year ended 31 March 2010 and up to the date of approval of the annual Statement of Accounts (30 June 2010).

## **3. THE GOVERNANCE FRAMEWORK**

- 3.1 Although the Chief Constable is responsible for operational policing matters, the direction and control of police personnel, and for putting in place proper arrangements for the governance of the Force, the Authority is required to hold the Chief Constable to account for the exercise of those functions and those persons under that direction and control.
- 3.2 It therefore follows that the Authority must satisfy itself that the Force has appropriate mechanisms in place for the maintenance of good governance, and that these operate in practice.

**This section describes the key elements of the systems and processes that comprise the governance arrangements that have been in place for the Authority and Force.**

## **Introduction**

During 2009/2010 the Authority and Force commissioned an Independent Capability review. This review highlighted key areas of change that were needed to improve the Governance and Leadership within the Authority and Force.

In response to this the Authority has made appointments of new Deputy and Assistant Chief Constables, it brought forward its 2010 AGM in order to make significant Governance changes through a new committee structure and newly appointed Chair and Vice Chairs.

To ensure a full programme of change is put in place the Authority has a Change Management Board, made up of Police Authority Members and Members representing Partnering Local Authorities and advisors from Partnership organisations such as the Home Office, Association of Police Authorities (APA) and National Policing Improvement Agency (NPIA). The work of this board is supported by a Change Management Team.

Both the Authority and Force have Improvement Plans and an action-planning timetable to ensure these plans are achieved in a timely manner. The Forces Improvement Plan identified 22 key areas, these have now been delivered, mainstreamed or picked up for areas of work within the Forces Change Programme.

It is intended that the changes recommended and implemented will significantly improve the performance of the Authority and Force through quality leadership and governance arrangements.

The Improvement Plan for the Force has now been superseded by the Change Programme, which has identified key priority areas of improvement for the Force, with projects to deliver these improvements.

The Authority's Improvement plan is reported on monthly to the Change Management Board and actions are being delivered in accordance with the timetable.

□ **Identifying and communicating the Authority's vision of its purpose and intended outcomes for citizens and service users**

The Authority and the Force routinely monitor performance to establish how satisfied the public are with the policing service they receive. Views are sought through a variety of means such as user satisfaction surveys, public meetings and neighbourhood policing engagement activities. These activities assist our understanding of public confidence in Nottinghamshire.

Public confidence is also measured nationally under Public Service Agreement 23 and National Indicator 21, which is the measure in the British Crime Survey. This looks specifically at the percentage of survey respondents answering 'strongly agree' or 'tend to agree' when asked whether the police and local council are dealing with anti social behaviour and crime issues that matter in the area.

The vision statement is:

"Policing for You' by working in partnership to protect and reassure through a visible and accessible service that is flexible and responsive to community and individual needs.'

During 2009/2010 this vision was further developed to include '20/20 Vision' specifically aimed at improving Police performance in crime detection, reduction, public confidence and satisfaction and delivering value for money. This was further embedded into the Force's focus to improve performance through Operation Arrow. This has continued to drive the challenging performance improvements required, together with setting stretch targets in the Policing Plan 2010-13. The tracking of performance has been improved through the Performance Dashboard accessible through the intranet.

By having Partners on the Authority's Change Management Board the direction of the service being developed and delivered is integrated across the City and County of Nottinghamshire and the intended outcomes meet those priorities jointly identified.

□ **Reviewing the Authority’s vision and strategy and its implications for governance arrangements**

As stated above the Capability Review highlighted this as an area in need of improvement. Governance arrangements are being addressed through new leadership and committee structures linking into the Force, with clear terms of reference.

The new Committee Structure came into place in May 2010 and with this came a new leadership in Members. There is a lot of work needed and the committees have been focussed on key priorities, under new terms of reference. Specifically changes to the performance data means that members are informed on the key areas where performance needs to improve and how the Force performance compares to other similar forces.

The Force is identifying the critical governance structures required to ensure robust decision making. This is further supported by ensuring a clear link to organisational scrutiny and challenge through the Authority. This is a dynamic area of decision making with a new Strategic Planning Group to scrutinise Force Change Programme decisions.

The Change Programme sets out a clear focus to deliver ‘Policing for You’ vision through aiming ‘to develop a Change Programme to facilitate, monitor and deliver the Force initiatives for a service delivery model that will protect frontline services, deliver policing as leanly and effectively as possible and sustain improved performance, at a reduced cost.’

□ **Setting objectives and targets outlined in the Annual Policing Plan, including decision making structures**

In light, of the Capability Review the draft Policing Plan issued in March has being re-written with revised targets to reflect the public’s priorities and the need to close the gap between Nottinghamshire and its Most Similar Group of Forces. The planning cycle will ensure that the finances meet the Policing Strategy in the years ahead so that the Policing Plan has direct influence on budget setting.

The Force and Authority worked together in completely revising the Policing Plan by 30th June. This includes stretch targets for performance to ensure that performance moves towards the Most Similar Forces average and produces a step change for the people of Nottinghamshire.

The stretch targets set in the Policing Plan are based on the Strategic Intelligence Assessment. The Plan sets out the joint vision and key objectives with actions that are now being driven through the Change Programme. The initiatives identified for improvement are prioritised and will deliver the unique challenge to design a policing model for the Force, which continues to drive down crime, and make significant savings.

Linked with this is the ongoing work relating to the Force and Authority structures. This will result in improved governance structures linked between Force and Authority Committees/Boards ensuring decisions are made at appropriate levels and communicated effectively.

□ **Monitoring performance against operational, financial and other strategic plans, including how key issues are identified and tasked**

Performance has been a major issue for 2009/2010. Through the introduction of '20/20 Vision' the Force has put significant energy into driving maximum performance throughout the service.

The Authority has introduced new monitoring and scrutiny arrangements with performance reporting based upon the "balanced scorecard" approach now being used by the Home Office.

Until recently both the Authority and Force had been monitoring performance improvement over time at a Force and local level, where year on year there has been significant reduction in crime and improvements in satisfaction. However, there had been very little focus on how our most similar Forces had been performing and in key areas of burglary and robbery Nottinghamshire had not been reducing crime quickly enough to close the gap.

Performance monitoring now includes comparison with most similar Forces.

The Change Programme for the Force will be monitored against a need to improve performance whilst meeting significant savings. There is work to ensure connectivity with the finances and performance management planning for the Force.

There is further work to ensure a robust Risk, Threat and Harm assessment is conducted to demonstrate the initiatives and their ability to meet the strategic priorities set.

□ **Measuring quality of service for users, to ensure they are delivered in accordance with the Authority's objectives and represent the best use of resources**

Improving the quality of service provided by officers and staff is at the heart of the 'Policing for You' vision and is central to the Force's commitments to the public.

The Authority plays a key role in supporting the Force improve its service quality as a 'critical friend' providing feedback directly from public engagement activity. This has allowed the Force to change the way it delivers its services in critical areas such as Hate Crime prevention. The Force now feedback much more information of interest and relevance to the public. This has been driven by the Authority through the introduction of a "we asked, you said, we did" media campaign.

Members also challenge reports from the Force on value for money issues to continue to drive the best service it can for the people of Nottinghamshire. Additionally, consultation undertaken by the Authority and the Force further assists the improvement in service quality.

There will be continuing assessment of Value for Money and a link through to assessing capability and capacity to sustain the level of improvement in line with the financial position to deliver significant savings over the next 3 years.

□ **Risk management processes by which key risks are identified and mitigated in Force and Authority**

The Authority and Force have a Corporate Risk Strategy, which integrates the Risk Management Process into the Strategic Planning Framework, Strategic Business Review, Business Planning and the developing Investment and Dis-investment process.

The risk management process is incorporated into the Programme Management methodology of the Force, with risks identified for project owners and reported to relevant boards, which includes the Policing for You Programme Board monitoring the risks of the work streams reported by the Portfolio holders at the Programme Board.

Regional collaboration is supporting an electronic solution to risk registers and will provide a consistent approach in the recording and evaluation of risks facing individual Authorities and Forces, as well as taking into account regional strategic risks. This should also identify further opportunity for collaboration to mitigate risks.

There is further integration of a Risk, Treat and Harm approach to the Strategic Intelligence Assessment to ensure identification of the key areas for Change and improvement for the Force.

The Change Programme will monitor the risks to the overall Programme and the individual projects to be delivered as part of the programme controls.

### **Information Risk**

During 2009/2010 the Force has progressed its work on information security. The Force owns information collected for policing purposes, including significant amounts of personal information. The Chief Constable manages her responsibilities, principally derived from the Data Protection Act 1998 and the Police Act 1996 through a specific information management governance structure.

Information strategy and policy is approved and deployed by the Force Security Board who also oversee information and data quality issues. Residual risk is controlled on the Chief Constable's behalf by Data Protection, Freedom of Information, Audit, Information Security and Vetting functions.

- **Defining and documenting the roles and responsibilities of the Authority and Force and the senior members and officers within each, setting out clear delegation arrangements and protocols for effective communication, and arrangements for challenging and scrutinising Force activity**

The roles and responsibilities of the Chair, Vice Chair and Members are set out in the Job descriptions in the Scheme of Delegation and Members Allowances Scheme.

A specific piece of work is underway to revise the Members Handbook and the Induction Programme for new members. This will also link to the Training programme for members and the Member Review process.

The Authority has had a long-standing scheme of delegation in place and this has been subject to a full review during 2008/2009.

The Authority has protocols in place with the Force Chief Officer Team – the first contains shared values and agreed ways of working. The second relates to critical incidents.

Since 2006 there has been a protocol in place between the Treasurer and the Director of Finance. This protocol clearly defines relationships and responsibilities between the Authority and Force for all financial matters. This Protocol is reviewed annually and is further supported by the Authority's Scheme of Delegation and Financial Regulations.

Since 2008/2009 the Head of Professional Standards developed a protocol for working arrangements relating to potential fraud and corruption cases identified during the course of Internal Audit work. This has been approved by Members and signed by the Treasurer and Director

During 2009/2010 a further protocol between the Treasurer and Chief Constable has been agreed and this relates to the Special Operations that are not budgeted for, but which could have significant impact on the finances of the Authority.

Changes in the Authority and Chief Officer team have resulted in minor changes to the Scheme of Delegation. However, this will be subject to further review to ensure the Force and Authority have the ability to meet the demands that are going to arise from the significant cuts in public funding over the next few years.

❑ **Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members, officers and staff**

The Police Reform Act 2002 is fully embedded. This is a prescriptive piece of legislation that sets out the Code of Conduct and standards of behaviour for Police Officers.

The Police Staff Discipline Code similarly addresses the Code of Conduct and standards of behaviour for Police Staff.

The Professional Standards Directorate has responsibility for the recording and investigation of all matters relating to the Police Officer Code of Conduct and the recording of public complaints. When dealing with issues concerning Police Staff, the Professional Standards Directorate has responsibility for recording public complaints and matters relating to gross misconduct. The investigative process is agreed with the Head of Human Resource Management. Police Staff sanctions are determined by the Head of Human Resource Management.

The Heads of the Professional Standards Directorate and Human Resource Management meet on a regular basis to discuss Police Staff suspensions and discipline investigations.

Similarly, there is a Police Disciplinary Group that is working to align Police Officer and Police Staff discipline procedures. This has been assisted with the implementation of the Taylor recommendations that is designed to bring Police Officer misconduct in line with current ACAS arrangements.

The Professional Standards Directorate publish a quarterly publication named 'The Standard' which highlights areas of good practice and organisational learning.

All new recruits and Police Staff receive training in the Code of Conduct and expectations of behaviour. This training is further extended to newly promoted Sergeants and Inspectors.

During 2009/2010 three new Independent lay members were appointed by the Authority and received specific training in relation to being Standards Committee members. It is intended that all members will receive training in 2010/2011 on the Code of Conduct either as new members or as a refresher for existing members.

Annually members are requested to declare any interests that they have.

A new Handbook for Members will be produced in 2010-11 and this together with training and clear role definition will clarify responsibilities and conduct.

- **Reviewing and updating standing orders, standing financial instructions, a scheme of delegation, contract/procurement regulations, and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks**

The Authority undertook a full review of its Financial Regulations in 2007/2008 and there is an ongoing process of review and amendment by the Treasurer, with reports to the Police Authority where required. During the year additional guidance in support of the financial regulations was provided in respect of gifts and hospitality. A full review of the Financial Regulations is due in 2010/2011.

The Financial Regulations clearly define individuals' responsibilities and the assurance process requires certification by all officers with responsibilities as part of the year-end routine.

In addition to this the Force has a Manual of Financial Guidance, which provides detail on financial procedure, authorisation and controls. There is a programme of review to ensure that this document is kept current.

Standing Orders are also reviewed periodically and updated. Specifically Standing orders relating to Land and Contracts are due to be fully reviewed during 2010/2011.

There is a scheme of delegation in place and during 2010/2011 this will be reviewed in light of the changes in the Authority's governance arrangements and management structure within the Force.

□ **Undertaking the core functions of an Audit Committee, as identified in CIPFA's Audit Committee – Practical Guidance for Local Authorities**

The full functions of an Audit Committee are within the terms of reference of the Performance Committee (Finance & Business Committee from May 2010). The terms of reference and roles of members on this committee have also been evaluated against the CIPFA checklist for Audit Committees within the practical guidance.

The changes to committee structures and terms of reference now have all audit issues being reported to the Finance and Business Committee. In addition to this key documents such as the Annual Governance Report by the External Auditors will be reported to the Police Authority.

□ **Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful**

The Authority's Chief Executive is a Solicitor and Monitoring Officer. As a solicitor there are specific requirements in maintain a Practising Certificate and all professional bodies provide training opportunities for staff and officers of the Authority and Force.

The Authority has a contract for the provision of Internal Audit to ensure compliance across the organisation with relevant laws and regulations. This is further supplemented by the work of the External Auditor.

❑ **Whistle blowing and for receiving and investigating complaints from the public and handling citizen and other redress**

Nottinghamshire Police has a Professional Standards Directorate that is responsible for receiving and investigating complaints from the public and handling citizen and other redress. Within the Professional Standards Directorate there is a Hearings and Recording Officer that has responsibility for the recording of all public complaints and misconduct matters in accordance with the Police Reform Act 2002. This is underpinned by the Complaints Administration Bureau that manages such enquires on the centurion database. It should be noted that Nottinghamshire Police do not use the term 'whistleblower' as a result of the negative impact it can have on persons making internal reports.

All matters are prioritised in line with the Independent Police Complaints Commission Guidance and are dealt with in the following manner:

- ❑ Local resolution are dealt with by Divisional Supervisors and are a quick and efficient method of providing local redress at a level where advice and guidance can be offered to staff to address failings in customer service.
- ❑ Local investigations are dealt with by the Professional Standards Directorate on a Force wide basis.
- ❑ Independent Police Complaints Commission controlled investigations, which are supervised, managed or independently investigated.

Underpinning the above procedures is the Professional Standards Reporting Procedures that cater for members of staff who report internal misconduct and matters of concern.

The Professional Standards Reporting Procedures are currently under review to ensure that staff have the confidence to report matters to the Professional Standards Directorate. This has arisen following a number of de-brief sessions for cases that have been dealt with by the Professional Standards Directorate where the Department is seeking to deliver a better customer focussed delivery.

As part of the Professional Standards Reporting Procedures the Authority and Force have the following methods of reporting:

- ❑ Confidential reporting line is an internal phone line that is available to all staff and is staffed during working hours and has an answer phone facility during out of hours.
- ❑ The Complaints Administration Bureau staff are trained to receive complaints via the telephone. Nottinghamshire is one of the few Forces in our region where our administration staff receive complaints over the phone.
- ❑ Independent Police Complaints Commission confidential reporting line is available to all staff and is an independent method of reporting.
- ❑ Independent Police Complaints Commission has an Internet based facility where complaints can be recorded. These are recorded by the IPCC and then forwarded to Nottinghamshire Police for investigation.
- ❑ Audit Commission hotline is a recently known facility that will feature in the revised Professional Reporting Procedures Policy.
- ❑ Electronic reporting is also encouraged if staff do not feel able to use the phone facility.
- ❑ Alternative methods of reporting through local Line Managers and Staff Associations are also available.
- ❑ The Force has been supported by the Authority in developing the use of Crimestoppers as a viable alternative for confidential reporting.

When such reports are received, Professional Standards Directorate staff will implement the Professional Standards Reporting Procedures and complete a statement of expectation with the member of staff. Similarly, the Department is exploring how better use of the mentoring scheme can be made, in order to support staff through this process.

With the implementation of the Taylor recommendations, all supervisors will receive additional training regarding misconduct, unsatisfactory performance procedures and unsatisfactory attendance procedures. By making greater use of the two latter procedures it will be possible to identify staff who are in need of development rather than punitive sanction where service delivery improvements could be made on a long term basis. Members of the Performance Scrutiny Board have also received this training.

The Police Authority has established a "Whistle Blowing" Policy for its own staff.

❑ **Determining the conditions of employment and remuneration of officers and staff**

Police Officer Terms and Conditions, including pay are governed by Police Regulations, as agreed through the Police Negotiating Board. For Police Staff, National Terms and Conditions are agreed by the Police Staff Council. Pay scales are determined at local level, via Hay evaluation.

National Terms and Conditions are supplemented at Force level through local policies and procedures, negotiated and approved by the joint Negotiating Consultative Committee. Where practicable, local agreements cover both Police Officers and Police Staff, although it is recognised that this is not always possible. In addition, a rewards and recognition work stream has been established under 'Policing For You' and there are also a number of other working groups that are involved in

All policies adopted are evaluated against a diversity impact assessment and whilst working to corporacy of policy, a flexible approach to meet individual circumstances, where practicable, is encouraged.

❑ **Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training**

As discussed above the Authority has a Member Review process in place, which inter alia identifies training needs, which are then incorporated in an NPA Training Programme. Staff training is identified via the PDR process for all staff and officers.

Under the People and Culture workstream the Leadership and Development working group has progressed the Leadership Development for Sergeants. This is now being rolled out to Inspectors and Support Staff equivalents.

□ **Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation**

The Force and Authority have jointly developed a Public Engagement and Consultation Strategy and an accompanying timetable of planned events and activities. This strategy highlights the jointly held intent to enable public feedback to influence policing in Nottinghamshire.

This feedback from the public is routinely used by the Authority and forms part of the inputs within the quarterly Strategic Business Review meetings.

The Safer Nottinghamshire Board (SNB) is responsible for achieving improvements in community safety and is focused on improving the lives of everyone in the county area and on building safer communities.

Each Local Authority area in Nottinghamshire is served by a Crime and Disorder Reduction Partnership (CDRP). They bring together the Police, Local Authorities, Fire Service and NHS Primary Care Trusts in a partnership with other organisations to take local action to reduce crime and the fear of crime. They can help to address underlying social and environmental problems that contribute to crime and anti social behaviour by, for example, improving street lighting to make people feel safer at night or providing leisure activities to engage young people and encourage them to feel part of the community.

CDRP's report into the SNB and are legally responsible for the development and delivery of community safety strategies and action plans, which are built on understanding the needs of local communities. They work to reduce crime, disorder and drug misuse in each Local Authority area of the county.

The City Crime and Drugs Partnership (CDP) is made up of five responsible Authorities: Nottingham City Council, Nottinghamshire Police, Nottinghamshire Police Authority, Nottinghamshire Fire Authority and the Primary Care Trust. The five responsible Authorities are required by law to assess the levels of crime, disorder and drug and alcohol use in Nottingham. Once this has been done, the CDP ensures that the people of Nottingham have a say on their priorities for action. The CDP then has a duty to produce and implement a Partnership Plan, which involves commissioning services and ensuring that activity is co-ordinated across the city.

The Force and Authority have in place a number of Independent Advisory Groups (IAGs) representing minority groups across the whole of Nottinghamshire. These include the Minority Ethnic Advisory Group (MEAG), Lesbian/Gay/Bisexual/Transgender IAG (LGBT), Police Disability Advisory Group (PDAG) and Faith Watch IAG. Each of the four territorial divisions also has their own IAGs. These groups meet regularly with the police and provide 'critical friend' advice about policing issues. The valuable service that is provided is recorded on the Force IAG record of advice, which is then raised with senior police officers and managers to ensure that our policing services improve. An example of this advice is in connection with improving access to police services. As a result of disabled people telling us about unequal access we have set up the Pegasus pin code database and SMS texting for deaf people, which has improved the confidence of vulnerable people to make contact with the Force.

- **Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the Authority's overall governance arrangements.**

The Authority had a Corporate Governance Panel in place during 2009/2010 and the work of this panel will transfer to the Finance and Business Committee in 2010/2011.

The Force recognises the continual need to prioritise community safety throughout the city and county. To achieve this, the Force has a Communities and Partnerships Department, to respond to the issues of drugs, alcohol, young people, serious acquisitive crime, violence and anti social behaviour.

The Department will coordinate working practices, ensuring a consistent policy is adopted across the Force while working closely with partners.

This new structure will also provide the strategic direction for the Safer Neighbourhood Teams and response officers, so they may focus on the areas communities have told us matter to them.

In light of the financial position that all public sector bodies are facing the area of partnerships becomes a significant risk that could affect current funding arrangements. However, opportunities also arise as through joint working arrangements partnership will be able to deliver savings and it is these relationships that the Force and Authority will continue to foster.

#### 4. REVIEW OF EFFECTIVENESS

- 4.1 The Authority has responsibility for conducting, at least annually, a review of the effectiveness of the governance framework, including:
- The System of Internal Audit
  - The System of Internal Control
- 4.2 Reviews have been completed/informed by the work of the HMIC, Joint Corporate Governance and Resources Panel, internal auditors, and also managers within the Authority who have the responsibility for the development and maintenance of the governance environment. In addition comments made by the external auditors and other review agencies and inspectorates have informed this review.
- 4.3 As laid out in the section on the Governance Framework the Authority and the Force have complimentary governance arrangements in place. The Risk Management process in which the Authority and Force work jointly at both working group and Strategic Board level is a prime example of the effectiveness of the joint governance arrangements. Members also sit on working groups throughout the Force to provide governance on development projects at the earliest possible stage.
- 4.4 The Authority's Standards Committee is proactive and has taken on an important role relating to Member Development via the member review process.
- 4.5 Internal Audit provides quarterly updates to Performance Committee on the work they have been doing and the findings of the audit reviews. Annually the members receive a report on the performance of Internal Audit against the Audit plan. Members scrutinise these reports. There is extensive evidence of members challenging internal auditors within the Performance Committees and elsewhere.
- 4.6 Other assurance mechanisms include the Regional Joint Committee to oversee regional collaboration. The deliberations of the Joint Committee are then reported back to the Authority as a further governance check.

## **5. SIGNIFICANT GOVERNANCE ISSUES**

### **FINANCIAL CLIMATE**

- 5.1 The Financial Climate for the public sector has become very difficult and funding in the future will be significantly reduced. It is therefore important for the Authority and Force to demonstrate that it has appropriate governance structures in place to ensure that it is able to meet these challenges and ensure value for money in the activities it undertakes.

Since the Collaboration Government came into existence details relating to the Financial Climate for the next four years are being made clearer and the funding announcements in the Autumn will bring severe cuts in public sector funding.

Such cuts will need action to deliver taking place in 2010-11 and Members will have some very difficult decisions to make.

### **PARTNERSHIPS**

- 5.2 Partnerships have been a cause of concern previously and again was highlighted within the Capability Review as an area for improvement. This is one area of work that is improving through the Change Management Board.

Partners sit on the Change Management Board of the Authority and have been key in identifying areas for improvement.

Regionally, the appointment of a DCC to lead the collaboration team is intended to drive out further improvements and deliver significant savings for all five forces.

### **HUMAN RESOURCES**

- 5.3 During 2008/2009 the management of Human Resources became a key focus for the Authority and Force. This remains an area for concern and the Force has developed an improvement plan for immediate uplift in the level and quality of service, A People Plan which sets out how the department will support 'Policing for You' and a Human Resources Transformational Plan, which will shift the capability and capacity of the function, aligning HR to the performance of the organisation and to achieving the right outcomes for officers, staff and the community. This presents a major change management programme across the Force.

- 5.4 Work projects relating to shift patterns and rank mix have been instigated and it is envisaged that this will lead to improved flexibility to meet future demands. This is part of a broader focus on Resource Planning which focuses on longer term planning, identifying areas for improvement both in the shape of the establishment and in how resources are utilised to the best effect of serving the public whilst providing value for money. The force will focus on developing capability and capacity through effective planning processes. A workforce flexibility project has been initiated which will drive a more streamlined staff pay and grading structure, vertical and horizontal career paths, flexible working, talent programmes and other areas which will enable the Force to attract, develop and retain high calibre staff who directly and indirectly improve policing in Nottinghamshire.

### **CHANGE PROGRAMME**

- 5.5 The Force Change Programme is a transformational programme to deliver improved performance within reduced budgets. The programme will deliver transactional, transitional and transformational savings. There are key projects, which include Local Service Delivery, to reduce the current Divisional structure from 4 to 2, through setting key strategies such as the ICT strategy and will include the Transforming HR project within the overarching Programme.

The Change Programme has a clear governance structure, with the 'Policing for You' and Force Executive Group for decision making and commissioning/decommissioning, and the Change Programme Board which manages the projects within the Programme.

The Change Programme is held to account by the Police Authority through the Strategic Planning Group.

- 5.6 The Authority Change Programme will ensure that the Governance Structure is clear and that Members have the appropriate level of information and advice to make the decisions that will be needed. To ensure that scrutiny and monitoring of all Force activity is robust and challenging and that Partners are kept informed and engaged.

### **OTHER COMMENTS**

- 5.7 During the year Internal Control issues were identified and these are being managed through the processes identified under section 3.2 of this statement such as Risk Management, Human Resource Management, Professional Standards, Whistle blowing policies and the reallocation of resources.

**ANNUAL JOINT ASSURANCE STATEMENT 2009/2010**

**SIGNED:**

**Councillor J N Collins  
Chair of Nottinghamshire Police Authority  
30th June 2010**

**J Hodson QPM  
Chief Constable of Nottinghamshire Police  
30th June 2010**

**30th June 2010**

On behalf of the Members and Senior Officers of Nottinghamshire Police Authority and Nottinghamshire Police.

## GLOSSARY OF TERMS

The definitions within the glossary are designed to give the user an understanding of the technical terminology contained in the Statement of

### **Accounting Policies**

These are a set of rules and codes of practice used when preparing the

### **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 or made by the end of the period.

### **Actuarial Gain or Loss**

The change in actuarial deficits or surpluses that arise because either events have not coincided with the actuarial assumptions made for the last valuation (experience gains or losses), or because the actuarial assumptions have changed.

### **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.

### **Amortisation**

This is the amount set aside to pay for the loss in value of intangible assets.

### **Budget**

This is a statement of the Authority's (financial) plans for a specific period of time. A budget is prepared and approved by the Police Authority prior to the start of the financial year. The Authority's budget is prepared on an outturn basis, which means that increases for pay and prices during the financial year are contained within the total budget figure.

**Call Off Contract**

The Authority tenders for the supply of I.T. equipment. All I.T. equipment is then called off this contract.

**Capital Expenditure**

This is expenditure on new assets or on the enhancement of existing assets so as to prolong their useful life or enhance market value.

**Capital Financing Requirement (CFR)**

The Capital Financing Requirement represents capital expenditure financed by external debt and not by capital receipts, revenue contributions, capital grants or third party contributions at the time of spending. It measures the Authority's underlying need to borrow for a capital purpose.

**Capital Grant**

Grant from Central Government used to finance specific schemes in the Capital Programme. Where capital grants are receivable, these are used, as far as possible, to finance capital expenditure to which they relate in the year that the grants are received.

**Capital Receipts**

Proceeds, exceeding £10,000, from the sale of an asset which may be used to finance new capital expenditure, or to repay outstanding loan debt as laid down within rules set by Central Government. They cannot be used to finance normal day to day revenue spending.

**Consumption of Economic Benefits (CEB)**

Impairment caused by either physical damage, or a deterioration in the quality of the service provided by the asset. Impairment caused by a general fall in prices is referred to as No CEB.

**Corporate & Democratic Core**

The costs associated with corporate policy making and member based activities, together with costs relating to corporate management, public accountability and treasury management.

**Creditor**

An amount owed by the Police Authority for work done, goods received, or services rendered but for which payment had not been made at the date of the Balance Sheet.

**Current Service Cost (Pensions)**

This measures the increase in the present value of pension liabilities generated in the financial year by employees. It is an estimate of the true economic cost of employing people in the financial year, earning service that will eventually entitle them to the receipt of a lump sum and pension when they retire.

**Debtor**

A sum of money due to the Police Authority in the relevant financial year but not received at the Balance Sheet date.

**Depreciation**

The measure of the 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.

**Earmarked Reserves**

These reserves represent monies set aside that can only be used for that specific, "earmarked", purpose.

**Emoluments**

All taxable sums paid to or received by an employee including the value of any none cash benefits received.

**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.

**Financial Reporting Standard (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 would be disclosed in the notes to the

**Government Grants Deferred**

The balance of grants applied to the financing of fixed assets, awaiting amortisation to the Income and Expenditure Account to match depreciation on relevant assets.

**Impairment**

A reduction in the value of a fixed asset below the amount included on the balance sheet.

**Imprest Account**

Cash held locally to pay for small or urgent items.

**Intangible Fixed Assets**

Assets that are not physical such as software licences.

**Minimum Revenue Provision (MRP)**

The statutory minimum amount which an Authority is required to charge to revenue on an annual basis as a provision to redeem debt.

**Non-Domestic Rates Re-Distribution**

Redistribution by Central Government of monies collected from business rates to all Local Authorities according to a pre-determined formula.

**Net Book Value**

The amount at which fixed assets are included in the balance sheet.

**Operating Lease**

Agreement whereby ownership of the asset remains with the lessor and an annual rental is charged to the Income and Expenditure Account.

**Operational Assets**

Fixed assets held, occupied, or utilised by the Police Authority in the direct delivery of those services for which it has statutory responsibility.

**Past Service Cost (Pensions)**

These costs represent the increase in liabilities arising from decisions taken in the current year to improve retirement benefits, but whose financial effect is derived from years of service earned in earlier years.

**Police Grant**

Central government support for policing distributed to Police Authorities according to a pre-determined formula.

**Precept**

A levy, which the Authority makes through the council tax to pay for services.

**Public Works Loan Board (PWLB)**

A Government Agency that provides longer term loans to Local Authorities at advantageous interest rates.

**Revenue Expenditure**

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

**Revenue Financing**

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

**Revenue Support Grant (RSG)**

Grant provided by Central Government, through the Office of the Deputy Prime Minister, to all Local Authorities, distributed according to a pre-determined formula.

**Tangible Fixed Assets**

Assets which are physical such as buildings or land.