NOTTINGHAMSHIRE
POLICE AUTHORITY

Nottinghamshire Police Authority

Statement of Accounts

2010/2011

Nottinghamshire Police Authority

Statement of Accounts

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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 2010/11 and its financial position as at 31 March 2011. The values within the financial statements are disclosed with roundings that are appropriate to their individual presentation. The roundings are explained within the header for each statement that has financial information.

2. Background

Nottinghamshire Police Authority (NPA) is responsible for the finances of Nottinghamshire Police, with a net budget of £200.8 million for 2010/11. The Authority 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 2010/11.
This is the first edition of the Code which has been based on International Financial Reporting Standards (IFRS).
The new Code is now developed subject to the review processes of the Financial Reporting Advisory Board, which also reviews Central Government’s Financial Reporting Manual (FReM).

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 12)**
  This states the policies adopted in compiling the Statement of Accounts

- **The Statement of Responsibilities (Page 28)**
  This sets out the responsibilities of the Authority and the Treasurer and also includes the Chair's certificate of approval signed on behalf of Nottinghamshire Police Authority.

- **Comprehensive Income & Expenditure Statement (Page 30)**
  This Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.

  Nottinghamshire Police Authority is a precepting Authority. This means a substantial part of the funds required to operate are generated from a direct charge on the Council Tax payer, the remainder coming from Government Grant and income generated by the Authority.

Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in note 3.3 .

- **Movement in Reserves Statement (Page 31)**
  This Statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce Local Taxation) and other unusable reserves. The 'Surplus or (Deficit) on the Provision of Services' line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting. The 'Net increase /Decrease before Transfers to Earmarked Reserves' line shows the statutory General Fund Balance before any discretionary transfers to or from Earmarked Reserves undertaken by the Authority.

- **Balance Sheet (Page 33)**
  The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund Capital Expenditure or repay debt). The second category of reserves is Unusable Reserves, which are those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line “Adjustments between Accounting Basis and Funding Basis under Regulations”. The Balance Sheet at the beginning of the earliest has been restated in accordance with the revised guidelines.

- **Cash Flow Statement (Page 34)**
  The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The Statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources, which are intended to contribute to the Authority’s future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

- **Notes to the Accounts (including a summary of significant accounting policies and other explanatory information) (Page 36)**
  These provide additional information concerning items in the Core Financial Statements.

- **Fund Account, Net Assets Statement and notes for the Police Pensions Schemes (Note P1,Note 24),** This gives detailed information regarding the Pension Schemes.

- **Independent Auditor's Report (Page 83)**
  This sets out the opinion of the Authority's external auditor on whether the Police Authority's Accounts present a true and fair view of the financial position and operations of the Authority for 2010/11.

- **Annual Governance Statement (Page 86)**
  The Annual Governance Statement approved by the Police Authority is included.

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 Governance and Internal Control has been included within the arrangements for the Annual Governance Statement. The Annual Governance 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 Governance Statement is to be included when approved.

5. Budget Variance

During 2010/11 the Authority was required to make an in-year saving of £2.0m as part of the initial notification from the Coalition Government, which reduced specific grant. This was followed in October 2010 by the Comprehensive Spending Review announcement, which required cuts in Policing of 20% over the next 4 years.

The Authority and Force have been identifying all potential areas to make the required cuts without impacting on the frontline service or the need to continue with improving performance. Inevitably this will mean a reduction in the number of Police Staff and Police Officers in non frontline areas. The Authority and Force took significant steps to reduce costs during the year in preparation for future cuts.

Budget Management reports are considered quarterly by the Police Authority, and monthly by the Force’s Executive Group Meetings. These show and explain variations between budgeted and forecasted expenditure.

In 2010/11 against a net budget of £200.8 million, expenditure was £196.3 million which is a managed under spend of £4.5 million. The main variation to the budget, as shown in the following table, is on pay following a recruitment freeze. However this is offset by a £2m provision made for Tranche 1 restructuring costs. Other savings have been made in financing capital expenditure and property expenses which form part of the budget adjustments. The original budget had required £1.5 million use of the Medium Term Financial Plan Reserve. After the Tranche 1 restructuring costs of £2m the contribution to reserves was £1 million.

Budget Management Statement

Actual 2009/10 £m	Revenue Expenditure	Budget 2010/11 £m	Actual 2010/11 £m	Variance + (-) £m
175.6	Employee Costs	178.5	175.7	-2.8
7.3	Premises Maintenance	6.7	5.9	-0.8
6.3	Transport	6.1	6.4	0.3
18.3	Supplies and Services	16.6	17.1	0.5
1.5	Agency costs	1.4	1.6	0.2
2.3	Capital Financing	2.6	2.5	-0.1
3.3	Pensions	3.2	2.9	-0.3
1.1	Police Authority	1.5	1.5	0.0
-0.2	Budget Adjustments	0.2	-0.8	-1.0
-20.3	Income	-16.0	-16.5	-0.5
195.2	**Net cost of Services**	**200.8**	**196.3**	**-4.5**
4.0	Use of Reserves	-1.5	0.0	1.5
199.2	**Net Budget Requirement**	**199.3**	**196.3**	**-3.0**
	Statutory Accounting Adjustments:			
0.0	Net additional amount required by statute and non-statutory proper practices to be credited to the General Fund Balance	0.0	0.0	0.0
199.2	**Net Operating Expenditure (within the Comprehensive Income and Expenditure Account)**	**199.3**	**196.3**	**-3.0**

A reconciliation of this expenditure to the Comprehensive Income and Expenditure account is shown in Note 26.

Financing of Net Operating Expenditure

The net expenditure to be met from general Government Grants and Local Taxation in 2010/2011 was £199.3 million. This was funded as follows:

Actual 2009/10 £m	Taxation and non-specific grant income	Budget 2010/11 £m	Actual 2010/11 £m	Variance + (-) £m
78.5	Police Grant * revised for 2010/11	80.7	80.7	0.0
50.4	Precept	53.3	53.3	0.0
11.8	Revenue Support Grant	8.3	8.3	0.0
51.1	Non Domestic Rates Redistribution	57.0	57.0	0.0
191.8	**Total Financing**	**199.3**	**199.3**	**0.0**

General and Earmarked Reserves

Reserves have increased during the year to reflect the action being taken to reduce revenue expenditure during 2010/11 in preparation for 2011/12 and beyond. The Medium Term Financial Plan Reserve will be utilised significantly during 2011/12 to finance the cost of change in preparation for downsizing. More detail is provided in Note 16.

6. Pensions

The Authority participates in two different pension schemes, both of which provide members with defined benefits (retirement lump sums and monthly 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 International Accounting Standard (IAS) 19.
This requires an organisation to account for retirement benefits in the year in which they are earned, even if the actual payment of benefit will be in the future.

The Comprehensive Income and Expenditure Account shows the cost of pensions at current service cost within the Cost of Services. Pension interest cost and return on assets appear within the Financing and Investment Income and Expenditure line. However to ensure that the only liability is for the cash cost of 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.

7. Changes to Accounting Policies

The changes to the Authority's Accounts as required by IFRS are the most comprehensive in recent times. They are fully incorporated in to the Accounts for the financial year 2010/11. However the changes are retrospective and require restatement of the Accounts for 2008/09 and 2009/10, this restatement is subject to external audit and opinion.
The main changes are within the areas of Employee Benefits, PFI and Leasing, Capital Accounting, Revenue Grant treatment and the presentation of the Accounts. This means that there are considerably more disclosure notes.
The changes to Capital Accounting and Leasing require additional de-minimis levels to be set, and existing de-minimis levels were reviewed. These set sensible minimum levels for expenditure to avoid unnecessary administration cost.
The revised levels are set out below.

	New De-minimus £	Previous £
Land and Buildings	10,000	6,000
Vehicles	10,000	0
Equipment	10,000	3,000
Leased Items	10,000	n/a
Components		
For an asset to be considered for componentisation	600,000	n/a
For a component to be included	5% of the asset value	n/a

On first time adoption of IFRS , for the financial year ended 31 March 2011the Authority did not revalue any operational assets, with the exception of Telecoms Masts.

In accordance with the transitional reporting guidance no componentised asset valuations were undertaken during the financial year since the Authority had revalued all of its assets as at 1 April 2009.

Telecom Masts previously classified as operational assets were reclassified as Investment Properties during the financial year. In accordance with IAS40 Investment Property these masts were revalued as at 1 April 2010 by Roger Smalley BSc MRICS.

8. Borrowing Facilities

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). The Authority also has a £3.5 million Market Loan which is due to expire in 2066. The Authority borrowed £10 million during the year from the PWLB. This was raised to finance 2010/11 Capital Expenditure and also to finance in part previous year's expenditure which has utilised internal reserves. The main area of Capital Expenditure during 2010/11 was the refurbishment of Sherwood Lodge Headquarters buildings.

The Authority ensures by use of a Treasury Management Strategy, which is closely monitored, that all borrowing is prudent and is only for capital purposes. At 31 March 2011 the accumulated capital financing requirement from all previous Capital Expenditure was £47.5 million. This has purchased assets with a current value assessed to be £59.5 million. The value of outstanding borrowings for these assets is £23.0 million.

The majority of the Authority's borrowings are due to mature in the next 10-15 years. Borrowing is undertaken after Capital Receipts and Capital Grant is applied.

The Authority has a 4 year Capital plan of expenditure and financing summarised below.

	Budget 2011/12 £m	**Budget 2012/13 £m**	**Budget 2013/14 £m**	**Budget 2014/15 £m**
Building Projects	2.6	2.6	2.6	2.6
Technology Projects	3.2	3.4	3.4	3.4
Total	**5.8**	**6.0**	**6.0**	**6.0**
Financed by				
Capital Receipts	0.2	0.6	0.0	0.0
Capital Grants	1.4	2.0	1.9	1.9
Borrowing	4.2	3.4	4.1	4.1
Total	**5.8**	**6.0**	**6.0**	**6.0**

9. Capital Expenditure

A complete review of Capital Expenditure has been undertaken and the asset base of the Authority will change over the next few years with greater partnership working, and with the placing of officers in the heart of communities. As such only essential capital expenditure has been incurred during 2010/11, and this situation is expected to continue for the forthcoming years.

The Police Authority's Capital Expenditure and its financing in 2010/11 compared to the approved capital programme were as follows:

Actual 2009/10 £m	Capital Expenditure	Budget 2010/11 £m	Actual 2010/11 £m	Variation + (-) £m
0.3	Intangible Fixed Assets	0.0	0.1	0.1
3.0	Operational Land & Buildings	4.7	3.2	-1.5
4.9	Plant, Vehicles & Equipment	3.1	2.3	-0.8
1.5	Assets Under Construction	1.2	0.7	-0.5
9.7	**Total Capital Expenditure**	**9.0**	**6.3**	**-2.7**

Actual 2009/10 £m	Financing of Capital Expenditure	Budget 2010/11 £m	Actual 2010/11 £m	Variation + (-) £m
1.2	Supported Capital Expenditure	1.2	1.2	0.0
3.8	Grants & Contributions	2.2	2.5	0.3
4.4	Internal Borrowing from Reserves	0.0	0.0	0.0
0.3	Capital Receipts	0.0	0.1	0.1
0.0	External Borrowing	5.6	2.5	-3.1
9.7	**Total Financing**	**9.0**	**6.3**	**-2.7**

10. Details of significant Provisions and Contingencies

Provisions are made to meet estimated insurance claim liabilities outstanding. This has increased by £2.423m during the year. A provision of £0.07m is still being held for expected liabilities to the Sports and Social Club. A new provision has been created to meet anticipated costs of Tranche 1 of restructuring, (see also explanatory foreword item 12). A new provision has been created for £0.075m to meet legal fees required to defend a legal claim which the Authority is contesting with a potential value of £0.325m. This has been provided for within the earmarked reserves in the eventuality that the court settle against the Authority. There is also the potential of a proportion of a fine from the Information Commissioner. This has been estimated to be up to the value of £0.3m, (Note 14).

11. Other Significant events during the year

The reclassification of telecom masts as investment properties has resulted in a charge to the Comprehensive Income and Expenditure account of £ 0.355m.

The Accounting treatment for this movement requires a corresponding entry transferring this movement to the Capital Adjustment Account with the result that there is no impact on the Comprehensive Income and Expenditure Account and therefore no impact on council tax.

This year was exceptional in the need to drive forward performance and efficiency. Restructuring has been key to achieving this, and the assistance of external consultants has been employed. The Authority employed a change management team which cost £0.224m. The Force similarly utilised consultants for key services such as Human Resources and Media at a cost of £0.289m

12. Post Balance Sheet Events

There are no Post Balance Sheet events which have affected the Accounts presented. However during May 2011 the Authority and Force commissioned an estates review, to reduce the number of buildings it owns. It is expected that this review will recommend disposal or decommissioning of several properties. This is likely to result in significant reductions to the asset values during 2011/12 and beyond.

The Force and Authority are now implementing a restructuring programme that was announced December 2010. Tranche 1 is due to be completed by the end of August 2011. Tranche 2 will commence in July 2011, followed at a later date by Tranche 3. Substantial savings are due to be achieved.

13. Future Outlook

The Authority has set a balanced budget for 2011/12 and will monitor closely the reduction of expenditure that will make it possible to achieve the budget set. Over the next 4 years the Authority and Force are required to save £42.3m. Of this, £23.3m needs to be delivered by March 2013, with a further £8.0m saving by March 2014 and a further £11.0m by the end of March 2015.

The key to achieving longer term efficiencies will be the collaborative work that the Force undertakes within the region and with other local partners; all of whom are also facing similar pressures to reduce their expenditure.

Capital Expenditure will be kept to a minimum with the intention to utilise capital receipts to further reduce the requirement to undertake any additional borrowing.

The prudent use of reserves will be important over the next few years. Although it will always be necessary to maintain reserves for unforeseen expenditure (e.g. policing public protests), the main use of reserves will be to finance the cost of restructuring required in the organisation.

The Authority and Force face many strategic pressures over the coming years these include the introduction of the Police and Crime Commissioners and providing policing for the 2012 Olympics, at a time when the financial pressures are significant and Nottinghamshire Police Authority must continue to maintain the improvements it is making in performance.

14. Early Closedown

The Authority and Force has achieved an earlier closedown of the Authority's Accounts for 2010/11 than in previous years. It is planned that this will be repeated in future years. As a result the Authority will also make the Accounts available for inspection earlier.

15. Going Concern

The proposed abolition of Police Authorities and the creation of the Police and Crime Commissioners means that due regard needs to be taken for the future going concern of the Authority and the impact that this may have on the production of the Statement of Accounts, particularly in 2012/13. At the time of writing, clarity was still being sought from the Treasury on how this will be managed.

Statement of Accounting Policies

1. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2010/11 financial year and its position at the 31 March 2011. The Authority is required to prepare annual Statement of Accounts by the Accounts and Audit Regulations 2003 and 2011, which state a requirement that these be prepared in accordance with proper accounting practices. These practices primarily comprise of the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 and the Best Value Accounting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

2. Accruals of Income and Expenditure

Activity is accounted for in the year in which it takes place, and not when cash payments are made or received. In particular:

- Income from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Income from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed, where there is a gap between the date supplies are received and their consumption; they are carried as stock on the Balance Sheet.
- Expenditure in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the debt is written off and a charge made to the Comprehensive Income and Expenditure Statement for the income that may not be collected.

3. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than three months from the date of acquisition. These are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

4. Exceptional Items

When items of income and expenditure are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the Accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

5. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative figures for the prior period as if the new policy had always been applied.

Material errors discovered in prior figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

6. Charges to Revenue for Non-Current Assets

Central Service Costs are charged with the following amounts to record the cost of holding fixed assets during the year:

- Depreciation of Fixed Assets.
- Revaluation and Impairment losses on assets used where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Revaluation Gains reversing previous losses charged to the Comprehensive Income and Expenditure Statement
- Amortisation of Intangible Fixed Assets.

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution, from revenue towards the reduction in its overall borrowing requirement in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance by Minimum Revenue Provision (MRP).

7. Employee Benefits

Benefits Payable during Employment

Short-term Employee Benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements or any form of leave, e.g. time off in lieu earned by employees, but not taken before the year-end, which employees can carry forward into the next financial year, (Accumulated Absences Account Note 4.5). The accrual is made at the wages and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. These are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy. (Note 32)

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

Employees of the Authority are members of two separate pension schemes:

- The Local Government Pensions Scheme, is administered by Nottinghamshire County Council. This is a funded scheme, meaning that the Authority and the 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 pension fund for the year are 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 if required to be transferred from the pension fund to the Police Authority, which then must be repaid 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).

Both types of schemes provided defined benefits to members (retirement lump sums and pensions), earned whilst employees of the Authority.

8. The Local Government Pension Scheme

The Local Government Pension Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Nottinghamshire County Council pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions of mortality rates, employee turnover rates, etc, and projections of future earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate of 5.5% p.a. The discount rate is the yield on the corporate bond index rated over 15 years.

The assets of Nottinghamshire County Council pension fund attributable to the Authority are included in the Balance Sheet at their fair value:

- Quoted securities – current bid price.
- Unquoted securities – professional estimate.
- Unitised securities – current bid price.
- Property – market value.

The change in the net pension's liability is analysed into seven components:

- Current service cost – the increase in liabilities as a result of years of service earned during this year allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure.
  This statement includes the capitalised gain from the change in pension increase policy from the Retail Price Index (RPI) to Consumer Price Index (CPI) as non-distributed cost.
- Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

- Expected return on assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve.
- Contributions paid to the Nottinghamshire County Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements due to medical reasons or injury. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

The Authority made no material payments in relation to injury awards during the year ended 31 March 2011.

9. Post Balance Sheet Events

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date on which the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

10. Financial Instruments

Financial Liabilities

Financial Liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provision of financial instruments and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

Long term debt presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase or settlement where applicable.

During the year ended 31 March 2011 the Authority did not undertake any re-financing of loans.
The fair value of the finance lease liabilities is published by the Debt Management Office (PWLB loans)

Financial Assets

Financial assets are classified into two types:

- Loans and Receivables – assets that have fixed or determinable payments but are not quoted in an active market
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

Loans and Receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains or losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

11. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, Government Grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- the Authority will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contributions have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable Revenue Grants and contributions) or Taxation and Non-Specific Grant Income (non-ring fenced Revenue Grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance Capital Expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund Capital Expenditure.

12. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost.
The software licenses are amortised over seven years, as determined by the Head of Information and Communication Technology (ICT).

The depreciable amount of an intangible asset is amortised over its useful life to the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Comprehensive Income and Expenditure Statement.

13. Stocks

Stocks are included in the Balance Sheet at the latest buying price as a proxy to fair value. All stock valuations are based on current purchase price. Stock Accounts are maintained for uniforms, fuel and stationery.

14. Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Authority in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Authority recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Authority and other ventures, with the assets being used to obtain benefits for the ventures. The joint venture does not involve the establishment of a separate entity. The Authority Accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

The East Midlands Special Operations Unit (EMSOU) (see Note 22) is treated as a Joint Asset Non Entity (JANE) in accordance with IAS 31- Interests in Joint Ventures. The Authority is consolidating 27.6% of EMSOU.

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 five local Forces these being 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.

15. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the Property, Plant or Equipment from the lessor to the lessee.

Leases that do not meet the definition of finance leases are accounted for as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Authority as Lessee

Finance Leases

Property, Plant and Equipment held under a finance lease are recognised on the Balance Sheet at the commencement of their lease at their fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The assets recognised are matched by a liability for the obligation to pay the lessor. Initial direct costs to the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the Property, Plant or Equipment – applied to write down the lease liability.
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under a finance lease is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Authority at the end of the lease period).

The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense to the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease; even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

16. Overheads and Support Services

Since 2009/10 the Chartered Institute of Public Finance and Accountancy (CIPFA) introduced a revised Best Value Accounting Code of Practice (BVACOP). BVACOP analyses expenditure into nine groups relating the main areas of Police activity. This analysis was 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 single purpose, 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 Comprehensive Income and Expenditure Account, as part of Net Cost of Services.

17. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services or for administrative purposes and that are expected to be used for more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset’s potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred, to the Comprehensive Income and Expenditure Statement.

Measurement

Assets are initially measured at cost, comprising:

- The purchase price.
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority).

Operating Leases and PFI assets capitalised:

- Minimum lease payments over the term of the lease.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).
- Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.
- For non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

a) Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. 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. Bridewell custody suite is valued on a depreciated replacement cost (DRC) basis as this is deemed to be a specialised asset.

b) Plant, vehicles and equipment have been included at their depreciated historic valuation.

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.

d) Assets under Construction are included at actual cost.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.
Where decreases in value are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down in the Comprehensive Income and Expenditure Statement once the Revaluation Reserve is fully used.

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.

18. Investment Properties

Investment properties are those that are used to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

The Authority decided to reclassify Telecoms masts previously identified as operational assets as investment assets during the year.

These would have been measured initially at cost and the carrying value then adjusted as part of the revaluation and review process as agreed between the estates department and finance.

Any revaluations carried out subsequently are at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length.

Investment properties are not depreciated but are revalued annually according to market conditions at the year-end, and in accordance with International Accounting Standard Number 40 (IAS40) - Investment Properties.

Rentals received in relation to investment properties are credited within the Cost of Services line and result in a gain for the General Fund Balance.

Gains and losses on revaluation are posted to the Comprehensive Income and Expenditure Statement.

However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Unapplied.

19. Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist, and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently by a revaluation gain, the reversal is credited to the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

20 Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives after allowing for residual values. An exception is made for assets that are not yet available for use (i.e. assets under construction) and investment assets.

Depreciation is calculated on the following bases:

Asset Type	Depreciation Method	Period of Years
Land	Nil	Nil as will not reduce in value
Property	Straight Line	10-50 years or as estimated by the valuer
Vehicles	Straight Line	1-20 years
Plant and Equipment	Straight Line	1-20 years
Capitalised finance leases (various assets)	Straight Line	Over the life of the finance lease

Where an item of Property, Plant and Equipment asset has major components whose cost and life span is significant in relation to the total cost of the item, the components are depreciated separately. A full years charge is made in the year of acquisition, with no extra charge made in the year of disposal. Depreciation is charged to the Comprehensive Income and Expenditure Account

Componentised valuation in accordance with IAS 16 Property, Plant and Equipment, where applicable, is effective from the financial year commencing 1 April 2011.

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. This is transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

21. Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. Receipts are required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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 General Fund Balance in the Movement in Reserves Statement.

22. Private Finance Initiative (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the Property, Plant and Equipment needed to provide the services remains 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 vehicles and maintenance thereof.
The introduction of IFRS necessitated the review of both PFI schemes. The traffic wing was judged to fall within the scope of International Financial Reporting Interpretations Committee 12 (IFRIC), and therefore moved onto the balance sheet in 2009/10.

The vehicles have been judged against IFRIC4 and those valued above the Authority's de-minimus , and where at the inception of the lease the minimum lease payments amounted to at least 75% of the fair value of the asset, have been re-classified retrospectively , as finance leases.
The majority have been reclassified with the small remainder being included within the Cost of Services within the Comprehensive Income and Expenditure Account.

For the traffic wing the amounts payable to the PFI operators each year are analysed into five elements:

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement.
- Finance cost – an interest charge of 21.38% on the outstanding Balance Sheet liability, has been debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for the building PFI.

- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)
- Lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

23. Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Authority settles the obligation.

24. Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the Accounts.

25. Contingent Assets

A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the Accounts where it is probable that there will be an inflow of economic benefits or service potential.

26. Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service and hence included within the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and Employee Benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant policies. A description of the purpose of these reserves is shown in the Glossary at the end of the Statement of Accounts.

27. VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

28. Cash flow Statement

This has been prepared using the 'Indirect Method'. In previous years the 'Direct Method' has been used, therefore this is a change in policy.

29. Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Revenue expenditure funded from capital under statute (previously known as deferred charges) represents expenditure that may be capitalised under statutory provisions but does not result in the creation of tangible assets. Revenue expenditure funded from capital under statute incurred during the year has been written off as expenditure to the relevant service revenue account in the year.

The Authority had no directly expended revenue from capital under statute (REFCUS) during the year ended 31 March 2011, but has included its share of REFCUS from the joint venture known as the East Midlands Special Operations Unit (EMSOU).

Where the EMSOU has determined to meet the cost of the revenue expenditure funded from capital under statute from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Movement in Reserves Statement.

Statement of Responsibilities

The Authority's Responsibilities

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has 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 2011.

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 2011 and its income and expenditure for the year ended 31 March 2011.

C M H Radford CPFA
Treasurer to Nottinghamshire Police Authority

I certify on behalf of the Police Authority that the Statement of Accounts presents a true and fair view of the financial position of the Nottinghamshire Police Authority at 31 March 2011 and its income and expenditure for the year ended 31 March 2011.

Jon Collins
Chair of Nottinghamshire Police Authority

Core Financial Statements

CS1. Comprehensive Income and Expenditure Statement 2010/11 and 2009/10

CS2 Movement in Reserves Statement 2010/11 and 2009/10

CS2.1 Usable and Unusable Totals

CS2.2 Unusable Analysis

CS3 Balance Sheet 2010/11, 2009/10 and 2008/09

CS4 Cash Flow Statement 2010/11 and 2009/10

P1 Pension Fund Account

CS1. Comprehensive Income and Expenditure Statement

2009/10 Gross Expenditure £000	2009/10 Gross Income £000	2009/10 Net Expenditure £000	Note		2010/11 Gross Expenditure £000	2010/11 Gross Income £000	2010/11 Net Expenditure £000
128,875	-18,234	110,641		Local Policing	134,719	-14,728	119,991
16,225	-562	15,663		Dealing with the Public	16,389	1,595	17,984
18,604	-1,640	16,964		Criminal Justice Arrangements	19,177	-925	18,252
6,381	-2,126	4,255		Road Policing	8,481	-4,896	3,585
14,135	-1,454	12,681		Specialist Operations	14,705	-118	14,587
7,498	-1,007	6,491		Intelligence	9,626	-2,118	7,508
26,103	-1,505	24,598		Specialist Investigations	28,058	1,027	29,085
6,287	-673	5,614		Investigative Support	7,106	389	7,495
4,241	-2,432	1,809		National Policing	6,387	-5,076	1,311
798	-734	64		EMSOU	770	-663	107
1,313	-26	1,287		Corporate and Democratic Core	1,611	-5	1,606
332	0	332	3.0	Non Distributed Costs	2,367	-197,996	-195,629
230,792	**-30,393**	**200,399**		**Cost Of Services**	**249,396**	**-223,514**	**25,882**
1,419	0	1,419	3.1	**Other Operating Expenditure**	1,057	0	1,057
80,404	0	80,404	3.2	**Financing and Investment Income and Expenditure**	94,427	0	94,427
0	-207,237	-207,237	3.3	**Taxation and Non-Specific Grant Income**	0	-221,406	-221,406
312,615	**-237,630**	**74,985**		**Surplus (-) or Deficit on Provision of Services**	**344,880**	**-444,920**	**-100,039**
		-2,079		Surplus (-) or deficit on revaluation of non-current assets			-61
		573,385	4.1, 4.3	Adjustments Between Accounting Basis and Funding Basis under regulations			-69,189
		571,306		**Other Comprehensive Income and Expenditure**			**-69,250**
		646,291		**Total Comprehensive Income and Expenditure**			**-169,289**

CS2. Movement in Reserves

CS2.1 Movement in Reserves during 2010/11	Note	General Fund Balance £000	Earmarked Reserves Note 16 £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	CS2.2 Unusable Reserves £000	Total Reserves of the Authority £000
Balance at 1 April 2010		**-7,084**	**-9,582**	**0**	**-35**	**-16,701**	**1,779,030**	**1,762,329**
Surplus or (deficit) on the provision of services (accounting basis)		-100,039	0	0	0	**-100,039**	0	**-100,039**
Other Comprehensive Income and Expenditure (see note below *)		0	0	0	0	**0**	-61	**-61**
Total Comprehensive Income and Expenditure		**-100,039**	**0**	**0**	**0**	**-100,039**	**-61**	**-100,100**
Adjustments between accounting basis & funding basis under regulations	4.1, 4.3	100,393	0	0	-197	**100,196**	-169,385	**-69,189**
Net Increase (-) / Decrease before Transfers to Earmarked Reserves		**354**	**0**	**0**	**-197**	**157**	**-169,446**	**-169,289**
Transfers to (-) / from Earmarked Reserves		-345	345			**0**	0	**0**
Increase (-) / Decrease in 2010/11		**9**	**345**	**0**	**-197**	**157**	**-169,446**	**-169,289**
Balance at 31 March 2011		**-7,075**	**-9,237**	**0**	**-232**	**-16,544**	**1,609,584**	**1,593,040**

CS2.1 Movement in Reserves during 2009/10	Note	General Fund Balance £000	Earmarked Reserves Note 16 £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	CS2.2 Unusable Reserves £000	Total Reserves of the Authority £000
Balance at 1 April 2009		**-6,224**	**-13,773**	**0**	**-974**	**-20,971**	**1,137,009**	**1,116,038**
Surplus or (deficit) on the provision of services (accounting basis)		74,985	0	0	0	**74,985**	0	**74,985**
Other Comprehensive Income and Expenditure (see note below *)		0	0	0	0	**0**	-2,079	**-2,079**
Total Comprehensive Income and Expenditure		**74,985**	**0**	**0**	**0**	**74,985**	**-2,079**	**72,906**
Adjustments between accounting basis & funding basis under regulations	4.2, 4.4	-71,654	0	0	939	**-70,715**	644,100	**573,385**
Net Increase (-) / Decrease before Transfers to Earmarked Reserves		**3,331**	**0**	**0**	**939**	**4,270**	**642,021**	**646,291**
Transfers to (-) / from Earmarked Reserves		-4,191	4,191		0	**0**	0	**0**
Increase (-) / Decrease in 2009/10		**-860**	**4,191**	**0**	**939**	**4,270**	**642,021**	**646,291**
Balance at 31 March 2010		**-7,084**	**-9,582**	**0**	**-35**	**-16,701**	**1,779,030**	**1,762,329**

*** Movements in unusable reserves relate to Revaluation Gains and Impairment Losses**

CS2.2 Movement in Unusable Reserves during 2010/11	Note 17	Revaluation Reserve £000	Note 19	Capital Adjustment Account £000	Note 18	Pension Reserve £000	Note 20	Collection Fund Adj Account £000	Accumulated Absences Account Note 4.5 £000	CS2.1 Total Unusable Reserves £000
Balance at 1 April 2010		**-2,228**		**-14,066**		**1,789,011**		**-204**	**6,517**	**1,779,030**
Surplus (-) or deficit on the provision of services (accounting basis)										
Other Comprehensive Income and Expenditure		-61		0		0		0	0	**-61**
Total Comprehensive Income and Expenditure		**-61**		**0**		**0**		**0**	**0**	**-61**
Adjustments between accounting basis & funding basis under regulations		115		3,056		-171,874		64	-746	**-169,385**
Net Increase (-) / Decrease before Transfers to Earmarked Reserves		**54**		**3,056**		**-171,874**		**64**	**-746**	**-169,446**
Transfers to (-) / from Earmarked Reserves		0		0		0		0	0	**0**
Increase (-) / Decrease in 2010/11		**54**		**3,056**		**-171,874**		**64**	**-746**	**-169,446**
Balance at 31 March 2011		**-2,174**		**-11,010**		**1,617,137**		**-140**	**5,771**	**1,609,584**

CS2.2 Movement in Unusable Reserves during 2009/10	Note 17	Revaluation Reserve £000	Note 19	Capital Adjustment Account £000	Note 18	Pension Reserve £000	Note 20	Collection Fund Adj Account £000	Accumulated Absences Account Note 4.5 £000	CS2.1 Total Unusable Reserves £000
Balance at 1 April 2009		**-828**		**-21,677**		**1,153,984**		**-316**	**5,846**	**1,137,009**
Surplus (-) or deficit on the provision of services (accounting basis)										
Other Comprehensive Income and Expenditure		-2,079		0		0		0	0	**-2,079**
Total Comprehensive Income and Expenditure		**-2,079**		**0**		**0**		**0**	**0**	**-2,079**
Adjustments between accounting basis & funding basis under regulations		679		7,611		635,027		112	671	**644,100**
Net Increase (-) / Decrease before Transfers to Earmarked Reserves		**-1,400**		**7,611**		**635,027**		**112**	**671**	**642,021**
Transfers to / from Earmarked Reserves		0		0		0		0	0	**0**
Increase (-) / Decrease in 2009/10		**-1,400**		**7,611**		**635,027**		**112**	**671**	**642,021**
Balance at 31 March 2010		**-2,228**		**-14,066**		**1,789,011**		**-204**	**6,517**	**1,779,030**

CS3. Balance Sheet

31 Mar 2009 £000	31 Mar 2010 £000	Note		31 Mar 2011 £000
61,651	59,786	(11)	Property, Plant & Equipment	57,857
1,365	1,305	(12)	Intangible Assets	1,050
32	52	(25)	Long Term Debtors	57
0	0	(11)	Investment Properties	585
0	0	(11)	Assets Held for Sale	210
63,048	**61,143**		**Long Term Assets**	**59,759**
589	0	(7)	Short Term Investments	2,600
645	652	(9)	Stock	748
18,082	10,440	(5)	Short Term Debtors	15,513
821	2,148	(21)	Cash and Cash Equivalents	2,385
20,137	**13,240**		**Current Assets**	**21,247**
-1,271	-3,271	(7)	Short Term Borrowing	-5,396
-24,177	-25,551	(6)	Short Term Creditors	-21,515
-2,560	-2,782	(15)	Provisions	-5,298
-28,008	**-31,604**		**Current Liabilities**	**-32,209**
-14,228	-12,957	(25)	Long Term Borrowing	-21,686
-3,003	-3,140	(8)	Other Long Term Liabilities	-3,014
-1,153,984	-1,789,011	(18)	Pension Scheme Liability	-1,617,137
-1,171,215	**-1,805,108**		**Long Term Liabilities**	**-1,641,837**
-1,116,038	**-1,762,329**		**Net Assets**	**-1,593,040**
20,971	16,701	CS2.1	Usable reserves	16,544
-1,137,009	-1,779,030	CS2.2	Unusable Reserves	-1,609,584
-1,116,038	**-1,762,329**		**Total Reserves**	**-1,593,040**

CS4. Cash Flow Statement

31 Mar 2010 £000	Note	Cash Flow Statement including EMSOU	31 Mar 2011 £000
74,985		**Net surplus (-) or deficit on the provision of services**	**-100,039**
-81,352		Adjust net surplus or deficit on the provision of services for non cash movements	105,063
0		Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	0
-6,367		**Net cash flows from Operating Activities**	**5,024**
6,358	**(21.2)**	Investing Activities	5,468
-729	**(21.3)**	Financing Activities	-10,729
-738		**Net increase (-) / decrease in cash and cash equivalents**	**-237**
738		**Representing an equivalent Balance Sheet movement**	**237**
1,410		Cash and cash equivalents 1 April	2,148
2,148	(21.4)	**Cash and cash equivalents 31 March**	**2,385**
2,148		**Total**	**2,385**

31 Mar 2010 £000	Note	Cash Flow Statement excluding EMSOU	31 Mar 2011 £000
74,921		**Net surplus (-) or deficit on the provision of services**	**-100,144**
-81,692		Adjust net surplus or deficit on the provision of services for non cash movements	104,349
0		Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	0
-6,771		**Net cash flows from Operating Activities**	**4,205**
6,962	**(21.2)**	Investing Activities	6,041
-729	**(21.3)**	Financing Activities	-10,729
-538		**Net increase (-) / decrease in cash and cash equivalents**	**-483**
538		**Representing an equivalent Balance Sheet movement**	**483**
1,029		Cash and cash equivalents 1 April	1,567
1,567	(21.4)	**Cash and cash equivalents 31 March**	**2,050**
1,567		**Total**	**2,050**

P1

PENSION FUND ACCOUNT	2009/10 £000	2010/11 £000
Contributions Receivable		
Employers Contributions 1987 Scheme	-18,749	-18,608
Employers Contributions 2006 Scheme	-1,735	-2,254
Additional Contributions for early retirements 1987 Scheme	1,258	-48
Members contributions 1987 Scheme	-8,536	-8,476
Members contributions 2006 Scheme	-685	-887
Transfer in 1987 Scheme	0	-469
Transfer in 2006 Scheme	-633	-24
Benefits Payable		
Pensions 1987 Scheme	34,898	36,384
Pensions 2006 Scheme	6	5
Commutations and lump sum retirement benefits 1987 Scheme	7,669	13,169
Commutations and lump sum retirement benefits 2006 Scheme	0	0
Lump sum death benefits 1987 Scheme	134	66
Lump sum death benefits 2006 Scheme	0	0
Payments to and on account of leavers		
Refund of contributions 1987 Scheme	0	0
Refund of contributions 2006 Scheme	8	9
Transfers out 1987 Scheme	671	554
Transfers out 2006 Scheme	12	2
Sub total before transfer from the Police Authority of amount equal to the deficit	**14,318**	**19,423**
Transfer of Government Grant from the Police Authority to meet the deficit	**-14,318**	**-19,423**
Balance at 31 March 2011	0	0

Notes to the Accounts

1. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out on pages 12-27, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for the Police Service. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities.

- The Authority has in the past undertaken capital improvements to a property store. The Authority is in dispute with the contractor in relation to faults that have developed subsequently. Legal advice has been sought and because of the uncertainty of the outcome no account has been taken of any monies which may be received in the future. There is no sufficient certainty to treat this as a probable contingent asset therefore prudence requires that no adjustments are made in the Financial Statements.

Major Estimations

The largest area of estimation included within the Accounts is in the area of payroll accruals particularly overtime. This has been checked retrospectively and found to be reasonable.

The Authority undertook a review of each vehicle within the Vehicle PFI scheme, as required by IFRS. This review required that these vehicles be recognised as assets on the Balance Sheet. In arriving at the appropriate values the Authority relied on the professional judgement of the Transport Manager. These estimations were required due to the unavailability of the purchase information from the PFI supplier.

The items in the Authority's Accounts for 2010/11 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Insurance Claim Provision

It is not certain that all valid insurance liability claims have yet been received by the Authority. Estimates of claims change as claims evolve. The Authority has made a provision of £3.153m to meet the estimated outstanding amount of insurance claims. This is based on estimates provided by insurance companies. An increase / decrease in the number of value of claims of 10% have the effect of adding / reducing £0.315m.

2. Prior Period Adjustments

Further explanation of the material changes as a result of the introduction of IFRS into the 2010/11 Statement of Accounts, and other prior year adjustments required restatements to prior year comparative figures for the following items:

2.1 Short-term accumulating compensated absences

Short-term accumulating compensated absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the authority. The most significant benefit covered by this heading is holiday pay.

Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render services that increase their entitlement to future compensated absences. As a result, the authority is required to accrue for any annual leave earned but not taken at 31 March each year. Under the previous accounting arrangements, no such accrual was required.

The government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

To avoid impacting upon Council Tax payers a contra account neutralises the effect.

2.2 Government grants

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, grants were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

2.2.1 The balance on the Government Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 Balance Sheet.

2.2.2 Grant income was received in 2009/10 but not used. Previously, no income was recognised in respect of this grant, which was shown in the Grants Unapplied Account within the Liabilities section of the Balance Sheet. Following the change in accounting policy, the grant has been recognised in full, and transferred to the Capital Grants Unapplied Account within the Reserves section of the Balance Sheet.

In accordance with the code Capital grants are now recognised in the Comprehensive Income and Expenditure Account. Revenue Grants are now recognised and accounted for in the year of receipt rather than the year of use.

2.3 Leases

Under the Code, all leases have been re-assessed under IAS 17. This prescribes the capitalisation of relevant leases onto the authority's balance sheet with a corresponding liability being created.

In addition the Authority reviewed the Vehicle PFI scheme (as administered by Vensons) in accordance with the Code of Practice and also with International Accounting Standards. This resulted in the reclassification of vehicles as finance lease assets in accordance with IAS17.

As a consequence of these re-classifications the financial statements have been amended as follows:

2.3.1 The authority has recognised assets (Vehicles, Plant and Equipment) and a corresponding finance lease liability.

2.3.2 The operating lease charge and relevant PFI payment within the Comprehensive Income and Expenditure account has been reduced by the amount that relates to the capital element of the lease payments.

2.3.3 The capital element of lease rentals or qualifying vehicle PFI payments is now charged to the deferred lease liability on the authority's balance sheet.

2.3.4 The authority makes a corresponding entry to the Comprehensive Income and Expenditure account as Minimum Revenue Provision in accordance with the Local Authority (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 [SI 2008/414].

2.3.5 A depreciation charge has been included within the Comprehensive Income and Expenditure account.

The depreciation charge has been transferred from the General Fund to the Capital Adjustment Account, and the General Fund has been charged with the Minimum Revenue Provision (with the credit being made to the Capital Adjustment Account). These transfers are reflected in the balance sheets as at 31 March 2009 and 31 March 2010, and the adjustments that relate to 2009/10 are reported in the Movement in Reserves Statement for the year.

2.3.6 The interest element of the lease payments in respect of these leases and re-classified PFI payments is charged to the Financing and Investment income and expenditure line in Surplus or Deficit on the Provision of Services.

2.4 Pension Adjustment

The authority has recognised a prior year liability of £42.3m in the Comprehensive Income and Expenditure account in respect of the active members injury award scheme per the Government Actuaries Department.

The following tables show how comparative figures have been affected because of these changes. The reference is included within the core statements

	Published SofA 2009/10 £000	2008/09 IFRS and Prior Year Adjs Employee Benefits £000	Revenue Grants £000	Leasing £000	Capital Grants £000	Capital (inc depn) £000	2009/10 IFRS and Prior Year Adjs Employee Benefits £000	Revenue Grants £000	Leasing (inc depn) £000	Capital Grants £000	Capital (inc depn) £000	Pension Adj £000	Restated in Published SofA 2010/11 £000	CS Ref
	Note	**2.1**	**2.2**	**2.3**	**2.2**	**2.3**	**2.1**	**2.2**	**2.3**	**2.2**	**2.3**	**2.4**		
Comprehensive Income and Expenditure / Movement in Reserves														
Net Cost of Services - Cost of Services	**196,669**	0	0	0	0	0	670	138	-1,186	3,708	400	0	**200,399**	CS1
Surplus (-) /Deficit for the year - Surplus or Deficit on Provision of Services	**72,763**	0	0	0	0	0	670	138	-1,008	850	1,572	0	**74,985**	CS1
General Fund Balance c/f- Movement in Reserves Balance 31 March 2010	**-7,084**	0	0	0	0	0	0	0	0	0	0	0	**-7,084**	CS2.1
Total gain (-) /loss for the year - Total Comprehensive Income and Expenditure	**601,739**	0	0	0	0	0	670	138	-1,008	850	1,572	42,330	**646,291**	CS2.1
Balance Sheet														
Long Term Assets (see note below)	**60,298**	0	0	2,734	0	-1,557	0	0	1,411	0	-1,743	0	**61,143**	CS3
Current Assets	**13,240**	0	0	0	0	0	0	0	0	0	0	0	**13,240**	CS3
Current Liabilities	**-25,616**	-5,847	1,601	0	0	0	-670	-138	-934	0	0	0	**-31,604**	CS3
Long Term Liabilities	**-1,762,404**	0	0	-2,083	1,854	0	0	0	705	-850	0	-42,330	**-1,805,108**	CS3
Total Assets less Liabilities - Net Assets	**-1,714,482**	-5,847	1,601	651	1,854	-1,557	-670	-138	1,182	-850	-1,743	-42,330	**-1,762,329**	CS3
Total Net Worth - Total Reserves	**-1,714,482**	-5,847	1,601	651	1,854	-1,557	-670	-138	1,182	-850	-1,743	-42,330	**-1,762,329**	CS3

Adjustments on Long Term Assets include depreciation written back on revaluations carried out in prior years. These adjustments amount to £ 841k and are reflected in the fixed asset schedules in Note 11 on pages 49 and 50. The Authority now applies the correct accounting treatment in respect of these assets.

3. Surplus or Deficit on Provision of Services

The Cost of Services within the Comprehensive Income and Expenditure Accounts has other items added to calculate a surplus or deficit on Provision of Services. The published accounts for 2009/2010 inadvertently omitted the Levies to National Police Services. The comparative figure was £511k. Further information of what this comprises is as follows:

3.0 There is an exceptional item included in the income resulting from a reduction in pension liabilities as a result of change in basis from Retail Price Index to Consumer Price Index.

	2009/10 £000	Other Operating Expenses	2010/11 £000
3.1			
	1,419	Gains (-) and Losses on Disposal of Non Current Assets	531
	0	Gains (-) and Losses on Disposal of Intangibles	0
	0	Levies to National Police Services	528
	1,419	**Total NPA**	**1,059**
	0	EMSOU	-2
	1,419	**Total**	**1,057**

	2009/10 £000	Financing and Investment Income and Expenditure	2010/11 £000
3.2			
	822	Interest payable on Debt	748
	178	Interest element of Finance Leases (Lessee)	169
	453	Interest payable on PFI Unitary Payments	471
	83,781	Pensions Interest Cost	100,330
	-4,629	Expected return on Pensions Assets	-7,063
	-15	Interest Income	-185
	-186	Investment Interest Income	-43
	80,404	**Total**	**94,427**

	2009/10 £000	Taxation and Non-Specific Grant Income	2010/11 £000
3.3			
	-50,417	Council Tax Income	-53,257
	-51,125	National Non Domestic Rates	-57,019
	-11,800	Revenue Support Grant	-8,280
	-78,454	Non-ringfenced Government Grants	-80,685
	-12,583	Home Office Pension Grant	-19,423
	-2,858	Capital Grants and Contributions	-2,742
	-207,237	**Total**	**-221,406**

An overall detail of grants received is included in Note 10

4. Movement in Reserves notes

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

4.1 Adjustments between Accounting Basis and Funding Basis under regulations for year ended 31 March 2011

Adjustments Between Accounting Basis and Funding Basis under regulations for year ended 31 March 2011	**General Fund Balance £000**	**Earmarked Reserves** Note (16) **£000**	**Capital Grants Unapplied £000**	**Capital Receipts Reserve £000**	**Total Usable Reserves £000**	**Unusable Reserves** Note (4.3) **£000**	**Total Movement for the year £000**
Depreciation/Amortisation of non-current assets	-7,802	0	0	0	**-7,802**	7,817	**15**
Impairment/Revaluation losses	-144	0	0	0	**-144**	130	**-14**
Capital grants and contributions credited to the CIES	2,742	0	-197	0	**2,545**	-2,545	**0**
Application of grants to capital financing transferred to the Capital Adjustment Account					**0**		**0**
	0	0	0	0	**0**	0	**0**
Revenue Expenditure funded from capital under statute	-2	0	0	0	**-2**	2	**0**
Net gain or loss (-) on sale of non-current assets	-535	0	0	0	**-535**	535	**0**
	0	0	0	0	**0**	0	**0**
Amount by which pension costs calculated in accordance with the Code (IAS19) are different from the contributions due under the pension scheme regulations	-144,378	0	0	0	**-144,378**	-171,874	**-316,252**
Amount by which council tax income included in the Comprehensive	-64	0	0	0	**-64**	64	**0**
Statutory provision for repayment of debt	1,712	0	0	0	**1,712**	-1,712	**0**
Statutory Repayment of Debt (Finance Lease Liabilities)	984	0	0	0	**984**	-984	**0**
Actuarial Gain on pension liabilities as a result of the change in basis from RPI to CPI	197,995	0	0	0	**197,995**	0	**197,995**
Capital expenditure charged to the General Fund Balance	72	0	0	0	**72**	-72	**0**
Employers contribution to Pension Scheme	49,067	0	0	0	**49,067**	0	**49,067**
Use of Capital Receipts Reserve to finance capital expenditure	0	0	0	0	**0**	0	**0**
Adjustment between Capital Adj Account and Revaluation Reserve for depreciation related to revaluation balance rather than Historic Cost							
Net transfer to or from earmarked reserves required by legislation	746	0	0	0	**746**	-746	**0**
Total Adjustment	**100,393**	**0**	**-197**	**0**	**100,196**	**-169,385**	**-69,189**

4.2 Adjustments between Accounting Basis and Funding Basis under regulations for year ended 31 March 2010

Adjustments Between Accounting Basis and Funding Basis under regulations for year ended 31 March 2010	General Fund Balance £000	Earmarked Reserves Note (16) £000	Capital Grants Unapplied £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves Note (4.3) £000	Total Movement for the year £000
Depreciation/Amortisation of non-current assets	-8,282	0	0	0	**-8,282**	9,034	**752**
Impairment/Revaluation losses	-5,975	0	0	0	**-5,975**	5,223	**-752**
Capital grants and contributions credited to the CIES	2,828	0	0	939	**3,767**	-3,767	**0**
Application of grants to capital financing transferred to the Capital Adjustment Account					**0**		**0**
Revenue Expenditure funded from capital under statute	-9	0	0	0	**-9**	9	**0**
Net gain or loss (-) on sale of non-current assets	-579	0	0	0	**-579**	580	**1**
Amount by which pension costs calculated in accordance with the Code (IAS19) are different from the contributions due under the pension scheme regulations	-103,655	0	0	0	**-103,655**	635,027	**531,372**
Amount by which council tax income included in the Comprehensive	-112	0	0	0	**-112**	112	
Statutory provision for repayment of debt	1,499	0	0	0	**1,499**	-1,499	**0**
Statutory Repayment of Debt (Finance Lease Liabilities)	1,181	0	0	0	**1,181**	-1,182	**-1**
Statutory Charge for Lifecycle Capital (PFI)	0	0	0	0	**0**	0	**0**
Capital expenditure charged to the General Fund Balance	78	0	0	0	**78**	-78	**0**
Employers contribution to Pension Scheme	42,013	0	0	0	**42,013**	0	**42,013**
Use of Capital Receipts Reserve to finance capital expenditure	0	0	0	0	**0**	0	**0**
Adjustment between Capital Adj Account and Revaluation Reserve for depreciation related to revaluation balance rather than Historic Cost	0	0	0	0	**0**	0	**0**
Net transfer to or from earmarked reserves required by legislation	-641	0	0	0	**-641**	641	**0**
Total Adjustment	**-71,654**	**0**	**0**	**939**	**-70,715**	**644,100**	**573,385**

4.3 Adjustments between Accounting Basis and Funding Basis under regulations for year ended 31 March 2011

Unusable Reserves 2010/11	Revaluation Reserve Note (17) £000	Capital Adjustment Account Note (19) £000	Pensions Reserve Note (18) £000	Collection Fund Adjustment Account Note (20) £000	Accumulated Absences Account Note (4.5) £000	Total Movement for the year £000
Depreciation/Amortisation of non-current assets	0	7,817	0	0	0	**7,817**
Impairment/Revaluation losses	0	130	0	0	0	**130**
Capital grants and contributions credited to the CIES	0	-2,545	0	0	0	**-2,545**
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	0	**0**
Revenue Expenditure funded from capital under statute	0	2	0	0	0	**2**
Net gain (-) or loss on sale of non-current assets	0	535	0	0	0	**535**
Amount by which pension costs calculated in accordance with the Code (IAS19) are different from the contributions due under the pension scheme regulations	0	0	-171,874	0	0	**-171,874**
Amount by which council tax income included in the Comprehensive	0	0	0	64	0	**64**
Statutory provision for repayment of debt	0	-1,712	0	0	0	**-1,712**
Statutory Repayment of Debt (Finance Lease Liabilities)	0	-984	0	0	0	**-984**
Statutory Charge for Lifecycle Capital (PFI)	0	0	0	0	0	**0**
Capital expenditure charged to the General Fund Balance	0	-72	0	0	0	**-72**
Employers contribution to Pension Scheme	0	0	0	0	0	**0**
Use of Capital Receipts Reserve to finance capital expenditure	0	0	0	0	0	**0**
Adjustment between Capital Adj Account and Revaluation Reserve for depreciation related to revaluation balance rather than Historic Cost	0	0	0	0	0	**0**
Net transfer to or from earmarked reserves required by legislation	115	-115	0	0	-746	**-746**
Total Adjustments	**115**	**3,056**	**-171,874**	**64**	**-746**	**-169,385**

4.4 Adjustments between Accounting Basis and Funding Basis under regulations for year ended 31 March 2010

Unusable Reserves 2009/10	Revaluation Reserve Note (17) £000	Capital Adjustment Account Note (19) £000	Pensions Reserve Note (18) £000	Collection Fund Adjustment Account Note (20) £000	Accumulated Absences Account Note (4.5) £000	Total Movement for the year £000
Depreciation/Amortisation of non-current assets	0	9,034	0	0	0	**9,034**
Impairment/Revaluation losses	509	4,714	0	0	0	**5,223**
Capital grants and contributions credited to the CIES	0	-3,767	0	0	0	**-3,767**
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	0	**0**
Revenue Expenditure funded from capital under statute	0	9	0	0	0	**9**
Net gain (-) or loss on sale of non-current assets	83	497	0	0	0	**580**
Amount by which pension costs calculated in accordance with the Code (IAS19) are different from the contributions due under the pension scheme regulations	0	0	635,027	0	0	**635,027**
Amount by which council tax income included in the Comprehensive	0	0	0	112	0	**112**
Statutory provision for repayment of debt	0	-1,499	0	0	0	**-1,499**
Statutory Repayment of Debt (Finance Lease Liabilities)	0	-1,182	0	0	0	**-1,182**
Statutory Charge for Lifecycle Capital (PFI)	0	0	0	0	0	**0**
Capital expenditure charged to the General Fund Balance	0	-78	0	0	0	**-78**
Employers contribution to Pension Scheme	0	0	0	0	0	**0**
Use of Capital Receipts Reserve to finance capital expenditure	0	0	0	0	0	**0**
Adjustment between Capital Adj Account and Revaluation Reserve for depreciation related to revaluation balance rather than Historic Cost	87	-87	0	0	0	**0**
Net transfer to or from earmarked reserves required by legislation	0	-30	0	0	671	**641**
Total Adjustments	**679**	**7,611**	**635,027**	**112**	**671**	**644,100**

4.5 Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance; is neutralised by transfers to or from the Account.

	2009/10 £000	2010/11 £000
Balance 1 April	**-5,824**	**-6,494**
Settlement of cancellation of accrual made at the end of the preceding year	5,824	6,494
Amounts accrued at 31 March	0	0
	0	**0**
Amounts by which officer remuneration charged to the CIES on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements	-6,494	-5,747
Total NPA	**-6,494**	**-5,747**
EMSOU	-23	-24
Balance 31 March	**-6,517**	**-5,771**

5. Debtors

The analysis of debtors shown on the balance sheet is:

	2009/10 £000	2010/11 £000
Central Government Bodies	3,622	9,195
Other Local Authorities	1,810	2,036
Public Corporations and Trading Funds	0	3
Other Entities and Individuals	4,981	4,133
Total NPA	**10,413**	**15,367**
EMSOU	27	146
Total	**10,440**	**15,513**

Arrears

At 31 March 2011, the Authority had balance of £1,983k trade debtors. A review of significant balances suggested that an impairment of doubtful debts of 1.18% on debt outstanding of £616k amounting to £11k was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.

If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £22k to set aside as an allowance.

The Authority had provided £216k for bad debts in the balance sheet as at 31 March 2011.

6. Creditors

The analysis of creditors shown on the Balance Sheet is:

	2009/10 £000	2010/11 £000
Central Government Bodies	-5,541	-4,292
Other Local Authorities	-3,357	-2,744
Public Corporations and Trading Funds	0	0
Other Entities and Individuals	-16,307	-14,238
Total NPA	**-25,205**	**-21,274**
EMSOU	-346	-241
Total	**-25,551**	**-21,515**

7. Short Term Borrowing and Lending

	31 March 2010 £000	31 March 2011 £000
Short Term Borrowing		
Edinburgh City		-4,000
West Sussex County Council	-2,000	
PWLB	-1,271	-1,396
	-3,271	**-5,396**
Short Term Investments		
Money Market Funds	0	2,600
Net Short term Borrowing and Lending	**-3,271**	**-2,796**

8. Long Term Liabilities

	31 March 2010 £000	31 March 2011 £000
Finance Leases	-1,378	-1,252
PFI Liabilities	-1,762	-1,762
Total	**-3,140**	**-3,014**

9. Stocks

	2009/10 £000	2010/11 £000
Balance 1 April	**645**	**652**
Purchases	2,123	2,168
Recognised as an expense in the year	-2,106	-2,054
Written off balances	-10	-18
Balance 31 March	**652**	**748**

Analysis	2009/10 £000	2010/11 £000
Petrol	64	59
Derv	214	323
Fuel Total	**278**	**382**
Clothing & Uniform	314	321
Prisoner Clothing	12	6
Clothing Total	**326**	**327**
Stationery	36	39
Catering Stores	6	0
Building Cleaning	6	0
Other Totals	**48**	**39**
Total Stock	**652**	**748**

10. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2009/10 and 2010/11 respectively

	2009/10 £000	2010/11 £000
Credited to Taxation and Non Specific Grant Income		
Council Tax Income	-50,416	-53,257
National Non Domestic Rates	-51,125	-57,019
Revenue Support Grant	-11,800	-8,280
Non-ringfenced Government Grants	-78,454	-80,685
Home Office Pension Grant	-12,583	-19,423
Capital Grants and Contributions	-2,859	-2,742
Total	**-207,237**	**-221,406**
Credited to Services		
Home Office		
Community Support Officers	-6,061	-5,491
Crime Fighting Fund	-4,633	-4,633
PFI Grant	-1,848	-1,774
Basic Command Unit	-949	-1,123
Drug Action Teams	-1,098	-1,063
Special Priority Payment Grant	-1,322	-4
Counter Terrorism	-504	-470
DNA Grant	-468	0
Guns Gangs & Knives	-314	-140
Induction Learning and Development Policing Grant	-206	0
Other Home Office Grants	-1,330	-482
Local & Police Authority Grants & Contributions		
Nottingham City Council	-1,950	-1,745
District Councils	-603	-381
Nottinghamshire County Council	-176	-103
Other Grants & Contributions	-730	-152
Total	**-22,192**	**-17,561**

These grants are included within the Income figures credited to Cost of Services as on the Comprehensive Income and Expenditure Account of £223,514k (£30,393k 2009/10)

11. Fixed Assets

Summary of Fixed Asset Movements	Land & Buildings £000	Plant Vehicle & Equipment £000	Investment Properties £000	Assets under Construction £000	Assets Held for sale £000	Total £000	PFI Assets Included £000
1 April 2010	**44,913**	**39,390**	**0**	**1,848**	**0**	**86,151**	**2,044**
Additions	3,241	3,024	0	718	0	6,983	0
Revaluation Increases/ Decreases (-) recognised in the Revaluation Reserve	-189	0	0	0	0	-189	0
Revaluation Increases/ Decreases (-) recognised in the Surplus / Deficit on the Provision of Services	-166	0	0	0	0	-166	0
Derecognition - Disposals	-110	-1,730	0	0	0	-1,840	0
Derecognition - Other	0	0	0	0	0	0	0
Assets reclassified to/ from Held for Sale	-210	0	0	0	210	0	0
Other Movements in cost or valuation	452	0	585	-1,038	0	-1	0
31 March 2011	**47,931**	**40,684**	**585**	**1,528**	**210**	**90,938**	**2,044**
Accumulated Depreciation and Impairment							
1 April 2010	**1,145**	**25,479**	**0**	**0**	**0**	**26,624**	**114**
Depreciation charge	1,208	6,106	0	0	0	7,314	107
Depreciation written out to the Revaluation Reserve	0	-250	0	0	0	-250	0
Impairment losses (Reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0
Impairment losses (Reversals) recognised in the Surplus / deficit on the Provision of Service	-22	0	0	0	0	-22	0
Derecognition - Disposals	0	-1,200	0	0	0	-1,200	0
Derecognition - Other	0	0	0	0	0	0	0
Other Movements in Depreciation and Impairment	0	0	0	0	0	0	0
31 March 2011	**2,331**	**30,135**	**0**	**0**	**0**	**32,466**	**221**
Net Book Value							
NPA 31 March 2010	43,768	13,911	0	1,848	0	59,527	1,930
EMSOU 31 March 2010	0	259	0	0	0	259	0
NPA 31 March 2011	45,600	10,549	585	1,528	210	58,472	1,823
EMSOU 31 March 2011	0	180	0	0	0	180	0

Summary of Fixed Asset Movements	Land & Buildings £000	Plant Vehicle & Equipment £000	Investment Properties £000	Assets under Construction £000	Assets Held for sale £000	Total £000	PFI Assets Included £000
1 April 2009	**46,377**	**40,817**	**0**	**910**	**0**	**88,104**	**0**
Additions	4,896	6,712	0	1,345	0	12,953	1,784
Revaluation Increases/ Decreases (-) recognised in the Revaluation Reserve	-5,914	0	0	0	0	-5,914	260
Revaluation Increases/ Decreases (-) recognised in the Surplus / Deficit on the Provision of Services	0	0	0	0	0	0	0
Derecognition - Disposals	-446	-8,291	0	-255	0	-8,992	0
Derecognition - Other	0	0	0	0	0	0	0
Assets reclassified to/ from Held for Sale	0	0	0	0	0	0	0
Other Movements in cost or valuation	0	152	0	-152	0	0	0
31 March 2010	**44,913**	**39,390**	**0**	**1,848**	**0**	**86,151**	**2,044**
Accumulated Depreciation and Impairment							
1 April 2009	2,373	24,416	0	0	0	26,789	0
Depreciation charge	1,131	7,415	0	0	0	8,546	114
Depreciation written out to the Revaluation Reserve	0	0	0	0	0	0	0
Impairment losses (Reversals) recognised in the Revaluation Reserve	-2,355	-18	0	0	0	-2,373	0
Impairment losses (Reversals) recognised in the Surplus / deficit on the Provision of Service	0	0	0	0	0	0	0
Derecognition - Disposals	-4	-6,334	0	0	0	-6,338	0
Derecognition - Other	0	0	0	0	0	0	0
Other Movements in Depreciation and Impairment	0	0	0	0	0	0	0
31 March 2010	**1,145**	**25,479**	**0**	**0**	**0**	**26,624**	**114**
Net Book Value							
NPA 31 March 2009	44,004	16,401	0	910	0	61,315	0
EMSOU 31 March 2009	0	336	0	0	0	336	0
NPA 31 March 2010	43,768	13,911	0	1,848	0	59,527	1,930
EMSOU 31 March 2010	0	259	0	0	0	259	0

Capital Commitments

At 31 March 2011, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2011/12 and future years budgeted to cost £1,753k. Similar commitments at 31 March 2010 were £4,226k. The major commitments at 31 March 2011 are:

	31 March 2011 £000
Force Headquarters Refurbishment	539
Force Headquarters Generator and Sub Station	340
Carlton Identity Suite	8
Carlton Uninterruptable Power Supply	5
Total	**892**

Revaluations

The Authority carries out a rolling programme that ensures that all property, plant and equipment required to be measured at fair value is revalued at least every five years. It has been agreed that the asset portfolio will be revalued over the next four years at 25% per annum as part of the revised estates management programme for Land and Buildings assets. Investment properties and properties for sale are revalued on an annual basis at fair value. Remaining assets are assessed by managers with direct responsibility for them.

No revaluations with the exception of those relating to investment properties were carried out during the financial year ended 31 March 2011. This was because the Authority undertook a full revaluation exercise during the financial year ended 31 March 2010. Property revaluations were undertaken by Lambert Smith Hampton, external valuers.

The Authority exercised the option, under the transition guidance not to componentise existing valuations for the year ended 31 March 2011. Any significant changes in assets in future years or assets that are re-valued as part of the rolling revaluation programme will be subject to componentised valuation as prescribed by IAS 16 and adopted by the Royal Institute of Chartered Surveyors in its Red Book.

Valuations of Plant, Vehicles and Equipment use depreciated historical cost as proxy for fair value. This is because the assets have relatively short lives and values.

Valuation Summary

	Land & Buildings £000	Plant, Vehicles & Equipment £000	Investment Properties £000	Assets Held for Sale £000	Assets under Constructio £000	Total £000	PFI Assets Included £000
Carried at Historical Cost	1,177	40,684	0	0	1,528	43,389	0
Valued at Fair value as at 31 March 2011	0	0	585	0	0	585	0
01 April 2009	46,754	0	0	210	0	46,964	2,044
Total Cost of Valuation	**47,931**	**40,684**	**585**	**210**	**1,528**	**90,938**	**2,044**

Investment Properties

During the Financial year ended 31 March 2011 the Authority decided to re-classify its Telecommunication Masts as investment properties. These have been re-valued as prescribed in IAS 40 Investment Property as at 31 March 2011 by **Roger Smalley BSc MRICS,** of Lambert Smith Hampton, external valuers.

The following items of income and expense have been accounted for in the Comprehensive Income and Expenditure Statement:

	2009/10 £000	2010/11 £000
Rental Income from investment Property	0	145
Direct operating expenses arising from Investment Property (**see Note below**)	0	0
Net Gain / (Loss)	**0**	**145**

The Authority receives income on investment properties from Arqiva, an external organisation that also undertakes the maintenance and repair of the telecoms masts that the Authority owns. These costs are not identified separately in the statement of Accounts and are subsumed within the management charge levied by Arqiva to the Authority. Investment income received during the year is shown net of this management charge. The analysis above does not include any detail relating to these costs as a consequence.

In previous years investment income has been received for these masts (£149k 2009/10). This however was not classified as investment income and hence no comparator is shown in the table above.

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property, neither is it required to undertake repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

	2009/10 £000	2010/11 £000
Balance 1 April	**0**	**0**
Reclassification from Operating Land and Buildings		940
Additions :		
Purchases	0	0
Constuction	0	0
Subsequent expenditure	0	0
Disposals :		
Net Gain / (Losses) from fair value adjustments	0	-355
Transfers:		
To / From Property, Plant and Equipment	0	0
Other changes	0	0
Balance 31 March	**0**	**585**

Assets Held for Sale

	2009/10 £000	2010/11 £000
Balance 1 April	**0**	**0**
Assets newly classified as held for sale :		
Property, Plant and Equipment	0	210
Intangible Assets	0	0
Other assets / liabilities in disposal groups	0	0
Revaluation losses	0	0
Revaluation gains	0	0
Impairment Losses	0	0
Assets declassified as held for sale :		
Property, Plant and Equipment	0	0
Assets Sold	0	0
Transfers from non- current to current	0	0
Balance 31 March	**0**	**210**

12. Intangible Assets

The Authority Accounts for its software as intangible assets. This is because the software is not an integral part of a particular IT system and therefore not accounted for as part of the hardware item of Property Plant and Equipment. The intangible assets included purchased licences. All software is given a finite useful life of 7 years based on an assessment of the period that the software is expected to be of use to the Authority. The carrying amount of intangible assets is amortised on a straight -line basis. The amortisation of £352k in 2010/11 was charged to the central expenses cost centre within revenue.

	2009/10 Total £000	2010/11 Total £000
Balance 1 April		
Gross Carrying amounts	2,283	2,570
Accumulated amortisation	-923	-1,278
Net carrying amount at start of year	**1,360**	**1,292**
Additions:		
Purchases	287	102
Revaluations increases or decreases	0	0
Impairment losses recognised in the Surplus / Deficit on the Provision of Services	0	0
Amortisation for the period	-355	-352
Net Carrying amount 31 March	**1,292**	**1,042**
Comprising :		
Gross carrying amounts	2,570	2,672
Accumulated amortisation	-1,278	-1,630
Total NPA	**1,292**	**1,042**
EMSOU	13	8
Total	**1,305**	**1,050**

13. Contingent Assets

The Authority has no contingent assets as at 31 March 2011.

14. Contingent Liabilities

The Authority was contesting one legal claim as at 31 March 2011 with a potential value of £325k. All actions are being taken to mitigate the risk and the legal costs involved have been specifically provided for.

The Force is aware that the Information Commissioner is considering imposing a potential fine of £300k. A proportion of this may be due to be paid by the Authority. At the Balance Sheet date there was uncertainty on this figure.

15. Provisions

	Employer and Public Liability Claims £000	Motor Vehicle Liability Claims £000	Comp' to Sports & Social Club £000	Legal Expenses £000	Restructuring Costs £000	Total £000
Balance 1 April 2010	**1,859**	**853**	**70**	**0**	**0**	**2,782**
Provisions made in 2010/11	927	475	0	75	2,000	3,477
Amounts Used in 2010/11	-505	-456	0	0	0	-961
Balance 31 March 2011	**2,281**	**872**	**70**	**75**	**2,000**	**5,298**

The liability claims are generally paid out within 1 and 3 years. It is expected that the compensation ,legal expenses and restructuring costs will be expended within the next year. Further information is included within the explanatory foreword .

16. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and Earmarked Reserves to provide financing for future expenditure plans and the amounts posted back from Earmarked Reserves to meet revenue expenditure in 2010/11.

	Balance 1 April 2009 £000	Transfers Out 2009/10 £000	Transfers In 2009/10 £000	Balance 31 March 2010 £000	Transfers Out 2010/11 £000	Transfers In 2010/11 £000	Balance 31 March 2011 £000
Medium Term Financial Plan	9,143	4,040	0	5,103	2,000	4,816	7,919
Helicopter Operational Reserve	90	0	0	90	0	0	90
Carry Forwards	910	910		0			0
Police Payroll Reserve	548	358	0	190	190	0	0
Policing for You	500	0	1,797	2,297	2,297	0	0
Revenue Grants	1,601	1,601	1,463	1,463	1,463	768	768
Market Loans Repayment	175	175		0			0
Special operation	400	400		0			0
PFI Life Cycle Costs	203	0	34	237	0	34	271
Total NPA	**13,570**	**7,484**	**3,294**	**9,380**	**5,950**	**5,618**	**9,048**
EMSOU	**203**	**1**	**0**	**202**	**13**	**0**	**189**
Total	**13,773**	**7,485**	**3,294**	**9,582**	**5,963**	**5,618**	**9,237**

17. Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment (and Intangible Assets). The balance is reduced when assets with accumulated gains are:

- Re-valued downwards or impaired and the gains are lost.
- Used in the provision of services and the gains are consumed through depreciation.
- Disposed of and the gains are realised.

The Reserve contains only a revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	31 Mar 2010 £000			31 Mar 2011 £000
	-828	**Balance 1 April**		**-2,228**
-2,638		Upward revaluation of assets	-250	
1,068		Downward revaluation of assets and impairments losses not charged to the Surplus/ Deficit on the provision of Services	189	
	-1,570	**Surplus (-) or deficit on revaluation of non-current assets not posted to the Surplus/ Deficit on the Provision of Services**		**-61**
87		Difference between fair value depreciation and historical cost depreciation	115	
83		Accumulated gains on assets sold or scrapped	0	
	170	**Amount written off to the Capital Adjustment Account**		**115**
	-2,228	**Balance 31 March**		**-2,174**

18. Pension Reserve

The Pension Reserve absorbs the timing differences arising from the different arrangements for the accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority Accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employers contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pension Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2009/10 £000		Note	2010/11 £000
-1,153,984	Balance at 1 April		-1,789,011
-24,190	Liability arising from injury awards being restated for previous years		0
-547,035	Actuarial gains or losses on pensions assets and liabilities		69,189
-102,473	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement		58,236
38,671	Employers pensions contributions and direct payments to pensioners payable in the year		44,449
-1,789,011	**Balance at 31 March**		**-1,617,137**
-635,027	**Movement in year as reported in Statement of Reserves**	**4.3, 4.4**	**171,874**

19. Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of the acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

The following table provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2009/10 £000	Capital Adjustment Account	2010/11 £000
	Balance 1 April	
-22,468	Balance of items relating to capital expenditure debited or credited to the CIES	**-13,795**
13,091	Charges for depreciation and impairment of non-current assets	7,302
250	Revaluation losses on Property, Plant and Equipment	144
355	Amortisation of intangible assets	352
932	Amounts of non current assets written off on disposal to the CIES	640
14,628		**8,438**
-87	Adjusting amounts written out of the Revaluation Reserve	-115
14,541	Net written out amount of the cost of non current assets consumed in the year	**8,323**
	Capital financing applied in the year:	
-354	Use of Capital Receipts to finance new capital expenditure	-109
-3,797	Capital grants and contributions credited to the CIES applied to capital financing	-2,545
	Statutory provision for the financing of capital investment charged to the General Fund	
-1,499	Minimum Revenue Provision	-1,712
-218	Finance Lease Liability	-984
-5,868		**-5,350**
-13,795	**Total NPA 31 March**	**-10,822**
-271	EMSOU	-188
-14,066	**Total**	**-11,010**

20. Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the difference arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from the council tax payers compared with the statutory arrangements for paying across amounts to the General Fund form the Collection Fund.

2009/10 £000		2010/11 £000
-316	**Balance 1 April**	**-204**
112	Amount council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	64
-204	**Balance 31 March**	**-140**

21. Cash Flow

31 Mar 2010 £000	(21.1) Cash Flow Statement – Interest included within Operating Activities	31 Mar 2011 £000
-201	Interest received	-228
1,276	Interest paid	1,219
1,075	**Total**	991

31 Mar 2010 £000	(21.2) Cash Flow Statement – Investing Activities	31 Mar 2011 £000
10,344	Purchase of property, plant and equipment, investment property and intangible assets	6,250
-524	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-67
0	Short Term investments made	2,600
-2,858	Other receipts for investing activities	-2,742
6,962	**NPA Only**	**6,041**
-604	EMSOU	-573
6,358	**Total**	**5,468**

31 Mar 2010 £000	(21.3) Cash Flow Statement – Financing Activities	31 Mar 2011 £000
-2,000	Cash receipts of short and long-term borrowing	-12,000
1,271	Repayment of borrowing	1,271
-729	**Net Cash flows from financing activities**	**-10,729**

31 Mar 2010 £000	(21.4) Cash Flow Statement – Cash and Cash Equivalents	31 Mar 2011 £000
1,510	Cash at Bank	1,993
57	Imprest Accounts	57
1,567	**NPA Total**	**2,050**
581	EMSOU	335
2,148	**Total Cash and cash equivalents 31 March**	**2,385**

22. 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 EMSOU. This is included in the Authority's Comprehensive Income and Expenditure Account. The contribution for 2010/2011 was £1,185k

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

Comprehensive Income & Expenditure Account (EMSOU)

2009/10 EMSOU £000	2009/10 Nottinghamshire Police Authority £000		2010/11 EMSOU £000	2010/11 Nottinghamshire Police Authority £000
2,835	782	Employee Expenses	4,095	1,130
775	214	Premises	729	201
334	92	Transport	393	108
1,519	419	Supplies and services	1,325	366
534	147	Capital Charges	543	150
5,997	**1,655**	**Gross Operating Expenditure**	**7,085**	**1,955**
-455	-126	Other Income	-326	-90
-1	-0	Loss / Profit (-) on Disposal of Fixed Assets	-8	-2
5,541	**1,529**	**Amount to be met from Partners**	**6,751**	**1,863**
-3,106	-857	Contributions from Partners	-4,293	-1,185
-2,203	-608	External Grants	-2,077	-573
232	**64**	**Surplus (-) / Deficit for the year**	**381**	**105**
0	0	Surplus (-) / Deficit on revaluation of non current assets	0	0
0	**0**	**Other Comprehensive Income and Expenditure**	**0**	**0**
232	**64**	**Total Comprehensive Income and Expenditure**	**381**	**105**

Balance Sheet (EMSOU)

2009/10 EMSOU £000	2009/10 Nottinghamshire Police Authority £000		2010/11 EMSOU £000	2010/11 Nottinghamshire Police Authority £000
937	259	Property, Plant & Equipment	651	180
47	13	Intangible Assets	32	9
984	**272**	**Long Term Assets**	**683**	**189**
98	27	Short Term Debtors	529	146
2,105	581	Cash and Cash Equivalents	1,213	335
2,203	**608**	**Current Assets**	**1,742**	**481**
-81	-22	Receipts in Advance	-60	-17
-83	-23	Employee Benefits	-85	-24
-1,089	-301	Short Term Creditors	-726	-200
-1,253	**-346**	**Current Liabilities**	**-871**	**-241**
1,934	**534**	**Net Assets**	**1,554**	**429**
1,034	286	Usable Reserves	957	265
900	248	Unusable Reserves	597	164
1,934	**534**	**Total Reserves**	**1,554**	**429**

Movement in Reserves (EMSOU)

	EMSOU Total							Nottinghamshire Police Authority						
	General Fund Balance	Earmarked Reserves	**Total Usable Reserves**	Capital Adjustment Account	Employee Benefits	**Total Unusable Reserves**	**Total EMSOU Reserves**	General Fund Balance	Earmarked Reserves	**Total Usable Reserves**	Capital Adjustment Account	Employee Benefits	**Total Unusable Reserves**	**Total EMSOU Reserves**
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2010	303	731	1,034	983	-83	901	1,934	84	202	285	271	-23	249	534
Movement in reserves during 2010/11														
Surplus / deficit (-) on the provision of services	-381	0	-381	0	0	0	-381	-105	0	-105	0	0	0	-105
Other Comprehensive Income and Expenditure														
Surplus / deficit (-) on revaluation of non current assets	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Comprehensive Income and Expenditure	**-381**	**0**	**-381**	**0**	**0**	**0**	**-381**	**-105**	**0**	**-105**	**0**	**0**	**0**	**-105**
Adjustments between accounting basis & funding basis under regulations														
Charges for depreciation	535	0	535	-535	0	**-535**	0	148	0	148	-148	0	-148	0
Revenue expenditure funded from capital under statute	8	0	**8**	-8	0	**-8**	0	2	0	2	-2	0	-2	0
Disposal of non-current assets	17	0	**17**	-17	0	**-17**	0	5	0	5	-5	0	-5	0
Charges for Employee Benefits	3	0	**3**	0	-3	**-3**	0	1	0	1	0	-1	-1	0
Insertion of items not debited or credited to the Comprehensive Income & Expenditure Account														
Capital expenditure charged against the General Fund	-260	0	**-260**	260	0	**260**	0	-72	0	-72	72	0	72	0
Net increase / Decrease (-) before transfers to Earmarked Reserves	**-77**	**0**	**-77**	**-301**	**-3**	**-304**	**-381**	**-21**	**0**	**-21**	**-83**	**-1**	**-84**	**-105**
Transfers from Earmarked Reserves	45	-45	0	0	0	0	0	12	-12	0	0	0	0	0
Increase / Decrease (-) in 2010/11	-32	-45	-77	-301	-3	-304	-381	-9	-12	-21	-83	-1	-84	-105
Balance at 31 March 2011	**271**	**686**	**956**	**682**	**-85**	**597**	**1,553**	**75**	**189**	**264**	**188**	**-24**	**165**	**429**

	EMSOU Total							Nottinghamshire Police Authority						
	General Fund Balance	Earmarked Reserves	**Total Usable Reserves**	Capital Adjustment Account	Employee Benefits	**Total Unusable Reserves**	**Total EMSOU Reserves**	General Fund Balance	Earmarked Reserves	**Total Usable Reserves**	Capital Adjustment Account	Employee Benefits	**Total Unusable Reserves**	**Total EMSOU Reserves**
	Total £000	**Total £000**	**Total £000**	**Total £000**	**Total £000**	**Total £000**	**Total £000**	**Total £000**	**Total £000**	**Total £000**	**Total £000**	**Total £000**	**Total £000**	**Total**
Balance at 1 April 2009	**272**	**736**	**1,008**	**1,239**	**(80)**	**1,158**	**2,166**	**75**	**203**	**278**	**342**	**(22)**	**320**	**598**
Movement in reserves during 2009/10														
Surplus / deficit (-) on the provision of services	(232)	-	(232)	-	-	-	(232)	(64)	-	(64)	-	-	-	**(64)**
Other Comprehensive Income and Expenditure														
Surplus / deficit (-) on revaluation of non current assets	-	-	**-**	-		**-**	**-**	-	-	**-**	-		**-**	**-**
Total Comprehensive Income and Expenditure	**(232)**	**-**	**(232)**	**-**	**-**	**-**	**(232)**	**(64)**	**-**	**(64)**	**-**	**-**	**-**	**(64)**
Adjustments between accounting basis & funding basis under regulations														
Charges for depreciation	501	-	501	(501)	-	(501)	-	138	-	138	(138)	-	(138)	-
Revenue expenditure funded from capital under statute	33	-	33	(33)	-	(33)	-	9	-	9	(9)	-	(9)	-
Disposal of non-current assets	6	-	6	(6)	-	(6)	-	2	-	2	(2)	-	(2)	-
Charges for Employee Benefits	3	-	3	-	(3)	(3)	-	1	-	1	-	(1)	(1)	-
Insertion of items not debited or credited to the Comprehensive Income & Expenditure Account														
Capital expenditure charged against the General Fund	(284)	-	(284)	284	-	284	-	(78)	-	(78)	78	-	78	-
Net increase / Decrease (-) before transfers to Earmarked Reserves	**26**	**-**	**26**	**(255)**	**(3)**	**(258)**	**(232)**	**7**	**-**	**7**	**(71)**	**(1)**	**(71)**	**(64)**
Transfers to / from (-) Earmarked Reserves	5	(5)	-	-	-	-	-	1	(1)	-	-	-	-	-
Increase / Decrease (-) in 2009/10	31	(5)	26	(255)	(3)	(258)	(232)		(1)	7	(71)	(1)	(71)	(64)
Balance at 31 March 2010	**303**	**731**	**1,034**	**983**	**(83)**	**900**	**1,934**	**84**	**202**	**285**	**271**	**(23)**	**249**	**534**

23. Christopher McDonald Memorial Trust

Nottinghamshire Police operates the above Trust, which does not form 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 2011 the balance of the Trust stood at £4,528 during 2010/11 awards of £396 were made.

24. Pensions

The adoption of IFRS has had minimal impact on the Pension Accounts.

Employees' and employer's contribution levels are based on percentages of pensionable pay set nationally by the Home Office and subject to triennial revaluation by the Government Actuary's Department.

The fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The Pension Fund account is shown on Page 35.

Basis for estimating Pension Assets and Liabilities

Liabilities have been assessed on an actual basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both the Local Government Pension Scheme and Discretionary Benefits Liabilities have been assessed by Barnett Waddingham, Public Sector Consulting, an independent firm of actuaries. Estimates for the County Council Fund are based on the latest full valuation of the scheme as at 31 March 2010.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Discretionary Benefits	
	2009/10	**2010/11**	**2009/10**	**2010/11**
Long term expected rate of return on assets in the scheme:				
Equity investments	7.40%	7.30%		
Bonds	4.90%	4.80%		
Other	6.40%	5.85%		
Mortality assumptions				
Longevity at 65 for current pensioners				
Men	20.3 Yrs	18.5 Yrs		
Women	23.9 Yrs	22.6 Yrs		
Longevity at 65 for future pensioners				
Men	21.2 Yrs	20.5 Yrs		
Women	24.9 Yrs	24.5 Yrs		
Rate of inflation	3.90%		3.90%	
RPI Increases	3.90%	3.50%		3.80%
CPI Increases		2.70%		3.00%
Rate of increase in salaries	5.40%	5.00%	5.40%	5.30%
Rate of increase in pensions	3.90%	2.70%	3.90%	3.00%
Rate for discounting scheme liabilities	5.50%	5.50%	5.80%	5.70%

The Discretionary Benefits arrangements have no assets to cover its liabilities. The Local Government Pension Scheme assets consist of the following categories, by proportion of the total assets held :

Take up option to convert annual pension into retirment lump sum	50.00% 31/03/10 %	50.00% 31/03/11 %
Equity Investments	68.0	73.0
Bonds	15.0	11.0
Property	15.0	12.0
Cash	2.0	4.0
Debt Instruments	0.0	0.0
Other Assets	0.0	0.0
	100.0	100.0

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011

	2006/07 %	2007/08 %	2008/09 %	2009/10 %	2010/11 %
Differences between the expected and actual return on assets	2.0	-6.8	-29.7	19.5	3.1
Experience gains and losses (-) on liabilities		-0.3		0.2	-4.9

Scheme History

	2006/07 £000	2007/08 £000	2008/09 £000	2009/10 £000	2010/11 £000
Present Value of Liabilities					
Local Government Pension Scheme	-108,727	-126,064	-111,703	-178,589	-150,153
Discretionary benefits	-1,340,810	-1,191,130	-1,112,130	-1,709,070	-1,580,100
Fair value of assets in the Local Government Pension Scheme	75,795	80,413	69,849	98,648	113,116
Surplus / deficit (-) on the scheme	**-1,373,742**	**-1,236,781**	**-1,153,984**	**-1,789,011**	**-1,617,137**
Local Government Pension Scheme	-32,932	-45,651	-41,854	-79,941	-37,037
Discretionary benefits	-1,340,810	-1,191,130	-1,112,130	-1,709,070	-1,580,100
Total	**-1,373,742**	**-1,236,781**	**-1,153,984**	**-1,789,011**	**-1,617,137**

The liabilities show the underlying commitments that the Authority has in the long run to pay post employment (retirement) benefits. The total liability of £1,617.1 million has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative long term liability in the Balance Sheet of -£1,646 million. 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 (i.e. before payments fall due), as assessed by the scheme actuary.
- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions; expected to be made to the Local Government Pension Scheme by the council in the year ending 31 March 2012 are £5.3m. Expected contributions for the Discretionary Benefits Scheme in the year ending 31 March 2012 are £19.7m.

Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Force with expert advice about the assumptions to be applied, with regards to the staff pensions The Governments Actuary Department provides this for Police Officers. The effects on the net pension's liability of changes in individual assumptions can be measured.
The sensitivity of the pension liabilities are shown below with the assumptions provided by the Authority's actuaries:

The sensitivity of the pension liabilities is shown as below	**£000**
For the Nottinghamshire County Pension Scheme	
+ 0.1% change to the discount rate would result in a reduction of the pension liability by :	-4,230
- 0.1% change to the discount rate would result in an increase in the pension liability by :	4,365
For the various Police Pension Schemes	
+0.5% change to the discount rate would result in a reduction of the pension liability by:	-39,503
-0.5% change to the discount rate would result in a reduction of the pension liability by:	39,503

For the Nottinghamshire County Pension Scheme the sensitivity analysis has been provided by the actuary.
For the various Police Pension Schemes calculations, they have been calculated per the guidance from the actuary. However, the assumptions interact in complex ways. During 2010/11, the Authority's actuaries advised that the net pension liability had decreased by £157.4m attributable to updating of the assumptions.

Change of index

In the UK Budget Statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). This has the effect of reducing Nottinghamshire Police Authority's liabilities in the various pension schemes by £197,996k. This has been recognised as a past service gain in accordance with guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact on the General Fund.

NET ASSETS STATEMENT	2009/10 £000	2010/11 £000
Debtors - Pensions paid in advance	2,962	3,188
Creditors - Unpaid pensions benefits	0	
Other Current Assets	-2,962	-3,188
	0	0

Financing and Investment Income and Expenditure

Defined Benefit Pension Schemes

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitments to make the payments that's need to be disclosed at the times that employees earn their future entitlement.

The Authority participates in two post employment schemes:

- The Local governments pension scheme, administered locally by Nottinghamshire County Council. This is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension’s liabilities with investment assets.
- Arrangements for the award of discretionary post retirement benefits upon early retirement- this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investments assets built up to meet these pension's liabilities, and cash has to be generated to meet actual pension’s payments as they eventually fall due.

Transactions Relating to Post-employment Benefits

The cost of retirement benefits is recognised in the reported cost of services when; they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be against Council Tax is based on the cash payable in the year. The true cost of employment/ retirement benefits is reversed out of the General Fund within the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance within the Movement in Reserves Statement during the year:

	Local Government Pension Scheme £000		**Discretionary Benefits £000**	
	2009/10	**2010/11**	**2009/10**	**2010/11**
Comprehensive Income and Expenditure Statement				
Cost of services				
Current service cost	3,272	10,954	20,900	39,760
Past service costs	0	0	130	30
Settlements and curtailments	202	367	0	0
Financing and Investment Income and Expenditure				
Interest cost	7,570	9,450	77,880	90,880
Expected return on scheme assets	-4,629	-7,063		
Total Post Employment Benefit Charged to the Surplus or deficit on the Provision of Services	**6,415**	**13,708**	**98,910**	**130,670**
Other Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement				
Actuarial gains (-) and losses	-37,215	35,959	-56,496	33,230
Movement in Reserve Statement				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the code	-6,213	-13,341	-98,780	-130,640
Actual amount charged against the General Fund Balance for pensions in the year				
Employers' contributions payable to scheme	5,543	5,687	-	-
Retirements benefits payable to pensioners	-	-	36,410	41,360

The cumulative amount of actuarial loss recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2010/11 is £1.659m.

Assets and Liabilities in Relation to Post-employment Benefits
Reconciliation of present value of the scheme liabilities (defined benefit obligation)

	Funded Liability: Local £000		Unfunded Liabilities £000	
	2009/10	2010/11	2009/10	2010/11
Opening Balance 1 April	**-111,703**	**-178,589**	**-1,136,320**	**-1,709,070**
Current service Cost	-3,272	-10,954	-20,900	-39,760
Interest Cost	-7,570	-9,450	-77,880	-90,880
Contributions by scheme participants	-2,688	-2,776	-9,850	-9,860
Actuarial gains and losses	-56,496	32,399	-509,820	33,230
Benefits paid	3,342	4,618	46,320	53,240
Past service costs	0	14,966	-620	183,000
Curtailments	-202	-367	0	0
Settlements	0	0	0	0
Closing Balance 31 March	**-178,589**	**-150,153**	**-1,709,070**	**-1,580,100**

Reconciliation of fair value of the scheme (plan) assets:

	Local Government Pension £000	
	2009/10	2010/11
Opening Balance 1 April	**69,849**	**98,648**
Expected rate of return	4,629	7,063
Actuarial gains and losses	19,281	3,560
Employers contributions	5,543	5,687
Contributions by scheme participants	2,688	2,776
Benefits paid	-3,342	-4,618
Settlements	0	0
Closing Balance 31 March	**98,648**	**113,116**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The actual return on scheme assets in the year was £8.2m (2009/10, £23.9m).

25. Financial Instruments Notes

Gains and Losses

2009/10				
Financial liabilities measured at amortised cost £000	**Financial Assets Loans and receivables £000**	**Assets and Liabilities at Fair value through profit and loss £000**	**Total £000**	
-1,275	0	0	**-1,275**	Interest Expense
-1,275	0	0	**-1,275**	Total expense in Surplus or Deficit on the Provision of Services
0	201	0	**201**	Interest Income
0	201	0	**201**	Total income in surplus or deficit on the Provision of Services
-1,275	**201**	**0**	**-1,074**	**Net Loss/Gain (-) for the year**

2010/11				
Financial liabilities measured at amortised cost £000	Financial Assets Loans and receivables £000	Assets and Liabilities at Fair value through profit and loss £000	Total £000	
1,219	0	0	**1,219**	Interest Expense
1,219	0	0	**1,219**	Total expense in Surplus or Deficit on the Provision of Services
0	228	0	**228**	Interest Income
0	228	0	**228**	Total income in surplus or deficit on the Provision of Services
1,219	**228**	**0**	1,447	**Net Gain / Loss (-) for the year**

Nature and Extent of Risks Arising from Financial Instruments

The Authority's activities expose it to a variety of financial risks:

- Credit Risk – the possibility that the Authority might fail to pay amounts due to the Authority.
- Liquidity Risk – the possibility that the Authority might not have sufficient funds available to meet expenditure commitments.
- Market Risk- the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements.

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by Authority in the annual treasury management strategy. The Authority provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and investment of surplus cash.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers. The risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by Fitch, Moody's and Standard and Poor's Rating Services. The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category.

Credit risk is also mitigated by imposing a short term investment period.

The credit criteria in respect of financial assets held by the Authority are as detailed below:

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies was £19.5m during the year ended 31 March 2011 and was unable to be assessed generally, as the risk of any institution failing to make interest payments or repay the principal sum was specific to each individual institution.

Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of deposits not being recoverable always exists, but there was no evidence at the 31 March 2011 that this was likely to happen.

The following analysis summarises the Authority's potential maximum exposure to credit risk on other financial assets, based on experience of default and non collection over the last five financial years, adjusted to reflect current market conditions.

	Amount 31 March 2011 £000	Historical Experience of default (average over last 5 years) %	Estimated maximum exposure to default at 31 March 2011 £000	Impairment for debts included 31 March 2011 £000
Customers	1,983	1.18	23	216

Historical experience of default has been calculated by reference to bad debts written off over the past 5 years as a percentage of debt outstanding at the end of each respective period. There is no requirement to adjust this percentage for market conditions since the Authority reduced its provision for bad debts during the year.

The estimated maximum exposure is the amount provided in the balance sheet.

The Authority does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The past dues but not impaired amount can be analysed by age as follows:

	31 March 2010 £000	31 March 2011 £000
Less than three months	2,530	1,669
Three to six months	18	80
Six to nine months	40	22
More than nine months	302	212
	2,890	1,983

Liquidity Risk

The Authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Authority has ready access to borrowings from the money markets and the Public Works Loans 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 proportion of borrowing at a time of unfavourable interest rates. The Authority sets limits on the proportion of its fixed rate borrowing during specified periods, and reviews these every year as part of its Treasury Management Strategy.

The strategy specifies upper and lower limits as set out in the table below:

Maturity Structure of fixed interest rate borrowing 2010/13 From Treasury Strategy	Lower Limit	Upper limit
Less than one year	5%	20%
Between one and two years	5%	20%
Between two and five years	20%	50%
More than five years	25%	50%
More than 10 years	10%	100%

The maturity analysis of financial liabilities is shown as follows:

	31 Mar 2010 £000	31 Mar 2011 £000	31 Mar 2011 Total %
Less than one year	-3,271	-5,396	19.9%
Between one and two years	-1,271	-1,271	4.7%
Between two and five years	-3,813	-8,663	32.0%
More than five years	-3,963	-8,017	29.6%
More than 10 years	-3,910	-3,735	13.8%
	-16,228	**-27,082**	**100.0%**
Summarised as follows			
Due in less than one year	-3,271	-5,396	5.9%
Due in more than one year	-12,957	-21,686	94.1%
	-16,228	**-27,082**	**100.0%**

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

Market Risk

Interest Rate Risk

The Authority is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Authority. For instance, a rise in interest rates would have the following effects:

- Borrowing at variable rates- the interest expense charged to the Surplus or Deficit on the Provision of Services will rise
- Borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- Investments at variable rates- the interest income credited to the Surplus or Deficit on the Provision of Service will rise
- Investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried out at fair value, so nominal gains and losses on fixed rate borrowings would not impact of the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure.Changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and effect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in other comprehensive Income and Expenditure.

The Authority has a number of strategies for managing interest rate risk. Policy is to aim to keep a maximum of 50% of borrowings in a variable rate loans.

The borrowing portfolio is reviewed quarterly for opportunities to re-finance

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated.

During the year £10 million of new long term borrowings was arranged from the Public Works Loan Board. The money was borrowed in four packets of £2.5 million detailed in the table below:

	Loan Type	Value £million	Period for Repayment
1	Fixed	2.5	10 Years
2	Fixed	2.5	7 Years
3	Variable	2.5	5 Years
4	Variable	2.5	3 Years

According to this assessment strategy, at 31 March 2011, if interest rates had been 1% higher with all other variables held constant, the full year financial effect would have been £100,000.

Price Risk

The Authority does not invest in equity shares. The Authority is consequently not exposed to losses arising from movements in the prices of the shares.

Foreign Exchange Risk

The Authority has no financial assets or liabilities denominated in foreign currencies and thus have no exposure to loss arising from movements in exchange rates.

Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

31 March 2010 £000		31 March 2011 £000
57	Imprest Accounts	57
1,510	Bank current accounts	1,993
580	EMSOU	335
2,147	**Total Cash and Cash Equivalents**	2,385

Fair Values of Assets and Liabilities

Financial liabilities and financial assets represented by loans and receivables, and long term debtors and creditors 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:

- Estimated ranges of interest rates at 31 March 2011 of 1.7% to 7.75% for loans from the PWLB and 0.3% to 1.9% for other receivables. The Interest rate on the market loan (LOBO) was 3.73 %.
- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- The fair value of trade and other receivables is taken to be the invoiced or billed amount

The fair values calculated are as follows:

	31 March 2010		31 March 2011	
	Carrying amount £000	Fair Value £000	Carrying amount £000	Fair value £000
Financial Liabilities	-16,228	-17,259	-27,082	-28,535
PFI and Finance Lease Liabilities	-4,074	-4,074	-3,863	-3,863
Creditors	-25,551	-25,551	-21,515	-21,515
	-45,853	**-46,884**	**-52,460**	**-53,913**

The fair value of the liabilities is higher than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans with the PWLB where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2011) arising from this commitment to pay the PWLB an average rate above current market rates.

	31 March 2010		31 March 2011	
	Carrying amount £000	Fair Value £000	Carrying amount £000	Fair value £000
Loans and Receivables	12,588	12,588	20,498	20,498
Debtors	52	52	57	57
	12,640	**12,640**	**20,555**	**20,555**

The fair value of the assets is the carrying value at 31 March 2011 since these are all variable rate instruments. 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 approximates to fair value.

26. Amounts reported for resource allocation decisions

The analysis of Income and Expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice as modified by the Police Objective Analysis.. Decisions about resource allocation are taken by the Authority and Force on the basis of budget reports analysed across directorates. These reports are prepared on a different basis form the accounting policies used in Financial Statements. In particular:

- No charges are made in relation to Capital Expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- The cost of retiring benefits is based on cash flows (payment of employers pensions contributions) rather than current service cost of benefits accrues in the year
- Expenditure on some support services is budgeted for centrally and not charged to the services

The income and expenditure of the Authority's Principal Directorates recorded in the budget management reports for the year are as follows:

Division & Department Income and Expenditure 2010/11	County £m	City £m	Other LP £m	Crime and Justice £m	Operational Support £m	Corporate Services £m	Total £m
Income	-1.0	-0.7	-0.2	-0.6	-0.2	-13.8	-16.5
Total Income	**-1.0**	**-0.7**	**-0.2**	**-0.6**	**-0.2**	**-13.8**	**-16.5**
Employee expenses	55.6	41.2	13.6	33.9	12.1	19.3	175.7
Other service expenses	4.9	3.4	0.7	8.5	3.4	12.2	33.1
Capital Financing	0.0	0.0	0.0	0.0	0.0	2.5	2.5
Police Authority Dept	0.0	0.0	0.0	0.0	0.0	1.5	1.5
Total Expenditure	**60.5**	**44.6**	**14.3**	**42.4**	**15.5**	**35.5**	**212.8**
Net Expenditure	**59.5**	**43.9**	**14.1**	**41.8**	**15.3**	**21.7**	**196.3**

Division & Department Income and Expenditure 2009/10	County £m	City £m	Other LP £m	Crime and Justice £m	Operational Support £m	Corporate Services £m	Total £m
Income	-1.0	-0.2	-0.3	-2.2	-0.3	-16.3	-20.3
Total Income	**-1.0**	**-0.2**	**-0.3**	**-2.2**	**-0.3**	**-16.3**	**-20.3**
Employee expenses	53.0	39.9	14.2	35.0	13.0	20.5	175.6
Other service expenses	6.3	4.0	1.1	8.4	3.6	13.1	36.5
Capital Financing	0.0	0.0	0.0	0.0	0.0	2.3	2.3
Police Authority Dept	0.0	0.0	0.0	0.0	0.0	1.1	1.1
Total Expenditure	**59.3**	**43.9**	**15.3**	**43.4**	**16.6**	**37.0**	**215.5**
Net Expenditure	**58.3**	**43.7**	**15.0**	**41.2**	**16.3**	**20.7**	**195.2**

The amounts reported to management for decision making differ from the amounts included within the Comprehensive Income and Expenditure Statement because statutory accounting adjustments require entries which do not impact upon the precept required to be levied.

Reconciliation of Division and Departmental Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

	2009/10 £m	2010/11 £m
Net Expenditure in the Division and Departments	195.2	196.3
Net expenditure of services and support services not included in the Analysis	-2.1	-2.2
Other	7.3	-168.2
Cost of Services in Comprehensive Income and Expenditure Statement	**200.4**	**25.9**

Amounts in the CIES not reported to management (for the year ended 31March 2011) in the analysis above include the following material items:

	£m
Actual Gain on pension liabilities, as a result of the change in basis from RPI to CPI:	£ (197.9)
Restructuring costs	£ 2.0
Pension Top up	£ 19.4
Depreciation	£ 7.7

Reconciliation of Division and Departmental Income and Expenditure to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

	Division and Department Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Allocation of Recharges	Total
	£m	£m	£m	£m	£m
2010/11					
Fees, charges & other service income	-16.3	0.0	-12.3	1.1	**-27.5**
Surplus of deficit on associates and joint ventures	0.0	0.1	0.0	0.0	**0.1**
Interest and investment income	-0.2	0.0	0.6	0.0	**0.4**
Income from Council Tax	0.0	0.0	-53.3	0.0	**-53.3**
Change in Pensions reporting basis	0.0	0.0	-198.0	0.0	**-198.0**
Government grants and contributions	0.0	0.0	-166.6	0.0	**-166.6**
Total Income	**-16.5**	**0.1**	**-429.6**	**1.1**	**-444.9**
Employee expenses	175.7	0.0	32.4	0.0	**208.1**
Other service expenses	34.6	0.0	1.3	-1.1	**34.8**
Depreciation, amortisation and impairment	0.0	0.0	7.8	0.0	**7.8**
Minimum Revenue Provision	1.8	0.0	-1.8	0.0	**0.0**
Interest Payments	0.7	0.0	93.0	0.0	**93.7**
Gain (-) or Loss on Disposal of Fixed Assets	0.0	0.0	0.5	0.0	**0.5**
Total Expenditure	**212.8**	**0.0**	**133.2**	**-1.1**	**344.9**
Surplus (-) or Deficit on the provision of services	**196.3**	**0.1**	**-296.4**	**0.0**	**-100.0**
2009/10					
Fees, charges & other service income	-20.1	0.0	-13.5	1.2	**-32.4**
Surplus of deficit on associates and joint ventures	0.0	0.1	0.0	0.0	**0.1**
Interest and investment income	-0.2	0.0	-0.2	0.0	**-0.4**
Income from Council Tax	0.0	0.0	-50.4	0.0	**-50.4**
Government grants and contributions	0.0	0.0	-154.0	0.0	**-154.0**
Total Income	**-20.3**	**0.1**	**-218.1**	**1.2**	**-237.1**
Employee expenses	175.6	0.0	12.1	-0.1	**187.6**
Other service expenses	37.6	0.0	1.5	-1.1	**38.0**
Depreciation, amortisation and impairment	0.0	0.0	4.8	0.0	**4.8**
Minimum Revenue Provision	1.5	0.0	-1.5	0.0	**0.0**
Interest Payments	0.8	0.0	80.6	0.0	**81.4**
Gain (-) or Loss on Disposal of Fixed Assets	0.0	0.0	0.2	0.0	**0.2**
Total Expenditure	**215.5**	**0.0**	**97.7**	**-1.2**	**312.0**
Surplus (-) or Deficit on the provision of services	**195.2**	**0.1**	**-120.4**	**0.0**	**74.9**

27. Capital Expenditure and Capital Financing

The total amount of Capital Expenditure incurred in the year is shown in the table below (including the value of assets acquired under the finance leases and PFI/PP contracts), together with the resources that have been used to finance it. Where Capital Expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the Capital Expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note

	2009/10 £000	2010/11 £000
Opening Capital Financing Requirement	**38,299**	**44,796**
Capital investment		
Property, Plant and Equipment	11,860	6,984
Investment Properties	0	0
Intangible Assets	287	102
Revenue Expenditure Funded from Capital under Statute	0	0
Sources of finance		
Capital Receipts	-354	-109
Government grants and other contributions	-3,797	-2,545
Sums set aside from revenue		
Direct reserve contribution	0	0
MRP / loans funded principal	-1,499	-1,712
Closing Capital Financing Requirement	**44,796**	**47,516**
Movement in the year	**6,497**	**2,720**
Explanation of movements in year		
Increase in underlying needs to borrowing (supported by government financial assistance)	1,178	1,178
Increase in underlying need to borrowing (unsupported by government financial assistance)	4,377	2,465
MRP / Loans funded principles	-1,499	-1,712
Assets acquired under finance leases	2,441	789
Assets acquired under PFI/PPP contracts	0	0
Increase / decrease (-) in Capital Financing Requirement	**6,497**	**2,720**

28. Authority as Lessee

Finance Leases

The Authority has acquired a number of buildings vehicles and equipment under finance leases. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet. The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Authority and finance costs that will be payable by the Authority in the future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts, payable over the following periods.

	Finance lease Liabilites Gross		Finance lease Liabilites Net	
	31 March 2010 £000	31 March 2011 £000	31 March 2010 £000	31 March 2011 £000
No later than one year	1,010	969	934	849
Later than one year and no later than five years.	1,305	1,220	1,232	1,088
Later than five years	148	173	146	164
	2,463	**2,362**	**2,312**	**2,101**

	31 March 2010 £000	31 March 2011 £000
Future finance charges on finance leases	151	261
Present Value of lease obligations	2,312	2,101
	2,463	**2,362**

The assets acquired under these leases are carried as Plant , Vehicle & Equipment and are included at the following net values :

	£000
As at 31 March 2010	881
As at 31 March 2011	1,448

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. Currently there are no such events.

Operating Leases

The Authority has acquired land, buildings and equipment on operating leases. The future minimum lease payments due under non-cancellable leases in future years are:

	31 March 2010 £000	31 March 2011 £000
Not Later than one year	555	579
Later than one year and not later then 5 years	1,369	1,804
Later than 5 years	2,066	1,300

The treatment of leases in the financial statements has been adjusted to reflect the requirements of IAS 17. The financial statements and associated notes for 2010/11 have been adjusted to reflect the distinction between operating leases and finance leases and the necessary accounting treatment. The most significant impact is that operating leases that expire after more than 5 years have now been classified as finance leases. This is in accordance with IAS 17 which requires the Authority to capitalise these leases on its balance sheet.

29. Private Finance Initiatives

The Authority has two Private Finance Initiatives (PFI) project agreements.

For both of the PFI agreements the following are applicable:

- The Authority has the sole right to use the PFI assets over the period of the agreement.
- Both PFI providers have to ensure that the Authority can use the assets per the agreement.
- For the traffic wing Miven (the PFI provider) maintains the building over the period of the agreement.
- For the vehicles Vensons (the PFI provider) ensures that the Authority has use of an agreed number of vehicles
- The Authority has no right to ownership of the assets at the end of the agreements.

There were no changes to the agreement during the year ended 31 March 2011.

Building PFI Scheme

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 2001/02 to 2026/27. The amount paid in 2010/11 was £0.97 million (£0.94 million in 2009/10). Future payments will be linked to the movement in inflation. The table below shows future payments based on the most recent payments to Miven excluding inflation.

The Authority received special grants towards the financing of the Traffic Wing PFI scheme. Grant of £564,942 was received in 2010/11. (£588,481 in 2009/10).

Vehicle PFI Scheme

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 agreement is for 25 years from 2001/02 to 2026/27. The amount paid in 2010/11 was £3.2 million (£3.3 million in 2009/10). Future payments will be linked to the movement in inflation.

The Authority receives special grants towards the financing of the vehicle services PFI scheme. Grant of £1,209,058 was received in 2010/11 (£1,259,435 in 2009/10).

The Authority reviewed the Vehicle PFI scheme as required by IFRS. This resulted in the reclassification of vehicles as finance lease assets in accordance with IAS17. The future liability for the resultant finance lease payments is shown in note 28. The authority has decided to disclose the contractual PFI obligation within this note.

Payments

The Authority makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31 March 2011 (excluding any estimation of inflation and availability /performance deductions) , (based on the latest payments made) are as follows:

Traffic Wing	**Payment for Services**	**Reimbursement of Capital**	**Total**
Future PFI Payments	£000	£000	£000
2011/12	462	543	1,005
2012/13 to 2016/17	2,312	2,715	5,027
2017/18 to 2021/22	2,312	2,715	5,027
2022/23 to 2026/27	2,197	2,579	4,776

30. Members Allowances

The Authority paid the following amounts to members during the year

	2009/10 £	2010/11 £
Allowances	224,510	220,619
Expenses	22,129	29,812
Total	**246,639**	**250,431**

Members of the Authority have direct control over the Authority's financial and operating policies. Details of all transactions are recorded in the Register of Member's Interest, open to public inspection at County Hall, West Bridgford during office hours.

31. Officer Emoluments

The Authority's other employees receiving more than £50,000 remuneration for the year (excluding employers pension contributions) were paid the following amounts:

	Number of Employees	
Renumeration Band	**2009/10**	**2010/11**
£50,000 - £54,999	152	144
£55,000 - £59,999	81	69
£60,000 - £64,999	22	17
£65,000 - £69,999	6	5
£70,000 - £74,999	7	8
£75,000 - £79,999	9	9
£80,000 - £84,999	2	5
£85,000 - £89,999	3	4
£90,000 - £94,999	1	1

Officers Remuneration

The following table sets out the remuneration for senior officers posts. The officers included in this table are not included in the table showing officers earning over £50k.

SENIOR OFFICERS EMOLUMENTS 2010/2011

2010/2011 Post Holder Information	Notes	Salary	Expenses Allowances	Benefits in Kind	Other Payments	Total Remuneration	Employers Pension Contribution	Total Remuneration including Pension
		£	£	£	£	£	£	£
			Note 15	Note 16	Note 17			
Chief Constable		140,671	0	15,737	7,814	164,222	34,042	198,264
Deputy Chief Constable - A	1	38,116	0	2,471	165,349	205,936	9,224	215,160
Deputy Chief Constable - B	2	110,078	6,478		2,833	119,389	26,639	146,028
Assistant Chief Constable (Crime) - A	3	108,416	9,053	550	7,637	125,656	25,350	151,006
Assistant Chief Constable (Crime) - B	4	33,424	0	1,020	5,324	39,768	8,195	47,963
Assistant Chief Constable (Crime)- C	5	70,677	136	5,308	3,260	79,381	17,104	96,485
Assistant Chief Constable (Territorial) - A	6	25,255	2,167	1,477	857	29,756	6,112	35,868
Assistant Chief Constable (Territorial) - B	7	70,677	4,359	7,663	3,260	85,959	17,104	103,063
Assistant Chief Constable (Performance)	8	79,498	6,821	5,523	2,697	94,539	19,238	113,777
Director of Finance	9	45,240	0	3,775	30,000	79,015	6,198	85,213
Director of Information	10	40,228	0	3,500	30,500	74,228	5,511	79,739
Director of Human Resources	11	20,520	4,899	0	19,000	44,419	2,811	47,230
Assistant Chief Officer (Resources)	12	49,465	0	3,853	0	53,318	6,777	60,095
Deputy Chief Executive and Treasurer		65,259	0	0	0	65,259	10,078	75,337
Chief Executive - A	13	21,754	0	0	88,951	110,705	2,980	113,685
Chief Executive - B	14	9,598	0	0	0	9,598	691	10,289

Note Officers' Remuneration

Note 1: Deputy Chief Constable a retired on 31st July 2010.

Note 2: Deputy Chief Constable B commenced employment with effect from 14th June 2010.

Note 3: Assistant Chief Constable (Crime) A was on secondment for the 2010/11 financial year and was recharged for this period.

Note 4: Assistant Chief Constable (Crime) B retired on 31st July 2010.

Note 5: Assistant Chief Constable (Crime) C commenced employment with effect from 28th June 2010.

Note 6: Assistant Chief Constable (Territorial) A - data covers period 1st April 2010 to 27th June 2010.

Note 7: Assistant Chief Constable (Territorial) B commenced employment with effect from 20th June 2010.

Note 8: Assistant Chief Constable (Performance) transferred to this post with effect from 28th June 2010.

Note 9: Director of Finance retired on 30th September 2010.

Note 10: Director of Information retired on 30th September 2010.

Note 11: Director of Human Resources left this employment on 30th June 2010.

Note 12: Assistant Chief Officer Resources commenced employment on 27th September 2010.

Note 13: Chief Executive A left this employment on 7th July 2010.

Note 14: Chief Executive B commenced employment on 14th February 2011.

Note 15: Expenses include Travel, Accommodation, Subsistence, and Relocation Expenses.

Note 16: Benefits in Kind include Car Allowance, Medical Allowance and Mortgage Interest Payments relating to relocation.

Note 17: Other Payments includes Rent Allowance, Housing Allowance, Compensatory Grant and Compensation for loss of Office.

SENIOR OFFICERS EMOLUMENTS 2009/10

2009/2010 Post Holder Information	Notes	Salary £	Expenses Allowances £	Benefits in Kind £	Other Payments £	Total Remuneration £	Employers Pension Contribution £	Total Remuneration including Pension Contribution £
			Note 8	Note 9	Note 10			
Chief Constable		137,145	24,535	8,571	7,068	177,319	33,189	210,508
Deputy Chief Constable - A		113,141	951	7,488	8,306	129,886	27,380	157,266
Assistant Chief Constable (Crime) - A	1	105,605	13,768	7,901	7,620	134,894	24,715	159,609
Assistant Chief Constable (Crime) - B	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	0	97,522	11,945	109,467
Director of Information		79,269	245	7,367	0	86,881	10,622	97,503
Director of Human Resources A (Retired 31/12/09)	3	36,173	38	4,893	0	41,104	3,147	44,251
Director of Human Resources B	4	35,747	442	0	0	36,189	6,494	42,683
Director of Human Resources C (01/04/09-02/08/09)	5	26,314	0	0	0	26,314	3,257	29,571
Deputy Chief Executive and Treasurer	6	70,884	314	0	0	71,198	9,595	80,793
Chief Executive	7	78,873	0	0	0	78,873	10,569	89,442

Senior Officer Emoluments 2009/2010 Explanatory Notes

1 Assistant Chief Constable A was on secondment from 14/04/09-31/03/10; an amount of £156,576 was recharged.

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.

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 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 betweeen 09/11/09-31/03/10.

5 The Director of Human Resources C acted into the position, covering sickness between 01/04/09-02/08/09.

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.

7 Chief Executive was on secondment for 6 months; an amount of £47,815 was recharged.

8 Expenses include Travel, Accommodation, Subsistence and Relocation Costs.

9 Benefits in Kind include Car Allowance, Medical Insurance and Mortgage Interest Payments relating to relocation.

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

32. Termination Benefits

The Authority terminated contracts of a number of employees in 2010/11, incurring liabilities of £711.5K (£32k in 2009/10). Of this total the following payments was paid to Employees as disclosed in note 31.

Director of Finance: £30k was paid in the form of compensation for loss of Office.

Director of Information: £30.5k was paid in the form of compensation for loss of Office.

Chief Executive: £89k was paid in the form of compensation for loss of Office.

Deputy Chief Constable A: £157k was paid in the form of compensation for loss of Office.

Director of Human Resources: £19k was paid in the form of compensation for loss of Office.

The remaining £386k was paid to Employees who were made redundant as part of the Authority's rationalisation of the Services.
The cost of pension strain payments to senior officers totalled £453k in year.

33. Central Government

Central Government has effective control over the general operations of the Authority. It is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. Council tax bills, housing benefits) Grants received from government departments are set out in the subjective analysis in Note 10 on reporting for resources allocation decisions.

34. Related Parties

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

As part of good practice under the CIPFA Code of Practice the Authority is required to get members to complete a declaration of personal interests under section 81(1) of the Local Government Act 2000 and the Local Authorities (Model Code of Conduct) Order 2007.

This is achieved by the completion of a register of members' interest form for each member. CIPFA recommends that the Senior Management Team is also included within this requirement. The Authority's Annual Governance form allows for this declaration.

During the financial year ended 31 March 2011 the Senior Management Team in addition to members completed a register of members/officers interests in addition to a Declaration of Related Party Transactions form.

Related Party Transactions	Payments £000	Receipts £000
CENTRAL GOVERNMENTS		
Revenue Grants/Contributions/NDR	0	-145,984
Other Government Grants	0	-34,341
Capital Grants	0	-2,460
LOCAL AUTHORITY - PRECEPTS		
Precepts and surpluses	0	-53,321
LOCAL AUTHORITIES		
Nottinghamshire County Council	9,510	-1,246
Nottingham City Council	1,185	-2,008
District Councils	1,036	-374
POLICE		
Derbyshire Police	1,201	-264
Leicestershire Police	610	-540
EMSOU	0	-848

35 External Audit Costs

The Authority uses the services of the Audit Commission for external audit. The Authority has incurred costs of £90k in relation to the audit of the Statement of Accounts (£79k - 2009/10), additionally £1k was paid for 'National Fraud Initiative' data matching services (£0k - 2009/10).

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

Opinion on the Authority and Pension Fund accounting statements

I have audited the accounting statements and the police pension fund accounting statements of Nottinghamshire Police Authority for the year ended 31 March 2011 under the Audit Commission Act 1998. The accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes. The police pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Nottinghamshire Police Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Treasurer and auditor

As explained more fully in the Statement of the Treasurer's Responsibilities, the Treasurer is responsible for the preparation of the Authority's Statement of Accounts, including the police pension fund accounting statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practice's Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements sufficient to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority and Pension Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authority and the Pension Fund; and the overall presentation of the accounting statements. I read all the information in the explanatory foreword to identify material inconsistencies with the audited accounting statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on accounting statements

In my opinion the accounting statements:

- give a true and fair view of the state of Nottinghamshire Police Authority's affairs as at 31 March 2011 and of its income and expenditure for the year then ended;
- give a true and fair view of the financial transactions of the police pension fund during the year ended 31 March 2011 and the amount and disposition of the fund's assets and liabilities as at 31 March 2011, other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

Matters on which I report by exception

I have nothing to report in respect of the governance statement on which I report to you if, in my opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

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

Authority's responsibilities

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

Auditor's responsibilities

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Basis of conclusion

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, I am satisfied that, in all significant respects, Nottinghamshire Police Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

Certificate

I certify that I have completed the audit of the accounts, including the police pension fund accounting statements, Nottinghamshire Police Authority in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

John R Cornett
Officer of the Audit Commission

District Auditor
Audit Commission
Rivermead House
7 Lewis Court, Grove Park
Enderby
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27 July 2011

NOTTINGHAMSHIRE POLICE AUTHORITY

and

NOTTINGHAMSHIRE POLICE FORCE

ANNUAL JOINT GOVERNANCE STATEMENT

2010-11

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/npa 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 and 2011 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 31st March 2011 and up to the date of approval of the annual statement of accounts.

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

2010-11 has been a year of significant change for the Authority and Force. Following the recommendations of the Capability Review Improvement Plans were put in place to ensure a change in the direction of travel. There was a need to improve both performance and governance in the Authority and Force.

Changes started with the appointment of a new Chair to the Authority and a change in the Committee structure. Within the Force new leadership was created through the appointment of a new Deputy Chief Constable, two new Assistant Chief Constables and an Assistant Chief Officer – Resources. The Authority's executive function was led through change by the appointment of a Change Manager and later in the year the appointment of a new Chief Executive.

The new committee structure ensured that the Authority was focussed on the strategic needs of the organisation and able to challenge effectively, especially in the areas of Performance and Finance.

However, the need for change to bring about improvement was not the only challenge that the organisation faced during 2010-11. The election of a coalition government brought a significant impact on public sector finances. The Authority faced an immediate cut of £2million in year and the Comprehensive Spending Review in the autumn identified cuts up to 20% over the next four years.

The Authority and Force have worked together to identify how cuts of £42.3m over the next four years will be achieved (£23.3m required by March 2013). Within the Force the Change Programme lead and co-ordinate the projects of change that are needed to deliver required savings. There is a Joint Strategic Planning Group that evaluates and monitors the outcomes of the Change Programme and the relevant committees approve the proposed changes.

During March 2011 the HMIC undertook an inspection of how well prepared the Authority and Force are for the financial challenges and the potential impact on performance. Both the Authority and Force have made the commitment that cuts in resources will not affect the delivery of the frontline service.

Looking ahead to 2011-12 and beyond the challenges will become harder to achieve. The cuts in funding for 2012-13 are greater than 2011-12. There are still risks around achieving the cuts that have been identified and the need to continue with improving performance is the main priority.

From 2012 there will also be a significant change in that the Police Authority will cease to exist and will be replaced by a Police and Crime Commissioner. This will result in a major change in governance and accountability arrangements.

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

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.'*

The three strategic priorities identified in the Policing Plan 2011-15 are:

- To cut crime and keep you safe
- To spend your money wisely
- To earn your trust and confidence

There has been a comprehensive integrated strategic and business intelligence assessment conducted to identify the priorities and the actions to support delivery of the Policing Plan. These priorities are supported by a Control Strategy. The priorities are being monitored through the Force's newly formed Business Planning Group, through the development of a Business Planning Scorecard which is supported by balanced scorecards across the disciplines and integrated into the local business plans. This is being developed into the scrutiny arrangements of the Police Authority, with bi-monthly performance monitoring reports.

During 2010-11 the Authority had within its new committee structure a Change Management Board which consisted of all major stakeholders and partners. The Performance and Policing Committee also set targets for police performance and during the year further stretch to these targets were agreed. The Community Safety Partnerships also ensured that the local targets reflected the overall targets for the City and County.

The Policing Plan is the key document for communicating the Force and Authority vision to the public. For 2010-14 the Policing Plan was finalised and published on the website by June 2010. The process for communication with the public and stakeholders on the 2011-15 Policing Plan then commenced in the Autumn and the final Policing Plan for 2011-15 was approved by Members and published on the website February 2011.

Members and Senior Officers attended several partnership events providing a presentation and to consult and promote the Policing Plan and its link to resources. A process of feedback on issues raised at these events is underway.

- ***Reviewing the Authority's vision and strategy and its implications for governance arrangements***

  As stated above the Authority introduced a new Committee Structure that came into place in May 2010 together with a new leadership in Members, this was part of the change strategy aimed at improving governance and communication of the vision. The Committees terms of reference and activity ensured work has been focussed on the strategic priorities.

  In addition to the new structure a Joint Strategic Planning Group was created to specifically address the public sector funding issue that impacted and continues to impact upon the Authority. This is a key part of governance aimed at ensuring the financial strategy is achieved.

  Each of the new committees have revised terms of reference and during 2010-11 the Scheme of Delegation has been reviewed and changes made. This was to ensure day to day decisions could be taken in an effective and timely manner and allowing focus on strategic priorities.

  In both public and private meetings members have been more challenging of the Force to ensure that the decisions being made are correct, appropriate and based upon valid and full information.

  The Force itself has reviewed its governance structures and there is a clear link to organisational scrutiny and challenge through the Authority.

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

  During 2010 the Policing Plan was re-written to reflect the changes required following the capability review. This process was greatly improved for the 2011 Policing Plan where the process of review was started in September and closely linked with the budget process which was also brought forward. This ensured that resources were aligned with performance need.

  During the year Authority members worked closely with the Force to improve the performance data and information supplied. This results in better analysis and understanding of performance. The benchmarking information provided included comparison with Most Similar Forces average and going forward will include comparison at a national level.

  The performance stretch targets set were done so with the aim of achieving the required step change in performance improvement. The targets themselves are set based upon information from The Strategic Intelligence assessment and the assessment of Threat Harm and Risk. The Performance & Policing Committee monitors performance against the targets set. Similarly, the other committees monitor performance against the targets set relating to their terms of reference.

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

Force performance had been a major issue in 2009-10 and during 2010-11 significant improvements have been made to address this. The stretch targets set above had not been achieved by the end of the year but significant progress had been made and the Authority will continue to monitor and challenge how the force addresses this issue.

As mentioned above Performance monitoring now included comparison with most similar forces and now includes national comparison with all forces.

Performance and Finance are monitored very closely throughout the year with regular reports to the Performance and Policing Committee and the Finance and Business Committee. Other areas scrutinised include collaboration and through the Community Engagement and Partnerships Committee satisfaction and confidence performance is monitored and challenged. The HR & Professional Standards Committee monitors performance relating to Health and Safety and other Human Resource targets.

The links between all areas of performance and resources are now clearer and this will enable the movement of resources to match need. This has been specifically enabled by the change from 4 Divisions to 2 which was initiated during the year and fully functional for 2011-12.

- ***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 and Business Planning.

  There has been regional collaboration for the purchase of Orchid, the system which will improve the recording, management and monitoring of strategic risks. Unfortunately delays in getting the system operational will mean that the benefits will not be realised until 2011-12.

  Training has been given in relation to the new system and Managers are aware of their responsibilities in relation to risk management.

  During 2010-11 the Change programme has identified and registered risks within each of the change projects. A Risk assessment has been undertaken of all partnership funding and risks have been identified and costed for the Medium Term Financial Plan. Other elements of the Medium Term Financial Plan have also been risk assessed to ensure that savings targets are robust; some opportunities have not been included to reflect particular risks.

  There has been 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.

Information Risk

Information Risk is an area of significant importance to the force and proactive management of information risk is being progressed, with training also being given to all relevant officers and staff.

During 2010-2011 the Force has progressed its work on information assurance and security. Nottinghamshire Police reached the required 80% compliance mark with the ACPO Community Security Policy matrix in May 2010.

The Force Restricted IT Network, CJX (Criminal Justice Extranet) connection and Airwave Network were all fully accredited by the National Police Improvement Agency (NPIA) in May 2010.

Nottinghamshire Police's Confidential IT Network (which forms part of the East Midlands Regional two-hub solution with Leicestershire Constabulary) was designed and built during 2010 and reached the Information Assurance level required by the National Police Improvement Agency (NPIA) Police National Database (PND) Code of Connection and enabled Nottinghamshire Police to be the first of the East Midlands Forces to access the live Police National Database in March 2011.

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 including the Force Security Board.

Specific responsibilities for the Force Security Board are contained within its terms of reference and these include: compliance with ACPO Community Security Policy; information security risk assessments and providing clear direction and support.

Outcome:
The effective protection of the Force's information, information assets and processing facilities, in support of the Force's stated aims – particularly where this relates to public protection, detection and prevention of crime and bringing offenders to justice.

Objectives:
- To put in place the means to deter, detect or physically prevent unauthorised access and misuse of Force information and information systems (Confidentiality);
- To address issues associated with the reliability of information within Force systems (Integrity);
- To put in place the means to ensure that Force information, irrespective of format, remains available to authorised information users or recipients (Availability).

Residual risk is controlled on the Chief Constable's behalf by Data Protection, Freedom of Information, Audit, Information Security and Vetting functions.

The Chief Constable and the Police Authority are ultimately responsible for the management of risk within the Force including specifically 'Information Risk'. The Deputy Chief Constable is the primary champion of risk management, including 'Information Risk' at a strategic and operational level in his role as Senior Information Risk Owner (SIRO). The members of the Police Authority have a responsibility to understand the risks to information and information assets faced by Nottinghamshire Police and how these risks are being managed.

- ***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. During 2010-11 a specific piece of work was undertaken by the Independent Lay members of the Standards Committee and an Away Day was used to clarify Members Roles, Responsibilities and need to comply with the code of conduct.

To facilitate this a new Members handbook has been put together and is available in the website. Members themselves undertake an annual review and this is used to identify training needs.

The Authority has had a long-standing scheme of delegation in place and this has been subject to two reviews in 2010-11 with a recommendation that some additional areas of work can be delegated from the Authority to the Chief Constable to enable effective working on a day to day basis.

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.

Further protocols are in place in relation to:

- Financial Management
- Internal Audit and Professional Standards department
- Special Operations and the use of reserves
- Requests for Financial Assistance

In 2011-12 there will be full review of the Scheme of Delegation and existing Protocols ahead of the introduction of the Police and Crime Commissioner.

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

During 2010-11 the Chair of the Police Authority undertook a Member Review process aimed at reviewing performance and identifying development requirements. A training programme is being developed from this for 2011-12.

The Standards Committee is responsible for reviewing developmental programmes for members including compliance with the code of conduct.
The Standards Committee receives and investigates conduct complaints made against members of the authority. The Authority's website provides the public with details on how to make a complaint against members and the process that will be followed.

During 2010-11 the Independent lay members of the Standards Committee undertook a piece of work that was used to refresh existing members and develop new members on their roles, responsibilities and the code of conduct.

The HR & Professional Standards Committee has responsibility to review action take in respect of complaints made against police officers and staff. This would include complaints made against the Chief Constable and the outcome of reviews by the Independent Police Complaints Commission.

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

The Police Reform Act 2002 is fully embedded. This is a prescriptive piece of legislation that sets out the Standards of Professional 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 Standards of Professional Behaviour 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.

All new recruits and Police Staff receive training in the Standards of Professional Behaviour, including public and organisational expectations. This training is further extended to newly promoted Sergeants and Inspectors.

- ***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 2007-08 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 was started in 2010-11 this work will be completed in 2011-12 and no major changes are envisaged.

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 will require amendment to reflect the approval for collaborative work and contracts this will be undertaken in 2011-12.

Ahead of the Police & Crime Commissioner being appointed there will be a full review of the Scheme of Delegation and existing protocols.

- ***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 Finance & Business Committee. 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 & 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 has with Members approval appointed a Monitoring Officer (previously the Chief Executive fulfilled this role); this will continue to ensure compliance with relevant laws and regulations. During the year this service was provided by the City Monitoring Officer and later transferred to the County Monitoring Officer on a contractual basis.

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.

Legal advice is also provided by the Force solicitor and only where necessary external legal advice is sought.

There has been work to develop a new Polices and Standards Framework for the Force which is linked to environmental scanning and organisational learning to ensure that the Force can demonstrate compliance and quality of service delivery.

In 2011-12 the legal services departments of the Nottinghamshire and Derbyshire Forces will be merged under a collaborative arrangement. There will be some cost savings, but there will also be an increase in the service that can be delivered.

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

As stated above the Authority has a mechanism in place for receiving complaints made by the public against members of the Authority. Such matters are investigated and managed by the Standards Committee.

The HR & Professional Standards Committee has responsibility for managing complaints made against the staff of the Authority and Chief Constable and reviewing the management of complaints made against police officers and police staff.

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 completed by both Divisional supervisors and by dealt with by the Professional Standards Directorate depending on the severity of the complaint.
- 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 and members.

- ***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.

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.

During 2010-11 a process of reviewing HR policies has commenced and the new policies will be reported to the Police Authority for approval. This work will continue in 2011-12.

Police Authority staff have the same terms and conditions as police staff and therefore the Police HR policies apply.

- ***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, these are then incorporated in an NPA Training Programme. This is monitored and reviewed by the Standards Committee.

  Staff training is identified via the Professional Development Review process for all staff and officers. This includes an assessment against strategic requirements and organisational needs. Where required for professional purposes training is provided to ensure compliance for practicing certificates and continuing professional development.

- ***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 action plan of events and activities. This strategy highlights the jointly held intent to enable public feedback to influence policing in Nottinghamshire.

  The introduction of a Police and Crime Commissioner and the budget restrictions over the next few years means that there will be significant changes to the way the policing service is delivered across Nottinghamshire. It is important that the public and partners are engaged in helping shape policing for the future. A robust consultation and communication action plan has been prepared outlining who will be consulted, about what and when. This is underpinned by an extensive programme of communications using different methods to ensure the widest audience is reached.

  Feedback from the public and partners is routinely received by the Authority at the Community Engagement and Partnerships Committee where service and improvement recommendations are identified and presented to the Force. If appropriate, Force improvement plans are submitted to the Committee for approval and monitoring. Feedback is provided to the public – “You Said, We Did”.

  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 Community Safety Partnership (CSP). 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 antisocial 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.

CSP'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 & Disorder 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 the diverse minority groups and communities across the whole of Nottinghamshire. The County and City Divisions have their own IAG's and the Force is developing strategic IAG consisting of representatives from the Divisional IAG's. These groups meet regularly with the police and provide 'critical friend' advice about policing issues, giving an independent perspective on issues and to work as genuine partners with the Authority and Police to inform service improvements. The Force is also developing a structure of Independent Critical Incident advisors and a network of virtual IAG's. Collectively, the groups provide constructive advice to the Authority and Force on way to improve the quality of service delivery to all communities.

There have been supporting communication and engagement plans, together with Equality Impact Assessments conducted on the projects within the Change Programme with clear stakeholder matrix to manage the communications, consultation and engagement activities of the programme.

- ***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 Police Authority is charged with ensuring good governance and the Finance & Business Committee has responsibility for reporting on this during the year.

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 antisocial 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 that communities have told us matter to them.

Whilst the Department has been included in the restructure process, it has not formed part of Tranche 1 for Corporate Services restructure, but forms part of Tranche 2 and is being absorbed into related operational and corporate services with a clear focus on delivery locally to support the new two Basic Command Unit structure.

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 through joint working arrangements as partnership working will be able to deliver savings (e.g. through economies of scale) 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

The review of internal audit is undertaken by the Treasurer and the assessment is made against the Code of Practice for Internal Audit checklist.

The review of internal control and governance is done through an annual assurance questionnaire completed by all senior officers and managers responsible for the use of resources within the Force and Authority. Periodically, the assurance process is reviewed and reported to the Finance & Business Committee (March 2011). The District Auditor has commented that the existing process demonstrates best practice.

4.2 For 2010-11 the Review of Internal Audit showed compliance with the requirements of the code of practice is being demonstrated to members and achieved.

4.3 The comments made by senior officers and managers in their questionnaires have been incorporated where applicable in the accounts and actions plans. For example contingent liabilities and accruals have been made where appropriate.

4.4 Reviews have been completed/informed by the work of the Her Majesties Inspectorate*,* internal auditors – Annual Report, 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.

4.5 Specifically, the Authority and Force have received the draft report on "Valuing the Police" relating to our "preparedness for the financial climate", this was positive in its findings. We expect the final report to provide the same conclusions.

4.6 The Annual Internal Audit Report showed that the Authority and Force had improved in relation to Governance (previously rated red now amber) and Internal Control (previously rated amber now green) with no change in the assessment of Risk Management (amber). This reflects the Authority's view and Risk Management is being addressed currently.

4.7 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.

4.8 The Authority's Standards Committee is proactive and has taken on an important role relating to Member Development particularly in relation to training on the code of conduct.

4.9 Internal Audit provides quarterly updates to the Finance & Business 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 and an Annual Report on the assurance that they give in relation to Governance, Risk Management and internal Control Members scrutinise these reports. There is extensive evidence of members challenging internal auditors within the Committee.

4.10 Other assurance mechanisms include the Regional Joint Committee to oversee regional collaboration and the Joint Member Panel for the Police Helicopter operated in partnership with the Derbyshire force. The deliberations of the Joint Committee are reported back to the Authority as a further governance check.

5 SIGNIFICANT GOVERNANCE ISSUES

FINANCIAL CLIMATE

5.1 The Financial Climate remains a significant cause for concern for the public sector. It is therefore important for the Authority and Force to demonstrate that it has appropriate governance structures in place to ensure that it able to meet these challenges and ensure value for money in the activities it undertakes.

The Authority and Force continue to work together on identifying and monitoring where savings can and are being achieved. However, there are risks in relation to assumptions in the Medium Term Financial Plan and in the force being able to deliver the required level of savings on time. The Governance arrangements in pace will ensure that there is close monitoring and if necessary corrective action taken.

PERFORMANCE

5.2 Performance will always be the main priority for the Authority and Force, As such there is a joint understanding that the cuts in resources being made will not impact on the delivery of the frontline service.

The risks associated with this is that the planned savings can be delivered in full and on time and that the mid-term Comprehensive Spending Review does not result in further cuts above those already identified.

PARTNERSHIPS

5.3 Partnership working has improved significantly during 2010-11 and this will continue to be built upon. Partnership funding has been risk assessed during the year and further risks will have to be managed as they arise. But we fully recognise that our key partners face similar financial challenges.

Regional Collaboration is now beginning to produce business cases that will assist in driving out significant savings that all of the forces can sign up to. In addition to this where the five forces cannot agree on a project then Nottinghamshire and Derbyshire have undertaken to collaborate on a two force basis.

The Governance arrangements relating to collaboration are through the East Midlands Joint Police Authority Committee, with the support and approval of the individual authorities.

HUMAN RESOURCES

5.4 The transformation of the HR department has been essential to facilitate the changes the other support services and corporate services departments. There are still some risks in relation to HR but these are currently being managed.

CHANGE PROGRAMME

5.5 The Change Programme has significant projects to manage and monitor. It is these projects that will deliver the required savings to set balanced budgets in the future. Each project has a risk register which the Change Team are monitoring and reporting on.

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

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.

THE FUTURE

5.6 Throughout this statement reference has been made to the challenges that the Authority and Force are currently facing and will continue to face in relation to performance and finance. The Governance arrangements in place will ensure that this is managed well and for the benefit of the people of Nottinghamshire.

The abolition of the Police Authority and introduction of the Police and Crime Commissioner will bring new challenges specifically relating to Governance. The terms of reference of the Transition Board is currently in the process of being approved and is the first step in ensuring good governance over the process.

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

2010-11

SIGNED:

Cllr Jon Collins
Chair of Nottinghamshire Police Authority
27th July 2011

Ms Julia Hodson
Chief Constable of Nottinghamshire Police Force
27th July 2011

Mr Kevin Dennis
Chief Executive – Nottinghamshire Police Authority
27th July 2011

On behalf of the members and senior officers of the Nottinghamshire Police Authority and Nottinghamshire Police Force.

At the meeting of the Police Authority the Deputy Chief Constable and Deputy Chief Executive were delegated authority to sign on behalf of those named above.

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 Accounts.

Accounting Policies
These are a set of rules and codes of practice used when preparing the Accounts.

Accrual
A sum included in the final Accounts to cover income or expenditure attributable to an accounting period for goods supplied and received or works 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 Grants Unapplied

The Grants as described above which contractual arrangements to finance future capital expenditure have not yet incurred.

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 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)

These measure 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.

General Fund

This reserve is to provide for unexpected expenditure that cannot be managed within existing budgets.

International Financial Reporting Standard (IFRS)

These standards are developed by the International 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 Accounts. International Financial Reporting Standards are new standards developed by the IASB.

International Accounting Standards Board (IASB)

The International Accounting Standards Board (IASB) is an independent, privately-funded accounting standard-setter based in London with representatives from several counties in the world. The IASB as the successor to the International Accounting Standards Committee (IASC) on creation adopted existing International Accounting Standards (IAS's), and has revised many of these.

International Accounting Standard

International accounting standards (IAS) were issued by the Board of the International Accounting Standards Committee (IASC).The IASC was the predecessor to the IASB.

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 which 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
This is a levy, which the Authority makes through the Authority 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.

Remuneration
Reward for employment in the form of pay, salary, or wage, including allowances, benefits (such as company car, medical plan, and pension plan), bonuses, cash incentives, and monetary value of the noncash incentives.

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
These are assets which are physical such as buildings or land.

Unusable Reserves
These are reserves resulting from the interaction of legislation and proper accounting practices. These reserves are not resource backed and cannot be used for any other purpose.

Usable Reserves
These are held as a working balance or for a specific future purpose.