

# NOTTINGHAMSHIRE POLICE AUTHORITY

## STATEMENT OF ACCOUNTS 2006/2007

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## **EXPLANATORY FOREWORD**

### **1. Introduction**

The Nottinghamshire Police Authority is responsible for the finances of Nottinghamshire Police. This Statement of Accounts presents the overall financial position of the Police Authority for the year ended 31 March 2007. The accounts are produced in accordance with the Accounts and Audit Regulations 2003 and in the format stipulated by the Chartered Institute of Public Finance and Accountancy (CIPFA) in the Code of Practice on Local Authority Accounting, Statement of Recommended Practice (SORP) and in accordance with best accounting practice.

2006/07 has seen changes to the SORP which have replaced the Revenue Account with an Income and Expenditure Account, introduced the Statement of Movement on the General Fund and replaced the Statement of Total Movement in Reserves with the Statement of Total Recognised Gains and Losses. The 2005/06 comparatives have been restated to reflect these changes.

The Pension Fund Accounts section of the SORP has been updated to accord with the changes in funding arrangements for police pensions. Each Police Authority has established a pension fund, where expenditure from the fund exceeds amounts receivable the fund is balanced at the year end with a transfer from the Police Fund. A Pension Fund Account and Net Assets Statement has been introduced to show the movements on this account and the position at the year end.

**The Accounts consist of the following:-**

- ❑ **The Statement of Accounting Policies**
- ❑ **The Statement of Responsibilities for the Statement of Accounts**
- ❑ **The Accounting Statements:**
  - ❑ **Income & Expenditure Account** - this summarises all of the resources that the Authority has generated, consumed or set aside in providing services during the year.

- **Statement of the Movement on the General Fund Balance** - this reconciles the surplus or deficit on the Income and Expenditure Account to the items that are required to be charged or credited to the General Fund and which therefore must be taken into account in determining the Authority's budget requirement and in turn its Council Tax demand.
  
- **Statement of Total Recognised Gains & Losses** - this reconciles the outturn on the Income and Expenditure Account to the total movement in the Authority's net worth in the year. This statement recognises those losses and gains in its Balance Sheet that are not debited or credited to the Income and Expenditure Account.
  
- **Balance Sheet** – this shows the Nottinghamshire Police Authority's financial position as at 31 March 2007 (the end of the financial year 2006-07).
  
- **Cash Flow Statement** – this shows a summary of the cash flowing in and out of the Police Authority arising from transactions with Third Parties.
  
- **The Notes to the Accounts**
  
- **The Independent Auditor's Report**

### **Corporate 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 the 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 Constabulary. This responsibility is discharged in accordance with statutory requirements, Oath of Police Officers, the Police Discipline Code and Police Regulations.

A statement on the System of Internal Control is included within the accounts. The statement highlights the Authority's internal control environment, comments on its effectiveness and identifies issues for future work. The Authority continues to work to improve its System of Internal Control.

## 2. Revenue Expenditure

Against a budget of £169.8 million the overall net expenditure for 2006/2007 was £170.3 million. This leaves an overspending of £0.5 million.

**The main variations in net expenditure for the year were:**

<b>Main Variations</b>	<b>£m</b>
Police Pensions : Net Position	0.3 ( - )
Police Pay and Allowances	0.7 ( + )
All other net charges	0.1 ( + )
<b>2006/07 Overspending</b>	<b>0.5 ( + )</b>

**The analysis of expenditure within the net cost of the service for the year was as follows:**

	<b>Amount £m</b>	<b>Proportion %</b>
Employees		
Police Officers	99.2	44.4
Support Staff	46.5	20.8
Other Employee	1.5	0.7
	147.2	65.9
Other Running Costs	29.8	13.3
Capital Charge to Revenue Account	3.9	1.8
Pensions	42.5	19.0
<b>Total Expenditure</b>	<b>223.4</b>	<b>100.0</b>
Income	-26.6	
<b>Net Cost of Service</b>	<b>196.8</b>	

### 3. Financing of Revenue Expenditure

The amount to be met from government grants and local taxation in 2006/2007 was £169.8 million this was funded as follows:

	Budget £m	Actual £m	Difference £m
<b>Financing of Net Revenue Expenditure</b>			
Police Grant	71.6	71.6	0.0
Precept	42.7	42.7	0.0
Revenue Support Grant	8.4	8.4	0.0
National Non Domestic Rates	47.1	47.1	0.0
<b>Total Financing</b>	169.8	169.8	0.0

### 4. Balances and Reserves

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

The following table summarises the various balances and reserves held, and the movements in the year:

	1.4.2006 £m	Movement £m	31.3.2007 £m
<b>General Fund</b>	4.0	0.5	4.5
<b>Earmarked Reserves</b>			
Helicopter Operational Reserve	0.1	0.0	0.1
Police Pensions Reserve	8.7	-3.3	5.4
PSA Grant Reserve	0.0	0.2	0.2
	8.8	-3.1	5.7
<b>Total Reserves</b>	12.8	-2.6	10.2

## 5. Capital Expenditure

The Police Authority's capital expenditure in 2006/2007 compared to the approved capital programme was as follows:

	<b>Budget £m</b>	<b>Actual £m</b>	<b>Variance £m</b>
<b>Capital Expenditure</b>			
Intangible Fixed Assets	0.0	0.5	0.5
Operational Land & Buildings	3.5	1.9	-1.6
Vehicles	0.0	0.3	0.3
Equipment	2.9	2.9	0.0
Assets Under Construction	4.9	5.4	0.5
<b>Total Capital Expenditure</b>	<b>11.3</b>	<b>11.0</b>	<b>-0.3</b>
<b>Financing of Capital Expenditure</b>			
Supported Capital Expenditure	6.2	3.5	-2.7
Government Grant	2.0	1.3	-0.7
Capital Receipts	3.1	5.7	2.6
Capital Contribution	0.0	0.5	0.5
<b>Total</b>	<b>11.3</b>	<b>11.0</b>	<b>-0.3</b>

## 6. Borrowing

At 31 March 2007 the level of debt outstanding was £13.6m, this includes £10.1m of PWLB debt and a new commercial loan of £3.5m taken out on the 31 May 2006. The maximum amount due to mature in any future year is £0.9m. During 2006/2007 £0.9m principal was repaid.

## STATEMENT OF ACCOUNTING POLICIES

### 1. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2006/07 financial year and its position at the year-end of 31 March 2007. It has been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom - A Statement of Recommended Practice 2006* (the SORP).

The change to the 2006 SORP has removed the requirement to make a Capital Financing Charge. Notional Interest is no longer charged but this has no effect on the Authority's outturn.

### 2. Fixed Assets

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

Operational assets are fixed assets held and used by the Authority in the direct delivery of services or used for functions that are directly related to the support of such services. This includes Police Stations, Vehicles and Equipment. Police Houses are classed as non-operational assets. Non-operational assets also includes Police Stations under construction.

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

- a) Land and building values used in the accounts are based on a valuation carried out by Lambert Smith Hampton dated the 1 April 2004. 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.

Where there has been significant expenditure on works to an existing building the value of the building has been reassessed and the Existing Use Value increased.

- b) Vehicles, I.T. and other equipment have been included at their written down valuation at 31 March 2007.
- c) Furniture and Fittings are assessed to have a life of 15 years. Beginning the 1 April 2003 furniture and fittings for new buildings have been capitalised at cost. For all buildings purchased or constructed between 1 April 1990 and 31 March 2003 furniture and fittings are included on the balance sheet at a written down value based on an original valuation of 7% of the cost of construction or purchase.

d) Assets under Construction are included at actual cost.

The value of assets shown is subject to the following de minimis levels:

Land and Buildings	£0
Vehicles and Plant	£0
I.T. and Communication Equipment	£5,000
Other Equipment	£2,500
Assets under Construction	£0

### **3. Disposal of Fixed Assets**

When an asset is disposed of the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal).

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

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

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

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

The Authority is not required to raise council tax to cover depreciation or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to at least 4% of the underlying amount measured by the adjusted Capital Financing Requirement). Depreciation and amortisations are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Financing Account for the difference between the two.

## **5. Grants**

Government grants, third party contributions and donations are recognised as income at the date that the authority satisfies the conditions of entitlement to the grant/contribution. There is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred.

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

Capital grants have been used to finance expenditure on fixed assets. If the grant relates to a specific asset then it is released from the Government Grants Deferred Account when the expenditure is incurred, alternatively if the grant is of a more general nature then it is written off to the Capital Financing Account in the year of receipt.

## **6. Leasing of Vehicles and Equipment**

The Authority accounts for leases as operating leases when all the risks and rewards relating to the leased property remains with the lessor. Rentals payable are charged to the relevant service revenue account on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

No assets have been acquired under finance leases.

## **7. Provisions**

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

Provisions are charged to the appropriate service revenue account in the year that the authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the balance sheet.

The Authority makes appropriate provision for bad debts.

## **8. Reserves**

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

## **9. Debtors and Creditors**

The Revenue Account has been prepared on a general accruals basis in accordance with the Code of Practice and FRS18 and provision for sums owing to and by the Authority at 31 March 2007 are included in the accounts where the cash has not actually been paid or received during the year.

## **10. Stocks**

Stock accounts are maintained for uniforms, fuel, stationery, catering provisions and cleaning materials and these are valued at latest buying price. This is a departure from SSAP9, but the differences are not material to the accounts.

## **11. Temporary Investments**

All temporary investments are in the form of interest earning cash deposits held by approved financial institutions

## **12. Pensions**

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

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

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

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

The Balance Sheet recognises both the net pension liability and reserve.

### **13. Private Finance Initiative Contracts (PFI)**

The Authority has entered into two long-term contractual agreements under PFI with two contractors. The first was responsible for the initial design and construction and now the ongoing maintenance of a new traffic wing. The second contractor is responsible for the provision of vehicle services. Such PFI schemes are required to meet the conditions set out in FRS5; professional advice has been provided which indicates there is no impact on the balance sheet of the Authority. Details of the ongoing revenue commitments are described on page 21.

### **14. VAT**

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable from them.

### **15. Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2006. The total absorption costing principle is used - the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

Corporate and Democratic Core - costs relating to the Authority's status as a multi-functional, democratic organisation.

Non Distributed Costs - the cost of discretionary benefits awarded to employees retiring early.

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

## **STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

### **The Authority's Responsibilities**

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has responsibility for the administration of those affairs. The Authority has determined the Treasurer as that officer,
- manage its affairs to secure economic, efficient and effective use of resources and safe guard its assets,
- approve the Statement of Accounts.

### **The Treasurer's Responsibilities**

The Treasurer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. The statement is required to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2007.

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 fairly the financial position of the Nottinghamshire Police Authority at 31 March 2007 and its income and expenditure for the year ended 31 March 2007.

**C Radford CPFA**  
**Treasurer to the Nottinghamshire Police Authority**  
**27 June 2007**

### **Police Authority Approval**

In accordance with Regulation 10(3)b of the Accounts and Audit Regulations 2003, I certify that the Police Authority approved the Statements of Accounts on the 27 June 2007.

**Councillor WJ Clarke**  
**Chair of the Nottinghamshire Police Authority**

## INCOME & EXPENDITURE ACCOUNT

2005/2006 £000		2006/2007 Gross Expenditure £000	2006/2007 Gross Income £000	2006/2007 Net Expenditure £000
2,253	Reducing Crime	8,625	-1,341	7,284
96,434	Investigating Crime	120,092	-18,668	101,424
29,307	Promoting Public Safety	42,021	-6,532	35,489
45,294	Assistance to the Public	50,426	-7,839	42,587
939	Corporate and Democratic Core	952	0	952
-2,061	Non Distributed Costs	43	0	43
<b>172,166</b>	<b>Net Cost of Services</b>	<b>222,159</b>	<b>-34,380</b>	<b>187,779</b>
0	Loss on the disposal of fixed assets			-39
574	Interest payable and similar charges			673
-400	Interest and investment income			-502
59,883	Pensions interest cost and expected return on pensions assets			66,588
<b>232,223</b>	<b>Net Operating Expenditure</b>			<b>254,499</b>
-40,561	Precepts			-42,730
-116,083	General government grants			-79,898
-16,723	Non-domestic rates redistribution			-47,143
<b>58,856</b>	<b>Deficit for the year</b>			<b>84,728</b>

## STATEMENT OF MOVEMENT ON THE GENERAL FUND

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

Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.

Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

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

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

2005/2006 £000		2006/2007 £000
58,856	Deficit for the year on the Income & Expenditure	84,728
-58,715	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	-85,203
141	Increase in General fund Balance for the year	-475
-4184	General Fund Balance brought forward	-4,043
<b>-4,043</b>	<b>General Fund Balance carried forward</b>	<b>-4,518</b>

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

2005/2006 £000		2006/2007 £000
	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year	
-79	Amortisation of intangible fixed assets	-153
-3,333	Depreciation of fixed assets	-3,839
4,244	Government Grants Deferred amortisation	1,720
0	Net loss on sale of fixed assets	39
-94,802	Net charges made for retirement benefits in accordance with FRS 17	-115,257
-93,970		-117,490
	Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year	
960	Minimum Revenue Provision for Capital financing	1,161
0	Capital Expenditure charged in year to the General Fund Balance	28
35,575	Employer's contribution payable to the Pensions Account and retirement benefits payable direct to pensioners	34,247
36,535		35,436
	Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year	
-1,280	Net transfer to or from earmarked reserves	-3,149
-1,280		-3,149
<b>-58,715</b>	<b>Net additional amount required to be credited to the General Fund balance for the year</b>	<b>-85,203</b>

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

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

2005/2006 £000		2006/2007 £000
58,856	Deficit for the year on the Income and Expenditure Account	84,728
0	Deficit arising on revaluation of fixed assets	1,503
190,799	Actuarial (gains)/losses on pension fund assets and liabilities	-77,784
-17	Other Gains And Losses	-128
<b>249,638</b>	<b>Total recognised loss for the year</b>	<b>8,319</b>

## BALANCE SHEET

	Note	31 March 2006		31 March 2007	
		£000	£000	£000	£000
<b>Intangible Fixed Assets</b>	17		376		741
<b>Tangible Fixed Assets</b>					
<b>Operational Assets</b>					
Land and Buildings	10	37,811		38,932	
Helicopter	10	1,355		1,216	
Vehicles	10	1,024		1,244	
Equipment, Furniture & Fittings	10	10,511		10,972	
<b>Non-Operational Assets</b>					
Land and Buildings	10	2,431		2,321	
Assets under Construction	10	5,730		4,045	
<b>Total Tangible Fixed Assets</b>			<b>58,862</b>		<b>58,730</b>
Long Term Debtor	8		23		20
<b>Total Long Term Assets</b>			<b>59,261</b>		<b>59,491</b>
<b>Current Assets</b>					
Bank		0		515	
Stocks		582		610	
Debtors	8	9,406		11,717	
Temporary Investments		2,280		155	
Imprest Accounts		46		48	
			12,314		13,045
<b>Total Assets</b>			<b>71,575</b>		<b>72,536</b>
<b>Current Liabilities</b>					
Bank		-1,763		0	
Short Term Borrowing		-871		-871	
Creditors	9	-14,766		-16,500	
			-17,400		-17,371
<b>Total Assets less Current Liabilities</b>			<b>54,175</b>		<b>55,165</b>
<b>Long Term Liabilities</b>					
Long Term Borrowing	18	-10,142		-12,771	
Government Grants Deferred		-399		-777	
Capital Grants Unapplied		-275		-1,786	
Provisions	20	-1,519		-3,148	
Defined Benefit Pension Scheme	29	-1,369,750		-1,372,976	
			<b>-1,382,085</b>		<b>-1,391,458</b>
EMSOU share of Net Current Assets	25		23		89
<b>Total Assets less Liabilities</b>			<b>-1,327,887</b>		<b>-1,336,204</b>
<b>Financed by:</b>					
Earmarked Reserves	21	8,817		5,669	
General Fund	21	4,043		4,518	
Capital Financing Account	21	38,940		43,568	
Fixed Asset Restatement Account	21	-9,960		-17,072	
Pension Reserve	29	-1,369,750		-1,372,976	
EMSOU Share of Reserve	25	23		89	
<b>Total Net Worth:</b>			<b>-1,327,887</b>		<b>-1,336,204</b>

## CASH FLOW STATEMENT

2005/2006 £000		Note	2006/2007 £000
	<b>REVENUE ACTIVITIES</b>		
	<b>Cash Outflows</b>		
179,722	Cash paid to and on behalf of employees		173,385
29,386	Other operating cash payments		27,559
	<b>Cash Inflows</b>		
-40,571	Precept Income		-42,730
-38,894	Revenue Support Grant		-8,351
-16,723	National Non Domestic Rate		-47,142
-77,189	Police Grant		-71,547
-17,139	Other Government Grants	29.5	-20,013
-19,304	Cash Received for Goods & Services		-10,802
<b>-712</b>	<b>Revenue Activities Cashflow</b>	<b>29.1</b>	<b>359</b>
	<b>SERVICING OF FINANCE</b>		
	<b>Cash Outflows</b>		
574	Interest Paid		676
	<b>Cash Inflows</b>		
-211	Interest Received		-545
<b>363</b>			<b>131</b>
	<b>CAPITAL ACTIVITIES</b>		
	<b>Cash Outflows</b>		
10,395	Purchase of Fixed Assets		11,024
	<b>Cash Inflows</b>		
-1,344	Sale of Fixed Assets		-5,671
-3,221	Capital Grants Received		-2,781
-528	Other Capital Cash Receipts		-588
<b>5,302</b>			<b>1,984</b>
<b>4,953</b>	<b>Net Cash (Inflow)/Outflow Before Financing</b>	<b>29.2</b>	<b>2,474</b>
	<b>MANAGEMENT OF LIQUID RESOURCES</b>		
<b>-950</b>	Net increase/(decrease) in Short-term Deposits	<b>29.3</b>	<b>-2,125</b>
	<b>FINANCING</b>		
	<b>Cash Outflows</b>		
2,721	Repayments of amounts borrowed	29.3	871
	<b>Cash Inflows</b>		
-3,000	New Loans Raised		-3,500
-2,000	New Short-Term Loans		0
<b>-2,279</b>			<b>-2,629</b>
<b>1,724</b>	<b>Net (Increase)/Decrease in Cash</b>	<b>29.4</b>	<b>-2,280</b>

## Pension Fund Account

The Police Pension Scheme, for police officers, is an unfunded scheme, meaning that there are no investment assets built up to meet the pension liabilities. The fund is balanced to nil each year by a top-up grant from the Home Office or by paying over the surplus to them.

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

<b>Fund Account</b>	<b>2006/2007 £000</b>
<b>Contributions receivable</b>	
From employer	
normal	19,629
early retirements	289
From members	8,744
<b>Transfers in</b>	
Individual	179
<b>Benefits Payable</b>	
Pensions	-28,568
Commutations and lump sum retirement benefits	-7,679
<b>Payments to and on account of leavers</b>	
Refund of contributions	-21
Individual transfers	-304
<b>Net amount receivable for the year</b>	-7,731
Transfer from Police Fund	7,731
<b>Balance at 31 March 2007</b>	0

<b>Net Assets Statement</b>	<b>2006/2007 £000</b>
Debtors - Pensions paid in advance	2,579
Creditors - Unpaid pensions benefits	-104
Other Current Assets	-2,475
	0

## NOTES TO THE ACCOUNTS

### **1. Prior Period Adjustments**

The Accounts and Audit (Amendment) (England) Regulations 2006 have introduced significant changes in relation to accounts preparation and the Statement of Accounts.

Previously the focus of the Statement of Accounts was the Consolidated Revenue Account. The new regulations disaggregate the Consolidated Revenue Account, and the Statement of Total Movement on Reserves, to produce a set of three new statements:

Income and Expenditure Account  
Statement of Movement on the General Fund Balance  
Statement of Total Recognised Gains and Losses

In order to comply with proper accounting practice the 2005/06 accounting statements have been restated in the new format.

### **2. Private Finance Initiative**

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

The PFI contract for the provision of vehicle services to the Authority commenced in October 2001. The estimated capital value of this scheme is £14.8 million. The arrangement is for 25 years from 2001/2002 until 2026/2027. The amount paid in 2006/2007 was £3.07 million (£3.06 million in 2005/2006). Future payments will be linked to the movement in inflation.

The future payments required under the Vehicle Services PFI agreement (excluding inflation) are shown in the table.

The Authority receives Special Grant towards the financing of the Vehicle Services PFI scheme. Grant of £1,423,515 was received in 2006/2007.

The PFI contract for the provision of a new Traffic Wing building commenced in February 2002. The estimated capital value of this scheme is £6.6 million. The arrangement is for 25 years from 2001/2002 until 2026/2027. The amount paid in 2006/2007 was £0.86 million (£0.84 million in 2005/2006). Future payments will be linked to the movement in inflation.

The future payments required under the Traffic Wing PFI agreement (excluding inflation) are shown in the table below:

The Authority receives Special Grant towards the financing of the Traffic wing PFI scheme. Grant of £665,149 was received in 2006/2007.

<b>Future PFI Payments</b>	<b>Vehicle Services £000</b>	<b>Traffic Wing £000</b>
2007/2008	3,209	885
2008/2009 to 2012/2013	16,043	4,427
2013/2014 to 2017/2018	16,043	4,427
2018/2019 to 2022/2023	16,043	4,427
2023/2024 to 2026/2027	10,428	3,320

### **3. Expenditure on Publicity**

In accordance with Section 5 of the Local Government and Finance Act 1986 the Police Authority is required to disclose spending on publicity during the year.

	<b>2005/2006 £000</b>	<b>2006/2007 £000</b>
Staff costs of press & public relations office	353	414
Advertising for staff	143	72
Other publicity expenditure	183	18
<b>Expenditure</b>	<b>679</b>	<b>504</b>

### **4. Members' Allowances**

The total amount of members allowances paid during 2006/2007 was £263,752 (2005/2006 £257,445).

### **5. Officers' Emoluments**

The Accounts and Audit Regulations 1996 introduced a requirement to disclose the number of officers receiving payments over £50,000 in the financial year.

All sums paid to employees, excluding pension contributions, but including any taxable expenses are included.

	<b>Number of Employees</b>	
	<b>2005/2006</b>	<b>2006/2007</b>
<b>Remuneration Band</b>		
£50,000 - £59,999	23	34
£60,000 - £69,999	13	17
£70,000 - £79,999	3	2
£80,000 - £89,999	1	1
£90,000 - £99,999	1	1
£100,000 - £109,999	1	1
£110,000 - £119,999	1	0
£120,000 - £129,999	0	1

## 6. Related Party Transactions

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

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

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

	<b>Payments £000</b>	<b>Receipts £000</b>
<b>Central Government</b>		
Revenue Support	0	127,040
Other Government Grants	0	16,680
Capital Grants	0	2,596
<b>Local Authority - Precepts</b>		
Precepts and surpluses	0	42,730
<b>Local Authorities</b>		
Nottinghamshire County Council	8,376	805
Nottingham City Council	743	4,468
District Councils	1,029	300

Although not a related party transaction the Authority would like to declare the following:

The Assistant Chief Constable (Crime) is related, by marriage, to two Directors and the Chairman of Thomas Fish and Sons. During the course of the year the company won three contracts for building works totalling £286,000. These contracts were let in accordance with the Authority's Financial Regulations. These contracts were completed and paid in full in 2006/07.

The Assistant Chief Constable has no involvement with the company, and receives no financial benefit from it.

## 7. Audit Costs

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

	2005/2006 £000	2006/2007 £000
Financial Statements	34	42
Use of resources	33	32
<b>Total Audit Costs</b>	67	74

## 8. Debtors

The analysis of debtors shown on the Balance Sheet is:

	2005/2006 £000	2006/2007 £000
<b>Long Term Debtor</b>		
Car loans to Staff	23	20
<b>Balance at 31 March</b>	23	20
<b>General Debtors</b>		
Invoices issued but not paid	1,743	1,867
Pension payments in advance	2,525	237
Grants and Contributions due	2,329	5,228
Investments	189	149
VAT	1,573	1,626
Capital	39	18
Other Debtors	1,008	2,592
<b>Balance at 31 March</b>	9,406	11,717

## 9. Creditors

The analysis of creditors shown on the Balance Sheet is:

	2005/2006 £000	2006/2007 £000
Invoices processed but not paid	-2,917	-3,641
Payroll Accruals	-4,997	-5,940
Airwave Start-up costs	-1,199	0
Capital	-756	-1,204
Grants in Advance	-1,192	-3,737
Other Creditors	-2,789	-1,978
Operation Rendition	-916	0
<b>Balance at 31 March</b>	-14,766	-16,500

## 10. Fixed Assets

Operational Assets	Land and Buildings £000	Helicopter £000	Vehicles £000	Equipment £000	Total £000
<b>Gross Book Value of Assets as at 31 March 2006</b>	38,603	1,631	1,592	16,412	58,238
Accumulated Depreciation	-792	-276	-580	-5,904	-7,552
<b>Net Book Value of Assets as at 31 March 2006</b>	37,811	1,355	1,012	10,508	50,686
<b>Movement in 2006/2007</b>					
Additions	1,874	0	302	2,917	5,093
Disposals	-5,545	0	-48	-7	-5,600
Revaluations	-2,170	0	0	0	-2,170
Transfer	7,109	0	0	0	7,109
Depreciation:					
Current Year Depreciation	-870	-139	-226	-2,604	-3,839
Disposals	68	0	38	7	113
Revaluations	655	0	0	0	655
<b>Net Book Value of Assets as at 31 March 2007</b>	38,932	1,216	1,078	10,821	52,047
EMSOU - Share of Assets	0	0	166	151	317
<b>Total Net Book Value of Assets</b>	<b>38,932</b>	<b>1,216</b>	<b>1,244</b>	<b>10,972</b>	<b>52,364</b>

Non-Operational Assets	Land and Buildings £000	Assets Under Construction £000	Total £000
<b>Gross Book Value of Assets as at 31 March 2006</b>	2,431	5,730	8,161
Accumulated Depreciation	0	0	0
<b>Net Book Value of Assets as at 31 March 2006</b>	2,431	5,730	8,161
<b>Movement in 2006/2007</b>			
Additions	0	5,424	5,424
Disposals	-123	0	-123
Revaluations	13	0	13
Depreciation	0	0	0
Transfer	0	-7,109	-7,109
<b>Net Book Value of Assets as at 31 March 2007</b>	<b>2,321</b>	<b>4,045</b>	<b>6,366</b>

## 11. Financing of Capital Expenditure

	2005/2006 £000	2006/2007 £000
<b>Capital Investment</b>		
Operational Assets	6,899	5,093
Non Operational Assets	3,936	5,424
Intangible Assets	0	518
<b>Total</b>	10,835	11,035
<b>Sources of Finance</b>		
Supported Capital Expenditure (R)	2,801	0
Borrowing	3,000	3,500
Government Grant	3,616	1,314
Revenue Financing	0	28
Capital Receipts	856	5,649
Capital Contribution	562	544
<b>Total</b>	10,835	11,035

## 12. Capital Expenditure Commitments

The estimated commitments for capital expenditure in future years for which the Authority had contractual commitments at 31 March 2007 are:

	£000
2007/2008	6,680
2008/2009	640
2009/2010	1,963
2010/2011	444

## 13. Information on Assets Held

Number of Assets	At 31 March	
	2006	2007
Police Operational Buildings	41	41
Police Houses	14	13
Radio Masts	4	4
Vehicles	166	190
Helicopter (share of)	1	1

## 14. Assets Held Under Lease

### (a) Finance Leases

The Police Authority has no obligations under capitalised finance leases.

### (b) Operating Leases

In the year to 31 March 2007 the amount paid to lessors was £506,031.

Outstanding commitments in respect of operating leases at 31 March 2007 were as follows:-

Lease payments committed to:-	31-Mar-2007	
	Property £000	Other £000
In one year	241	203
Between 2 and 5 years	627	184
More than 5 years	386	0

## 15. Valuation of Assets

The Authority is required to ensure that valuations for those assets held at current value are reviewed at intervals of not more than five years. All properties were valued in April 1999 and 2004. As properties undergo major improvements, that would effect their value, they are revalued at the completion of that improvement.

The valuations are carried out by Lambert Smith Hampton, external valuers. The basis for valuation is set out in the statement of accounting policies.

	Operational Land and Buildings £000	Vehicles, Plant and Equipment £000	Non Op Land and Buildings £000	Total £000
Valued at historical cost	0	22,799	0	22,799
Valued at current value in:				
2006/2007	5,025	0	0	5,025
2005/2006	0	0	0	0
2004/2005	35,541	0	3,367	38,908
Total	40,566	22,799	3,367	66,732

## 16. Depreciation

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

Property	15 – 50 years
Vehicles	2 – 12 years
Equipment	3 – 15 years
Furniture and Fittings (new buildings)	15 years

The annual charge is adjusted for acquisitions and disposals during the year. For all assets the actual date of acquisition/disposal is used to calculate depreciation. Depreciation is charged to the Income & Expenditure account.

## 17. Intangible Assets

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

<b>Movement in Intangible Assets</b>	<b>£000</b>
Original Cost	551
Amortisations to 1 April 2006	-175
<b>Balance at 1 April 2006</b>	<b>376</b>
Expenditure in Year	518
Written off to revenue in year	-153
<b>Balance at 31 March 2007</b>	<b>741</b>

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

## 18. Long Term Borrowing

	2005/2006 £000	2006/2007 £000
<b>Analysis of Loans by Type</b>		
Public Works Loan Board	-10,142	-9,271
Commercial Loans	0	-3,500
<b>Amount outstanding at 31 March</b>	-10,142	-12,771
<b>Analysis of Loans by Maturity</b>		
Maturing between 1 and 2 years	-871	-871
Maturing between 2 and 5 years	-2,613	-6,113
Maturing between 5 and 10 years	-4,205	-3,906
Maturing between 10 years or more	-2,453	-1,881
<b>Amount outstanding at 31 March</b>	-10,142	-12,771

## 19. Insurance Provision

The Authority maintains a provision in respect of liability claims for Employers' and Public Liabilities and for Third Party Motor Liabilities. Following Independent review and advice during 2006-07 this provision has been valued at £3.1 million. This level includes a risk assessment for claims that have yet to be made. Insurance policies are in place to protect the Authority against both these risks, subject to stop loss limits fixed by the insurers, and the purpose of the provisions is to provide full cover for claims up to that limit.

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

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

## 20. Provisions

Provisions are amounts that have been set aside to meet liabilities that are certain to arise but because of their inherent nature cannot be quantified with any certainty.

	<b>1.4.2006 £000</b>	<b>Movement in year £000</b>	<b>31.3.2007 £000</b>
Police Authority Enquiry	-20	20	0
General Insurance	-1,499	-1,649	-3,148
	<b>-1,519</b>	<b>-1,629</b>	<b>-3,148</b>

## 21. Reserves

The Authority keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans.

	<b>1.4.2006 £000</b>	<b>Movement in year £000</b>	<b>31.3.2007 £000</b>
Fixed Asset Restatement Account	-9,960	-7,112	-17,072
Capital Financing Account	38,940	4,628	43,568
Usable Capital Receipts	0	0	0
Pensions Reserve	-1,369,750	-3,226	-1,372,976
General Fund	4,043	475	4,518
Earmarked Reserves	8,817	-3,148	5,669
EMSOU - share of reserve	23	66	89
<b>Total</b>	<b>-1,327,887</b>	<b>-8,317</b>	<b>-1,336,204</b>

### Fixed Asset Restatement Account

This account is debited or credited with the deficits or surpluses that arise on the revaluation of fixed assets as well as being written down by the net book value of disposed assets. The Fixed Asset Restatement Account cannot be used to support spending.

	2005/2006 £000	2006/2007 £000
<b>Balance at 1 April</b>	-8,462	-9,960
Disposal of fixed assets	-768	-5,610
Revaluations	-780	-1,502
Assets not previously recognised	9	0
Donated Assets	16	0
Adjustment re Helicopter	25	0
<b>Balance at 31 March</b>	-9,960	-17,072

### Capital Financing Account

The Capital Financing Account contains the amount of capital expenditure that has been financed from revenue and capital receipts. It also contains the difference between the Minimum Revenue Provision and depreciation, together with the release of government grant from the Capital Grants and Contributions Unapplied Account.

	2005/2006 £000	2006/2007 £000
<b>Balance at 1 April</b>	35,743	38,940
MRP	960	1,161
Depreciation	-3,333	-3,854
Intangible Assets	-79	-153
Revenue Financing	0	28
Adjustment re Helicopter	307	0
Government Grant Deferred	28	63
Capital Financing:		
Capital Grant	4,216	1,657
Capital Receipt	1,083	5,649
	38,925	43,491
EMSOU - Nottinghamshire share	15	77
<b>Balance at 31 March</b>	38,940	43,568

### Usable Capital Receipts

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

	2005/2006 £000	2006/2007 £000
<b>Balance at 1 April</b>	0	0
Receivable	1,083	5,649
Applied	-1,083	-5,649
<b>Balance at 31 March</b>	0	0

### General Fund

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

	2005/2006 £000	2006/2007 £000
<b>Balance at 1 April</b>	4,184	4,043
Decrease	-901	-426
Increase	760	901
<b>Balance at 31 March</b>	4,043	4,518

### Earmarked Reserves

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

	1.4.2006 £000	Movement in year £000	31.3.2007 £000
Future Budget Shortfalls	8,726	-3,335	5,391
Helicopter Operational Reserve	91	0	91
Public Service Agreement Grant	0	187	187
<b>Total</b>	8,817	-3,148	5,669

## **22. Authorisation of Accounts**

The Statement of Accounts were authorised for issue at the Police Authority Performance Committee on the 25th September 2007.

## **23. Christopher McDonald Memorial Trust**

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

At the 31 March 2007 the balance of the Trust stood at £4,809. During 2006/2007 awards of £4,550 were made.

## **24. National Special Branch Account**

Nottinghamshire Police provides the finance function for the above to which all Police Authorities and associated national security organisations contribute. The Force processes all transactions and holds the balance of contributions. None of the transactions, or the year end balance of £0.9m, are reflected in the Force's Income and Expenditure Account or Balance Sheet.

## **25. 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.

Adjustments have been made to the Balance sheet to reflect Nottinghamshire Police's share of net assets as at 31 March 2007.

These adjustments have no effect on the amount to be met from council tax in the year.

## 26. DNA Expansion Programme

The DNA Expansion Programme provided additional funding to Police Forces, from the Home Office, for Crime Scene Examinations, Resources, and DNA CJ samples from prisoners. Income received from the programme in 2006/2007 was £467,588.

## 27. Police Property Act Fund

Police authorities are required under the Police Property Act to set aside any money received from the sale of unclaimed property (which is believed to be stolen or confiscated). The net proceeds from this fund are subsequently either repaid to the individual or distributed to local charities as directed by the Chief Constable. The majority of this money is held in a separate account and therefore does not form part of the Authority's accounts.

	2005/2006 £000	2006/2007 £000
Balance at 1 April	-208	-274
Income	-184	-174
Expenditure	118	116
<b>Balance at 31 March</b>	<b>-274</b>	<b>-332</b>
Held in Property Act Bank A/C	274	332

## 28. North Midlands Helicopter Support Unit

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

The accounts for the unit are included as part of Derbyshire Constabulary's accounts. The running costs of the unit are split 50:50 between the two Authorities, the Nottinghamshire Police budgeted contribution, for 2006/2007, was £534,650.

Both authorities hold a reserve earmarked for the Helicopter Unit, into this any surplus can be paid or deficit charged. For 2006/2007 the net expenditure of the unit was £984,229. The Nottinghamshire Police's share of this figure is £504,990.

## 29. Pensions

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

The Authority participates in two pension schemes:

The Local Government Pension Scheme for police staff is administered by Nottinghamshire County Council. This is a funded scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

The Police Pension Scheme 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.

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

	Local Government Pension Scheme		Police Pension Scheme	
	2005/2006 £000	2006/2007 £000	2005/2006 £000	2006/2007 £000
<b>Income and Expenditure Account</b>				
<b>Net Cost of Services:</b>				
Current service costs	4,930	6,086	31,480	42,500
Past service costs	-2,061	43	0	40
<b>Net Operating Expenditure:</b>				
Interest cost	4,653	5,252	58,700	65,590
Expected return on assets in the scheme	-3,470	-4,254	0	0
<b>Net Charge to the Income and Expenditure Account</b>	<b>4,052</b>	<b>7,127</b>	<b>90,180</b>	<b>108,130</b>

	Local Government Pension Scheme		Police Pension Scheme	
	2005/2006 £000	2006/2007 £000	2005/2006 £000	2006/2007 £000
<b>Statement of Movement in the General Fund Balance</b>				
Reversal of net charges made for retirement benefits in accordance with FRS 17	-4,052	-7,127	-90,180	-108,130
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>				
Employers' contributions payable to scheme	3,929	4,267		
Retirement benefits payable to pensioners (net of employee contributions)			28,599	29,980

#### Assets and Liabilities in Relation to Retirement Benefits

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

	Estimated Liabilities in Scheme £000	Estimated Assets in Scheme £000	Total £000
<b>Local Government Pension Scheme</b>			
At 31 March 2006	-104,273	66,743	-37,530
At 31 March 2007	-108,727	76,561	-32,166
<b>Police Pension Scheme</b>			
At 31 March 2006	-1,332,220	0	-1,332,220
At 31 March 2007	-1,340,810	0	-1,340,810
<b>Total</b>			
At 31 March 2006	-1,436,493	66,743	-1,369,750
At 31 March 2007	-1,449,537	76,561	-1,372,976

The liabilities show the underlying commitments that the authority has in the long-run to pay retirement benefits. The total liability of £1,370m has a substantial impact on the net worth of the authority as recorded in the balance sheet, resulting in a negative overall balance of £1,328m. However, statutory arrangements for funding the deficit meant that the financial position of the authority remains healthy.

The balance of the local government scheme will fluctuate with the value of its investments. Any deficit assessed by the scheme actuary would be made good by increased contributions over the remaining working life of the employees.

Finance is only required to be raised to cover police pensions when the pensions are actually paid.

### **Basis for Estimating Assets and Liabilities**

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

For the Local Government Pension Scheme, liabilities have been assessed by Mercer Human Resource Consulting Ltd (working for Nottinghamshire County Council). Triennial valuations of the fund are carried out; the date of the last full valuation was 31 March 2004.

For the Police Pension Scheme the authority appointed the Government Actuary's Department (GAD) to assist with the assessment of accrued pension liabilities under the Police Pension Scheme for the year to 31 March 2006. The Authority has followed the approach set out in the GAD paper "Assessment of Pension Liabilities for Disclosures for the year 2006/2007", as realised in the GAD model, in order to satisfy the disclosure requirements of FRS17.

The main assumptions used by Mercer Human Resource Consulting Ltd and The Government Actuary's Department have been:

	<b>Local Government Pension Scheme</b>		<b>Police Pension Scheme</b>	
	<b>2005/2006 £000</b>	<b>2006/2007 £000</b>	<b>2005/2006 £000</b>	<b>2006/2007 £000</b>
Rate of inflation	2.90%	3.10%	3.20%	3.40%
Rate of increase in salaries	4.65%	4.85%	4.70%	4.90%
Rate of increase in pensions	2.90%	3.10%	3.20%	3.40%
Rate of discounting scheme liabilities	4.90%	5.40%	4.90%	5.40%

The Police Pension Scheme has no assets to cover its liabilities. Assets in Nottinghamshire County Council Pension Fund are valued at a fair value, principally market value for investments, totalling £2,184.8m for the Fund as a whole at 31 March 2007 (£2,417.7m at 31 March 2006). The Fund's assets consist of the following categories, by proportion of the total assets held by the Fund:

	<b>Long-term Return %</b>	<b>1.4.2006 %</b>	<b>31.3.2007 %</b>
Equities	7.5	69.4	68.6
Government Bonds	4.7	8.0	7.7
Other Bonds	5.4	6.3	4.2
Property	6.5	14.3	16.9
Other	5.25	2.0	2.6
<b>Total Assets</b>		100.0	100.0

## Actuarial Gains and Losses

The actuarial gain/(loss) identified as movements on the Pension Reserve can be analysed into the following categories, measured as absolute amounts and as a percentage of liabilities at 31 March 2007:

	Local Government Pension Scheme					
	2004/05		2005/06		2006/07	
	£000	%	£000	%	£000	%
Differences between expected and actual return on assets	2,032	4.0	8,360	12.5	1,575	2.1
Differences between actuarial assumptions about liabilities and actual experience	472	0.6	-3,125	-3.0	0	0.0
Changes in the demographic and financial assumptions used to estimate liabilities	-16,718	-20.0	-9,754	-9.4	6,649	6.1
<b>Actuarial Gain/(Loss)</b>	<b>-14,214</b>		<b>-4,519</b>		<b>8,224</b>	

	Police Pension Scheme					
	2004/05		2005/06		2006/07	
	£000	%	£000	%	£000	%
Differences between expected and actual return on assets	-		-		-	
Differences between actuarial assumptions about liabilities and actual experience	14,000	1.3	17,380	1.3	-20,740	-1.5
Changes in the demographic and financial assumptions used to estimate liabilities	-205,160	-18.9	-203,660	-15.3	90,300	6.7
<b>Actuarial Gain/(Loss)</b>	<b>-191,160</b>		<b>-186,280</b>		<b>69,560</b>	

The Code of Practice on Local Authority Accounting in the UK requires figures to be provided for the current year and four previous years. Financial Reporting Standard 17 was introduced in 2002/03 and the FRS and the information requested and provided by the Authorities Actuaries has developed since that time. Comparative data is not available for 2002/03 and 2003/04.

## 29. THE CASH FLOW STATEMENT

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

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

				£000
<b>(Surplus)/Deficit for the year</b>				84,728
<b>Non-Cash transactions</b>				
				-2,273
				-1,629
				-81,010
				39
<b>Items on an Accrual Basis</b>	<b>1.4.2006</b>	<b>31.3.2007</b>	<b>Movement</b>	
	<b>£000</b>	<b>£000</b>	<b>£000</b>	
Stocks	582	610	28	
Debtors	9,201	11,570	2,369	
Creditors	-13,574	-15,296	-1,722	
				675
Interest Received				-171
<b>Revenue Activities Net Cash Flow</b>				<b>359</b>

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

		£000
Decrease in cash		2,280
Cash inflow from increase in debt		-2,629
Cash inflow from decrease in liquid resources		-2,125
<b>Change in Net Debt resulting from Cash Flows</b>		<b>-2,474</b>
Net debt at 1 April 2006		-10,450
Net debt at 31 March 2007		-12,924
<b>Movement in Net Debt in period</b>		<b>-2,474</b>

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

	<b>1.4.2006 £000</b>	<b>31.3.2007 £000</b>	<b>Movement £000</b>
<b>Financing</b>			
Repayment of amounts borrowed:-			
Repayable within 12 months	-871	-871	0
Long term borrowing	-10,142	-12,771	-2,629
	-11,013	-13,642	-2,629
<b>Management of Liquid Resources</b>			
Temporary Investments	2,280	155	-2,125
<b>Net Cash Outflow from Financing and Management of Liquid Resources</b>	<b>-8,733</b>	<b>-13,487</b>	<b>-4,754</b>

### 4. Movement in Cash and Cash Equivalents

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

	<b>1.4.2006 £000</b>	<b>31.3.2007 £000</b>	<b>Movement £000</b>
Cash Overdraft	-1,763	515	2,278
Imprest Account	46	48	2
<b>Net Decrease in Cash</b>	<b>-1,717</b>	<b>563</b>	<b>2,280</b>

## 5. Analysis of other Government Grants

	<b>£000</b>
Crime Fighting Fund	-4,633
Pension Fund Top-up Grant	-3,333
PCSO Grant	-3,581
P F I Grant	-2,089
Special Priority Payments	-1,322
BCU Fund	-1,111
Drug Testing Pilot	-1,072
Miscellaneous Grants	-805
DNA Expansion Programme	-468
Operation Rendition	-400
Core Skills	-196
Citizen Focus	-188
Local Criminal Justice Board	-182
Police Incentivisation Scheme	-171
No Witness No Justice	-168
Anti-Social Behaviour Team	-105
ANPR	-104
PSU Grant	-85
<b>Total Grants Received</b>	<b>-20,013</b>

<p style="text-align: center;"><b>INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NOTTINGHAMSHIRE POLICE AUTHORITY</b></p>
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### **Opinion on the financial statements**

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

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

### **Respective responsibilities of the Treasurer and Auditor**

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

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

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

- the financial position of the Authority and its income and expenditure for the year; and

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

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

I read other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not exceed to any other information.

## **Basis of audit opinion**

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

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

## **Opinion**

In my opinion:

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

**Mr David Brumhead**  
**Audit Commission**  
**Littlemoor House**  
**Littlemoor**  
**Eckington**  
**Sheffield**  
**S21 4EF**

**28 September 2007**

## **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.

### **Accrual**

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

### **Activity Based Costings**

Activity Based Costing (ABC) is a widely used costing system that seeks to place an accurate cost on what an organisation produces. In the Police Service, it has been developed as a method of calculating the costs of policing activities.

### **Actuarial Valuation**

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

### **Agency Services**

Services performed by or for another Police Authority, Local Authority or Joint Committee where the agent is reimbursed for the cost of the work done.

### **Appropriations**

Amounts transferred to or from revenue or capital reserves.

**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.

**Capital Charge**

Charges made to the accounts, based on the value of assets employed and comprising interest and depreciation where appropriate.

**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 Grant**

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

**Capital Receipts**

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

**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.

**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 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.

## **Fixed Assets**

An asset that has value beyond one financial year.

## **Financing of Capital expenditure**

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

## **Financial Reporting Standard (FRS)**

These standards are developed by the Accounting Standards Board and regulate the preparation and presentation of Financial Statements. Any material departures from these Standards would be disclosed in the notes to the accounts.

## **Formula Spending Share (FSS)**

The Government’s assessment of the funding needed to provide a common standard of service. A population-based formula is used to assess Police Authorities relative requirements for funding.

**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.

**National Non-Domestic Rates**

Redistribution by Central Government of monies collected from business rates to all Local Authorities according to a pre-determined formula (see Formula Spending Share).

**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 Revenue 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.

**Police Grant**

Central government support for policing distributed to Police Authorities according to a pre-determined formula (see Formula Spending Share).

**Precept**

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

**Public Works Loan Board (PWLB)**

A government agency that provides longer term loans to local authorities at advantageous interest rates.

### **Related Party Transactions**

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

### **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 (see Formula Spending Share).