

NOTTINGHAMSHIRE POLICE AUTHORITY

STATEMENT OF ACCOUNTS 2004/2005

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EXPLANATORY FOREWORD

1. Introduction

Nottinghamshire Police Authority is an independent body created by the Police and Magistrates Court Act 1994, comprising of locally elected Councillors, Magistrates and Independent Members.

Priorities for policing are agreed between the Chief Constable and the Police Authority and are reflected in the Annual Budget. The Police Authority has a statutory financial duty to approve the Annual Budget and also to set a precept for collecting part of the annual costs of policing from local residents in the form of the Council Tax.

The Accounts and Audit Regulations 2003 require the Authority to prepare and publish a Statement of Accounts. The Regulations also prescribe the content of these Accounts.

This Statement of Accounts has been prepared to comply with these requirements. It sets out the accounts of the Authority for 2004/2005 and comprises:

The **Consolidated Revenue Account** - this summarises the expenditure incurred and income received during the financial year and shows how the net expenditure was funded from government grants and local taxpayers. The Revenue Account is shown in two formats:-

Best Value Format – expenditure and income is shown in the groups that form the Service Expenditure Analysis set out in the Best Value Accounting Code of Practice. This has been produced using Activity Based Costing (ABC) for the first time. The ABC analysis has been produced on a sample basis based on evidence of actual operational staff activity.

Subjective Analysis – expenditure and income is shown in the traditional groups.

A **Consolidated Balance Sheet** - this sets out the Authority's financial position as at 31 March 2005.

A **Statement of Total Movement in Reserves** - this brings together all the recognised gains and losses of the Authority in the financial year. The statement separates the movements between revenue and capital reserves.

A **Cash Flow Statement** - this summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

The Statements of Accounts are supported by the Statement on the System of Internal Control, the Statement of Accounting Policies, and the Notes that follow the Revenue Account, Balance Sheet, Cash Flow Statement, and Total Movement in Reserves.

The paragraphs that follow summarise the overall financial results for 2004/2005 showing the main areas of expenditure and the sources of income of the Police Authority.

2. Revenue Expenditure

The net cost of service for 2004/2005 was £167.7 million. The overall net expenditure for 2004/2005 was £167.5 million compared with the budget of £165.7 million. This leaves an overspending of £1.8 million.

The main variations in net expenditure for the year were:

Main Variations	£m
Police Officer Pay	1.2(+)
The Impact of Major Crime	2.4(+)
Net Basic Command Unit Overspending	0.6(+)
Budgeted Contribution to the Police Pensions Reserve	<u>2.4 (-)</u>
Total Variance	<u>1.8(+)</u>

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

	Amount £m	Proportion %
Employees		
Police Officers	95.7	50.1
Support Staff	38.6	20.2
Other Employee Expenses	<u>1.3</u>	<u>0.7</u>
	135.6	71.0
Other Running Costs	27.4	14.3
Capital Charge to Revenue Account	<u>4.1</u>	<u>2.2</u>
Force Expenditure	167.1	87.5
Pensions	23.2	12.1
Police Authority Costs	<u>0.8</u>	<u>0.4</u>
Total Expenditure	<u>191.1</u>	<u>100.0</u>
Income	<u>-23.4</u>	
Net cost of Service	<u>167.7</u>	

3. Financing of Revenue Expenditure

The amount to be met from government grants and local taxation in 2004/2005 was £165.7 million this was funded as follows:

	Budget £m	Actual £m	Difference £m
Financing of Net Revenue Expenditure			
Police Grant	74.1	74.1	0.0
Precept	38.1	38.1	0.0
Revenue Support Grant	39.5	39.5	0.0
National Non Domestic Rates	<u>14.0</u>	<u>14.0</u>	<u>0.0</u>
Total Financing	<u>165.7</u>	<u>165.7</u>	<u>0.0</u>

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 :

	Balance 1 April 2004 £m	Movement £m	Balance 31 March 2005 £m
Balances			
General Fund	4.9	-0.8	4.1
Earmarked Reserves			
Third Party Motor Claims	0.5	0.1	0.6
Helicopter Operational	0.1	0.0	0.1
Police Pensions	<u>9.4</u>	<u>0.0</u>	<u>9.4</u>
	<u>14.9</u>	<u>-0.7</u>	<u>14.2</u>

5. Capital Expenditure

The Police Authority's capital expenditure in 2004/2005 compared to the approved capital programme was as follows:

	Approved Expenditure £m	Actual Expenditure £m	Variance £m
Capital Expenditure			
Major Buildings Schemes	1.2	0.8	0.4 (-)
Minor/Intermediate Building Schemes	5.4	3.5	1.9 (-)
Information Network Services	4.6	4.1	0.5 (-)
Vehicles	0.0	0.1	0.1(+)
Equipment	<u>0.1</u>	<u>0.2</u>	<u>0.1(+)</u>
Total Capital Expenditure	<u>11.3</u>	<u>8.7</u>	<u>2.6 (-)</u>

Financing of Capital Expenditure

Supported Capital Expenditure	2.8	1.1	1.7 (-)
Government Grant	2.9	5.4	2.5(+)
Revenue Financing	0.0	0.1	0.1(+)
Capital Receipts	5.6	1.1	4.5 (-)
Capital Contribution	<u>0.0</u>	<u>1.0</u>	<u>1.0(+)</u>
Total	<u>11.3</u>	<u>8.7</u>	<u>2.6 (-)</u>

6. Borrowing

At 31st March 2005 the level of PWLB debt outstanding was £8.7m. The maximum amount due to mature in any future year is £0.6m. During 2004/2005 £0.6m principal was repaid.

7. Best Value

The 2004/2005 revenue account has been produced in line with the requirements of the Best Value Accounting Code Of Practice.

For 2004/2005 the Service Expenditure Analysis has been comprehensively revised. The divisions and sub divisions now largely follow the same definitions of activity as the Police Activity-Based Costing Model.

This revision does mean that there is no comparative data for 2003/2004 on the Best Value Revenue Account. However, comparative data between 2003/2004 and 2004/2005 is shown on the Subjective Revenue Account.

Comparative data will be shown on the Best Value Revenue Account from next year.

8. Home Office Grant

At the 31st March the Authority had an outstanding bid to the Home Office for grant aid towards Major Crime related expenditure incurred during 2004/2005.

Notification was received from the Home Office on the 17th August 2005 that Ministers had agreed a special grant contribution of £1 million under s48 of the Police Act 1996.

The grant is conditional on it being used for specified purposes, and therefore will be credited to the 2005/06 revenue account.

REPORT OF THE AUDITORS TO NOTTINGHAMSHIRE POLICE AUTHORITY

I have audited the statement of accounts on pages 20 to 47 which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 15 to 19.

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 54 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission.

Respective Responsibilities of the Chief Financial Officer and Auditor

As described on pages 9 and 10 the Treasurer is responsible for the preparation of the statement of accounts in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2004. My responsibilities, as independent auditor, are established by statute, the Code of Audit Practice issued by the Audit Commission and my profession's ethical guidance.

I report to you my opinion as to whether the statement of accounts present fairly the financial position of the Authority and its income and expenditure for the year.

I review whether the statement on internal control on pages 11 to 14 reflects compliance with CIPFA's guidance 'The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003' published on 2 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 whether the statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures. My review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

I read the other information published with the statement of accounts and consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the statement of accounts.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant auditing standards issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

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

Opinion

In my opinion the statement of accounts presents fairly the financial position of Nottinghamshire Police Authority as at 31 March 2005 and its income and expenditure for the year then ended.

Certificate

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

Signed: David Brumhead... Date: 31st October 2005

**District Auditor
Audit Commission
Littlemoor House
Littlemoor
Eckington
Sheffield
S21 4EF**

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 the responsibility for the administration of those affairs. The Treasurer is the responsible officer;
- ❑ to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- ❑ to approve the statement of accounts.

The Treasurer's Responsibilities

The Police Authority 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 Great Britain ("the Code of Practice").

In preparing this Statement of Accounts, the Treasurer has:-

- ❑ selected suitable accounting policies and then ensured that they were applied consistently;
- ❑ made judgements and estimates that were reasonable and prudent;
- ❑ complied with the Code of Practice.

The Chief Constable's Responsibilities

Day to day financial management of the Force is delegated to the Chief Constable who has:

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

The Statement of Accounts present fairly the financial position of the Authority at the accounting date, and its income and expenditure for the year ended 31 March 2005.

LW Cornfield CPFA
Treasurer to the Police Authority
27th July 2005

I confirm that these accounts were approved by
Nottinghamshire Police Authority at the meeting
held on 27th July 2005.

Signed on behalf of Nottinghamshire Police Authority:

Councillor WJ Clarke
Chairman to the Police Authority
27th July 2005

STATEMENT OF INTERNAL CONTROL

1. Scope and Responsibility

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

In discharging this overall responsibility the Police Authority is also responsible for ensuring that there is a sound system for internal control which facilitates the effective exercise of the Authority's functions and which include arrangements for the management of risk.

2. The Purpose of the System of Internal Control

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

The system of internal control has been in place for the year ending 31 March 2005 and is up to date on the approval of the statement of accounts. The area in which more work is required is set out in Section 5.

3. The Internal Control Environment

a) Establishing and monitoring the achievement of the Authority's objectives

Nottinghamshire Police Authority, in consultation with the Chief Constable, approves an annual plan containing policing objectives linked to the budget, capital programme and medium term financial plan. The plan takes into account the views of local partnerships, the local community and the objectives set out in the National Policing plan. Divisional and Departmental plans are in place that support the Annual policing Plan that are underpinned by the Personal Development Review process for individuals.

The objectives in the plan are monitored quarterly through the Police Authority Committee structure and monthly by the Performance Scrutiny Board.

Within the Force objectives are monitored through a performance management structure known as the Focus process. This includes weekly Command performance meetings, monthly performance meetings with Divisional Commanders and Heads of Departments and local Focus meetings on Divisions. This is supported by an internal performance inspection process.

b) The facilitation of policy and decision-making

The Police Authority's Standing Orders govern the decision making processes for the Authority and Force. The Scheme of Delegation from the Police Authority to the Chief Constable sets out the parameters for policy and decision making. A Scheme of Delegation from the Chief Constable to Divisional Commanders and Heads of Department within the Force exists.

Policy is made within the Force through the Policy Performance Review Committee supported by various Consultative Groups and Committees.

c) Ensuring compliance with established policies, laws and regulations

Compliance is monitored externally by regular review programmes conducted by Her Majesty's Inspectorate of Constabulary, External Audit and the Home Office Policing Standards Unit. Advice on compliance is purchased from various external agencies on specialist matters such as taxation, VAT, Health and Safety and Data Protection, etc. Reports on the findings from the various review programmes are made to the Police Authority and its Committees.

The Chief Executive and Clerk is the Authority's monitoring Officer and the Treasurer the Statutory Finance Officer and regular meetings between them and senior officers in the Force take place.

Compliance is monitored internally through a three year Internal Audit programme agreed by the Police Authority, through regular audit and inspection review visits undertaken by the Force Inspectorate function.

d) Ensuring the economical, effective and efficient use of resources and for securing a continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness as required by the Best Value duty.

The Police Authority's annual budget process is integrated with the planning process and establishes the resources required to deliver its objectives. The Budget is a standing item on the Members Business Meeting agenda.

Developments in technology and property are prioritised by groups on which the Police Authority is represented.

A Procurement Strategy is in place to ensure the Force uses its resources efficiently and effectively by purchasing through consortia and national contracts and using technology to reduce purchasing costs. An annual report on procurement activity is made to the Police Authority.

The annual Efficiency Plan sets out details of how efficiency savings are to be made, and are recycled into front line policing services.

A rolling programme of Best Value reviews is overseen by Police Authority members and the legislative requirements of Best Value are incorporated in the Police Authority's Local Policing Plan. The need for review and priorities are informed by the developing Risks Management Policy and processes.

e) The financial management of the Authority and reporting of financial management is the key element of internal control.

The Police Authority sets a balanced Budget that integrates capital and revenue expenditure plans and a medium term financial plan is produced. Financial reserves and provisions are kept under review and the Police Authority prepares its accounts in accordance with professional guidance and complies with the statutory timetable for publication.

A Treasury Management policy has been adopted by the Police Authority.

The Police Authority operates a devolved system of financial management within a framework of Standing Orders, Financial Regulations, the Force Manual of Financial Guidance and the Scheme of Delegation. There is an anti fraud and anti corruption policy in place.

Monthly resource monitoring reports are considered by the Performance Strategy Group and quarterly reports are provided to the Police Authority. The results of internal audit reviews are reported to the Police Authority twice yearly.

f) Performance Management of the Authority and the reporting of Performance Management

The Local Policing Plan reflects national and local priorities and contains targets for the Force to meet in achieving its objectives. A comprehensive performance monitoring regime has been introduced that provides daily management information on progress against disaggregated targets at local area command level. A Team and Officer Management Information system (TOMI) provides performance information at an individual and team level. The Command team review performance on a weekly basis.(see a above).

Force performance is monitored on a monthly basis by the Performance Scrutiny Group of the Authority.

g) Risk Management into the activities of the Police Authority and Force

Risk Management is championed by the Deputy Chief Constable, supported by a representative group of officers.

Identification of key financial risks to the Authority takes place when the annual budget is considered.

A risk management policy is in place and a risk register is being developed by the Risk Management Group.

4. Review of Effectiveness

The Nottinghamshire Police Authority has responsibility for conducting at least annually, a review of the effectiveness of the system of internal control. The review of effectiveness of the system of internal control is informed by the work of the internal auditors and the managers within the Force and Authority who have responsibility for the development and maintenance of the internal control environment. It is also informed by the comments received from external auditors, inspectorates and other review agencies.

Key areas of the review of the effectiveness of internal control can be summarised as follows:-

- Reports from the external auditors appointed by the Audit Commission as contained in the annual audit letter on the Council 2003/04 were considered by the Police Authority and recommendations have been or are being implemented.

- Opinions of the internal auditors contracted from the Nottinghamshire County Council internal audit service that carry out a structured programme of reviews including the operation of policies and controls. Their reports which contain the responses of the Management are considered by the Performance Committee together with any follow up reports that prove necessary.
- Reports from HM Inspectorate of the Constabulary and the Police Standards Unit.

5. Significant Internal Control Issues

The Force has been the subject of a re-inspection by HM Inspectorate of Constabulary. It is being inspected in the area of major crime following on from earlier difficulties. The issues raised in the earlier inspection are the subject of agreed action plans and support from the Police Standards Unit. The current inspection will give rise to further action plans following the Inspector's report. The specific areas of internal control which are currently being updated are set out below:-

- The risk register is in place and in the process of development to include all areas of the Authority's activities as well as to provide guidance on the direction of future best value review programme.
- The impact of major crime has caused the budget to be overspent. This has been absorbed by not making a planned contribution to the police pension reserve and the reclassification of expenditure to capital. For the future the proposed revisions to the financing of the Police Pension Scheme would obviate the need for further contributions and enable a review of the level of the existing reserves.

Signed on behalf of Nottingham Police Authority:

S Green
Chief Constable
27th July 2005

LW Cornfield CPFA
Treasurer to the Police Authority
27th July 2005

Councillor WJ Clarke
Chairman to the Police Authority
27th July 2005

STATEMENT OF ACCOUNTING POLICIES

1. Accounting Principles

The accounts have been prepared in accordance with the revised Code of Practice on Local Authority Accounting in the United Kingdom 2004: A Statement of Recommended Practice for Police Authorities issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and comply with the Statements of Standard Accounting Practice (SSAP's) and Financial Reporting Standards (FRS) appropriate to Police Authorities, taking into account the guidance notes issued by CIPFA. Any variations are shown in notes to the accounts or in the principles set out below. The accounts have been prepared on a historical cost basis as modified by the revaluation of fixed assets and stock at latest cost.

2. Fixed Assets

All expenditure, above the de minimis level, on the acquisition, creation or enhancement 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 include 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 1st 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.
- b) Vehicles, I.T. and other equipment have been included at their written down valuation at 31 March 2005.
- c) Furniture and Fittings are assessed to have a life of 15 years. Beginning the 1st April 2003 furniture and fittings for new buildings have been capitalised at cost. For all buildings purchased or constructed between 1st April 1990 and 31st 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. 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 charges are adjusted for acquisitions and disposals during the year. For all assets the actual date of acquisition/disposal is used to calculate depreciation.

4. Intangible Assets

In 2004/2005 Intangible Assets replace what was previously termed Deferred Charges, and consist of assets capitalised at cost that do not have physical substance but are identifiable and controlled by the Authority.

5. Capital Charges

The Capital Charge made to the Revenue Account comprises depreciation and a notional interest charge. Depreciation charges are outlined above. Notional interest charges are based on the net book value at which assets are shown on the Balance Sheet. The notional rate of interest used in 2004/2005 was 3.5%. For all assets the actual date of acquisition/disposal is used to calculate the capital charge.

6. Redemption of Debt

Instalments of principal repayments are charged through the statutory Minimum Revenue Provision (MRP) of 4%.

7. Grants

These are accounted for on an accrual basis and income has been credited in the case of revenue grants to the appropriate revenue account.

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.

8. Capital Receipts

Receipts arising from the disposal of assets are initially held in the Usable Capital Receipts Account, when they are applied to finance new capital expenditure they are then credited to the Capital Financing Account.

9. Leasing of Vehicles and Equipment

Lease rentals payable under operating leases are charged to the Revenue Account.

No assets have been acquired under finance leases.

10. Provisions and Reserves

The Authority complies with the code of practice which sets out that proper provisions be made for any liabilities or losses which are likely, or sure, to be incurred but where the amounts or dates on which they will arise are uncertain. It also states that they should only be utilised for the purposes for which they were established. All other amounts set aside are classified as reserves. Expenditure incurred is charged directly to the appropriate provision, contributions to or from a reserve are charged to the Revenue Account.

The Authority makes appropriate provision for bad debts.

11. Debtors and Creditors

The Revenue Account has been prepared on a general accruals basis in accordance with the Code of Practice and FRS 18 and provisions for sums owing to and by the Authority at 31 March 2005 are included in the accounts where the cash has not actually been paid or received during the year.

12. Stocks

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

13. Pensions

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

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

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

The Consolidated Revenue 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 a pensions reserve.

14. 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 27.

CONSOLIDATED REVENUE ACCOUNT
(BEST VALUE FORMAT)

2003/2004			2004/2005	2004/2005	2004/2005
£000		Note	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
-	Reducing Crime		824	-102	722
-	Investigating Crime		100,532	-12,515	88,017
-	Promoting Public Safety		39,650	-4,936	34,714
-	Assistance to the Public		47,339	-5,893	41,446
-	Corporate and Democratic Core		756	0	756
-	Non Distributed Costs		<u>2,080</u>	<u>0</u>	<u>2,080</u>
146,248	Net Cost of Service		191,181	-23,446	167,735
-581	Interest and Investment Income				-522
-706	Transfer from Asset Mgmt Revenue A/c	6			-975
<u>46,198</u>	Pensions Interest Costs	1			<u>55,818</u>
191,159	Net Operating Expenditure				222,056
0	Financing of Capital Expenditure				121
2,931	Transfer to (from) Earmarked Reserves				48
-34,818	Contributions from Pensions Reserve				-54,141
<u>-1,358</u>	Provision for Repayment of Ext Loan	7			<u>-1,581</u>
157,914	Amount to be met from Government grants and local taxpayers				166,503
-72,417	Police Grant				-74,153
-34,575	Precept Income	5			-38,149
-36,661	Revenue Support Grant	5			-39,507
<u>-14,499</u>	National Non Domestic Rate Income	5			<u>-13,935</u>
-158,152					-165,744
-238	(Surplus)/Deficit for the year				759
-4,705	General Fund Balance at 1 April b/fwd				-4,943
<u>-238</u>	(Surplus)/Deficit for the year				<u>759</u>
<u>-4,943</u>					<u>-4,184</u>

**CONSOLIDATED REVENUE ACCOUNT
(SUBJECTIVE ANALYSIS)**

2003/2004 £000		Note	2004/2005 £000
90,680	Police Pay & Allowances		95,712
32,179	Support Staff Pay & Allowances		38,593
1,341	Other Employee Expenses		1,360
4,443	Premises		4,986
5,607	Transport		6,107
15,258	Supplies & Services		15,391
884	Agency & Contracted Services		965
<u>3,306</u>	Capital Charges	6	<u>4,071</u>
153,698	Gross Expenditure		167,185
-20,067	Income	3	-23,446
133,631	Net Expenditure		143,739
11,909	Net Police Pension Costs	1	23,240
708	Police Authority Costs		756
-581	Interest and Investment Income		-522
-706	Transfer from Asset Management Revenue A/c	6	-975
<u>46,198</u>	Pensions Interest Costs	1	<u>55,818</u>
191,159	Net Operating Expenditure		222,056
	Appropriations		
0	Financing of Capital Expenditure		121
2,931	Transfer to Earmarked Reserves		48
-34,818	Contributions from the Pensions Reserve	1	-54,141
<u>-1,358</u>	Provision for Repayment of External Loans	7	<u>-1,581</u>
157,914	Amounts to be met from Government grants and local taxpayers		166,503
-72,417	Police Grant		-74,153
-34,575	Precept Income	5	-38,149
-36,661	Revenue Support Grant	5	-39,507
<u>-14,499</u>	National Non Domestic Rate Income	5	<u>-13,935</u>
-158,152			-165,744
-238	(Surplus)/Deficit for the year:		759
-4,705	General Fund Balance at 1 April b/fwd		-4,943
<u>-238</u>	(Surplus)/Deficit for the year		<u>759</u>
<u>-4,943</u>	General Fund Balance at 31 March c/fwd		<u>-4,184</u>

NOTES TO THE REVENUE ACCOUNT

1. 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, 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. This 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	
	2003/2004	2004/2005	2003/2004	2004/2005
	£000	£000	£000	£000
Net Cost of Services:				
Current service costs	2,463	4,101	22,080	21,360
Past service costs	79	0	-	1,880
Curtailments	0	200	-	-
Net Operating Expenditure:				
Interest cost	3,174	3,818	45,180	54,820
Expected return on assets in the scheme	-2,156	-2,820	-	-
Amounts to be met from Government Grants and local Taxation:				
Movement on pensions reserve	-542	-1,738	-34,210	-52,403
Actual amount charged against council tax for pensions in the year:				
Employers' contributions payable to scheme	2,952	3,561	-	-
Retirement benefits payable to pensioners (net of employee contributions)	-	-	33,050	25,657

Note 10 to the Balance Sheet (page 33) contains details of the assumptions made in estimating the figures included in this note. Note 1 to the Statement of Total Movement in Reserves (page 43) details the costs that have arisen throughout the year.

2. Publicity Work

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. The definition of publicity includes a number of routine items of expenditure. The Police Authority's expenditure is summarised below and represents 0.3% of net cost of service:

	2003/2004	2004/2005
	£000	£000
Staff costs of press & public relations office	262	309
Advertising for staff	123	159
Other publicity expenditure	<u>51</u>	<u>85</u>
Expenditure	<u>436</u>	<u>553</u>

3. Income

Income shown on the Revenue Account consists of:-

	2003/2004	2004/2005
	£000	£000
PFI Grant	-2,361	-2,266
Crime Fighting Fund Grant	-4,323	-4,633
Other Government Grants	-7,925	-7,772
Other Income	<u>-5,458</u>	<u>-8,775</u>
Income	<u>-20,067</u>	<u>-23,446</u>

4. Leasing of Vehicles, Plant and Equipment

(a) **Finance Leases**

The Police Authority has no obligations under capitalised finance leases.

(b) **Operating Leases**

In the year to 31st March 2005 the amount paid to lessors was £396,295.

Outstanding commitments in respect of operating leases at 31st March 2005 were as follows:-

Lease payments committed to:-	31 st March 2005	
	Property £'000	Other £'000
In one year	185	174
Between 2 and 5 years	555	324
More than 5 years	449	0

5. Revenue Support Grant, National Non-Domestic Rates and Council Tax

Revenue Support Grant and National Non-Domestic Rates were paid to the Police Authority directly by the Government.

The Police Authority set the Council Tax for a Band D property at £120.12. This was suitably adjusted for other bands of property and a precept was issued to the Collection authorities to recover the relevant amounts. Any variances in the amounts actually collected by the Collection Authorities on behalf of the Police Authority will be adjusted in the amounts payable next year.

6. The Asset Management Revenue Account

This account is used to offset the notional interest charges made to the Authority's Revenue Account for the use of capital assets. This ensures that these charges do not increase the net expenditure of the Authority. The movement on the account is as follows:

	2003/2004 £000	2004/2005 £000
Notional interest charges for the year	-999	-1,527
Depreciation charges for the year	<u>-2,307</u>	<u>-2,544</u>
Total Capital Charges	-3,306	-4,071
Release of government grant	0	-4
Provision for depreciation	2,307	2,544
Net external interest charges	<u>293</u>	<u>556</u>
Balance to Revenue Account	<u>-706</u>	<u>-975</u>

7. The Minimum Revenue Provision

Regulations require Police Authorities to set aside money to provide for redemption of at least 4% of outstanding debt. This amount is offset against the level of depreciation already charged to the Authority's Revenue Account to ensure that depreciation charges do not increase the net expenditure of the Authority. The amount required, under the MRP regulations, for 2004/2005 was £0.959 million, the amount of depreciation charged was £2.544 million and the intangible asset charge was £0.004 million, therefore requiring a credit of £1.581 million from the Revenue Appropriation Account.

8. Members' Allowances

The total amount of members allowances paid during 2004/2005 was £227,774 (2003/2004 £229,918).

9. 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.

<u>Remuneration Band</u>	<u>Number of Employees</u>	
	<u>2003/2004</u>	<u>2004/2005</u>
£50,000 - £59,999	21	33
£60,000 - £69,999	7	7
£70,000 - £79,999	1	3
£80,000 - £89,999	2	2
£90,000 - £99,999	0	0
£100,000 - £109,999	1	1
£110,000 - £119,999	0	0
£120,000 - £129,999	0	1

10. 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 consortia's new helicopter became operational in April 2004, this was purchased using Home Office Capital Grant and 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 2004/2005, was £473,600.

Both authorities hold a reserve earmarked for the Helicopter Unit, into this any surplus is paid or deficit is charged. For 2004/2005 the estimated net expenditure of the unit, at the time of the completion of these accounts, was £947,200. The Nottinghamshire Police's share of this figure is the budgeted £473,600.

11. Related Party Transactions

In accordance with the reporting requirement of Financial Reporting Standard 8, the Authority is required to disclose material transactions with related parties. Related party transactions can occur even if there are no financial transactions.

Although there is no related party transaction the Authority would like to declare the following:

The Authority appointed a new Assistant Chief Constable (HQ Operations) in January 2004. The ACC's father in law is Chairman of the company Thomas Fish and Sons Limited and her two brothers in law are Directors.

This company has now completed work for the Authority for which contracts were let, in line with the Authority's Financial Regulations, in July of 2003. The total value of this contract was £112,370. The value of payments made in 2004/2005, to complete the contract, was £5,041.

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

12. 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 2004/2005 was £3.1 million (£3.0 million in 2003/2004). Future payments will be linked to the movement in inflation.

The future payments required under the Vehicle Services PFI agreement (excluding inflation) are:

	£000
2005/2006	3,208
2006/2007 to 2007/2011	16,040
2011/2012 to 2015/2016	16,040
2016/2017 to 2020/2021	16,040
2021/2022 to 2025/2026	16,040
2026/2027	802

The Authority receives Special Grant towards the financing of the Vehicle Services PFI scheme. Grant of £1,544,613 was received in 2004/2005.

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 2004/2005 was £825,739 (£831,500 in 2003/2004). Future payments will be linked to the movement in inflation.

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

	£000
2005/2006	850
2006/2007 to 2007/2011	4,250
2011/2012 to 2015/2016	4,250
2016/2017 to 2020/2021	4,250
2021/2022 to 2025/2026	4,250
2026/2027	637

The Authority receives Special Grant towards the financing of the Traffic Wing PFI scheme. Grant of £721,733 was received in 2004/2005.

13. DNA Expansion Programme

The DNA expansion programme provided additional funding to Police Forces for Crime Scene Examinations, Resources, DNA CJ samples from prisoners, Crime Stains and Evidential Conversions. The project operated on a threshold basis whereby the Force met the first £417,502 of expenditure on these projects from its own resources and once this threshold was reached the Home Office paid the costs for the remaining part of the year. Income received from the programme in 2004/2005 was £614,588.

14. Audit Costs

For 2004/2005 Nottinghamshire Police has incurred the following fees relating to external audit and inspection:

	2004/2005
	£000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor:-	
Planning, Liaison and Reporting	6
Statement of Accounts	18
Use of resources	28
Governance	<u>13</u>
Total Audit Costs	<u>65</u>

CONSOLIDATED BALANCE SHEET

		31 March 2004		31 March 2005	
	Note	£000	£000	£000	£000
Fixed Assets					
Intangible Fixed Assets	19		939		1,195
Tangible Fixed Assets					
Operational Assets					
Land and Buildings		23,710		36,974	
Vehicles		966		791	
Equipment, Furniture & Fittings		5,677		8,083	
Non-Operational Assets					
Land and Buildings		1,609		2,955	
Assets under construction		<u>1,298</u>		<u>2,153</u>	
Total Tangible Fixed Assets	11		33,260		50,956
Long Term Debtor	1		<u>93</u>		<u>63</u>
Total Long Term Assets			34,292		52,214
Current Assets					
Stocks	5	582		517	
Debtors	1	9,120		11,886	
Temporary Investments	3	11,400		3,230	
Imprest Accounts		<u>58</u>		<u>48</u>	
			<u>21,160</u>		<u>15,681</u>
Total Assets			55,452		67,895
Current Liabilities					
Bank	4	-552		-41	
Borrowing Repayable within 12 Months	6	-571		-571	
Creditors	2	<u>-17,356</u>		<u>-15,996</u>	
			-18,479		-16,608
Total Assets less Current Liabilities			36,973		51,287
Long term Liabilities					
Long Term Borrowing	7		-8,734		-8,163
Government Grants Deferred	16		0		-38
Provisions	8		-820		-820
Defined Benefit Pension Scheme	10		<u>-862,883</u>		<u>-1,119,832</u>
Total Assets less Liabilities			<u>-835,464</u>		<u>-1,077,566</u>
Financed by:					
Usable Capital Receipts	17	0		0	
Capital Grants & Contributions Unapplied	18	3,039		704	
Earmarked Reserves	9	10,048		10,097	
General Fund		4,943		4,184	
Capital Financing Account	14	29,847		35,743	
Fixed Asset Restatement Account	15	-20,458		-8,462	
Pensions Reserve	10	<u>-862,883</u>		<u>-1,119,832</u>	
Total Net Worth:			<u>-835,464</u>		<u>-1,077,566</u>

NOTES TO THE BALANCE SHEET

1. Debtors

The analysis of debtors by category is:

	2003/2004 £000	2004/2005 £000
Long Term Debtor:		
Car Loans to Staff	<u>93</u>	<u>63</u>
Balance at 31 March	<u>93</u>	<u>63</u>
General Debtors:		
Invoices issued but not paid	1,745	2,802
Pension payments in advance	2,177	2,372
Grants and Contributions due	2,118	1,783
Investments	202	172
VAT	1,481	1,229
Crime Fighting Fund	0	1,158
Capital	0	527
Other Debtors	<u>1,397</u>	<u>1,843</u>
Balance at 31 March	<u>9,120</u>	<u>11,886</u>

2. Creditors

The analysis of creditors by category is:

	2003/2004 £000	2004/2005 £000
Invoices processed but not paid	-7,848	-4,275
Payroll Accruals	-2,235	-5,675
Airwave Start-up costs	-2,406	-1,703
Capital	-812	-566
Grants in Advance	-1,087	-1,170
Pension Lump Sums	-605	0
Other Creditors	<u>-2,363</u>	<u>-2,607</u>
Balance at 31 March	<u>-17,356</u>	<u>-15,996</u>

3. Temporary Investments

The Police Authority invests any cash surplus that it has. The amount invested at the year end depends on the cash flow position at that date.

4. Bank Balance

The Authority monitors the cash balances on a daily basis to make maximum use of the funds available and aims to keep an average zero balance on the Current Account.

5. Stocks

The following categories of stock were held at the year end:

	2003/2004	2004/2005
	£000	£000
Uniform and Clothing	379	347
Vehicle Fuel	184	155
Catering Provisions	16	11
Cleaning Equipment & Materials	<u>3</u>	<u>4</u>
Value at 31 March	<u>582</u>	<u>517</u>

6. Borrowing Repayable within 12 Months

The analysis of borrowing, repayable within 12 months, by approved borrower was:

	2003/2004	2004/2005
	£000	£000
Public Works Loan Board	<u>-571</u>	<u>-571</u>
Amount outstanding at 31 March	<u>-571</u>	<u>-571</u>

7. Long Term Borrowing

	2003/2004 £000	2004/2005 £000
Amounts owing to the Public Works Loan Board	<u>-8,734</u>	<u>-8,163</u>
Amount outstanding at 31 March	<u>-8,734</u>	<u>-8,163</u>

Analysis of Loans by Maturity

	2003/2004 £000	2004/2005 £000
Maturing between 1 and 2 years	-571	-571
Maturing between 2 and 5 years	-1,713	-1,713
Maturing between 5 and 10 years	-2,855	-2,855
Maturing between 10 years or more	<u>-3,595</u>	<u>-3,024</u>
	<u>-8,734</u>	<u>-8,163</u>

8. 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.

	1.4.2004 £000	Provision used £000	Additional provision £000	31.3.2005 £000
General Insurance	<u>-820</u>	<u>533</u>	<u>-533</u>	<u>-820</u>
	<u>-820</u>	<u>533</u>	<u>-533</u>	<u>-820</u>

General Insurance

External Insurers provide cover for third party motor claims and Employer's and Public Liability, Property Damage and Business Interruption losses over an agreed figure. Below that figure, claims are settled from the General Insurance Provision. The cost of damage to police vehicles and small items of computer equipment is met directly from the Revenue Account.

9. 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. In order to facilitate good financial management, the scheme of devolution allows budget holders to carry forward year end balances up to prescribed limits.

	Balance at 1.4.2004 £000	Earmarked in year £000	Contribution to Revenue £000	Balance at 31.3.2005 £000
Budget Carry Forwards	69	0	-69	0
Helicopter Operational Reserve	82	9	0	91
Third Party Motor Claims	450	109	0	559
Police Pensions	9,427	0	0	9,427
Police Authority Enquiry	<u>20</u>	<u>0</u>	<u>0</u>	<u>20</u>
	<u>10,048</u>	<u>118</u>	<u>-69</u>	<u>10,097</u>

10. Financial Reporting Standard 17 (FRS 17) – Retirement Benefits

Note 1 to the Revenue Account contains details of the Authority's participation in the Local Government Pensions Scheme, administered by Nottinghamshire County Council, and the Police Pension Scheme in providing civilian and uniformed officers with retirement benefits.

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

	Local Government Pension Scheme		Police Pension Scheme		Total	
	31.3.2004 £000	31.3.2005 £000	31.3.2004 £000	31.3.2005 £000	31.3.2004 £000	31.3.2005 £000
Estimated liabilities in scheme	-57,255	-83,525	-845,730	-1,086,870	-902,985	-1,170,395
Estimated assets in scheme	<u>40,102</u>	<u>50,563</u>	<u>0</u>	<u>0</u>	<u>40,102</u>	<u>50,563</u>
Net liability	<u>-17,153</u>	<u>-32,962</u>	<u>-845,730</u>	<u>-1,086,670</u>	<u>-862,883</u>	<u>-1,119,832</u>

The liabilities show the underlying commitments that the authority has in the long-run to pay retirement benefits. The total liability of £1,119m has a substantial impact on the net worth of the authority as recorded in the balance sheet, resulting in a negative overall balance of £1,078m. 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.

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 2005. The Authority has followed the approach set out in the GAD paper "Assessment of Pension Liabilities for Disclosures for the year 2004/2005", 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:

	Police Pension Scheme		Local Government Pension Scheme	
	2003/2004	2004/2005	2003/2004	2004/2005
Rate of inflation	2.9%	2.9%	2.8%	2.9%
Rate of increase in salaries	4.4%	4.4%	4.3%	4.65%
Rate of increase in pensions	2.9%	2.9%	2.8%	2.9%
Rate of discounting scheme liabilities	6.5%	5.4%	6.3%	5.4%

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, and consist of the following categories, by proportion of the total assets held by the fund:

	31.03.2004	31.03.2005	Expected Rate of Return
	%	%	%
- Equities	62.9	63.3	7.50
- Government Bonds	12.1	13.8	4.70
- Other Bonds	7.9	4.6	5.40
- Property	11.2	14.3	6.50
- Other	5.9	4.0	4.75
Total Assets	<u>100.0</u>	<u>100.0</u>	

11. Fixed Assets

Movements in fixed assets during the year were:

	Operational Assets			Non-Operational Assets		Total £000
	Land and Buildings £000	Vehicles £000	Equipment £000	Land and Buildings £000	Assets under Construction £000	
Fixed Assets at Cost						
Value as at 1 April 2004	26,097	1,516	10,403	1,609	1,298	40,923
Prior Period Adjustment	0	0	0	0	0	0
Additions at Cost	2,620	47	3,788	0	1,789	8,244
Revaluations	9,049	0	0	1,757	0	10,806
Transfer of Assets Under Construction	934	0	0	0	-934	0
Disposal at Cost	<u>-766</u>	<u>-80</u>	<u>0</u>	<u>-411</u>	<u>0</u>	<u>-1257</u>
Valuation at 31 March 2005	<u>37,934</u>	<u>1,483</u>	<u>14,191</u>	<u>2,955</u>	<u>2,153</u>	<u>58,716</u>
Depreciation						
Accumulated depreciation as at 1 April 2004	-2,387	-550	-4,726	0	0	-7,663
Depreciation for 2004/2005	-953	-209	-1,382	0	0	-2,544
Depn on Revaluations	2,369	0	0	0	0	2,369
Accumulated depreciation for disposal	<u>11</u>	<u>67</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>78</u>
Accumulated depreciation at 31 March 2005	<u>-960</u>	<u>-692</u>	<u>-6,108</u>	<u>0</u>	<u>0</u>	<u>-7,760</u>
Net book value at 31 March 2005	<u>36,974</u>	<u>791</u>	<u>8,083</u>	<u>2,955</u>	<u>2,153</u>	<u>50,956</u>
Net book value at 31 March 2004	<u>23,710</u>	<u>966</u>	<u>5,677</u>	<u>1,609</u>	<u>1,298</u>	<u>33,260</u>

Number of Assets

	At 31 March 2004	At 31 March 2005
Police Operational Buildings	43	41
Police Houses	23	17
Radio Masts	4	4
Vehicles	135	137

For insurance purposes, the reinstatement value of the Authority's assets is £118.2 million.

Valuation of Fixed Assets

The freehold properties which comprise the Authority's property portfolio were valued as at 1 April 2004 by independent valuers, Lambert Smith Hampton, led by the Director of Professional Services, Andrew P. Martin, BSc., ARICS. The valuations were carried out on the under-mentioned basis in accordance with the Statement of Asset Valuation Practice Guidance Notes of the Royal Institution of Chartered Surveyors.

The operational properties of the Authority were valued on the basis of Existing Use Value. Elements or whole properties that have been classified as 'specialised' have been valued on the basis of a Depreciated Replacement Cost method of valuation. Those properties regarded by the Authority as non-operational have been valued on the basis of Open Market Value.

12. Capital Expenditure Commitments For Future Years

The estimated commitments for capital expenditure in future years for which the Authority had contractual commitments at 31 March 2005 are:

	£000
2005/2006	4,023
2006/2007	587
2007/2008	800
2008/2009	435

The capital commitments set out above include the full implementation of the National Case & Custody system; the final roll-out of the national Airwave communications project; Sneinton Police Station and contracted maintenance of the Force IT infrastructure.

13. Capital Expenditure and Financing

Capital expenditure in 2004/2005 was £9.5 million compared to an original budget of £11.3 million resulting in an underspending of £1.8 million.

Summary of Capital Expenditure and its Financing

Type of Expenditure	2003/2004 £000	2004/2005 £000
Major Building Schemes	1,228	823
Minor / Intermediate Building Schemes	2,742	3,498
Information Network Services	4,561	4,116
Vehicles	320	48
Air Support	925	0
Equipment	<u>521</u>	<u>185</u>
Total Capital Expenditure	10,297	8,670
Adjustment for Creditors:		
Add: Previous year Creditors financed current year	236	812
Less: Current year Creditors to be financed next year	<u>-812</u>	<u>0</u>
Total to be financed	<u>9,721</u>	<u>9,482</u>
Methods of Financing		
Supported Capital Expenditure (R)	1,204	1,792
Government Grant	8,094	5,429
Revenue Financing	0	121
Capital Receipts	409	1,143
Capital Contribution	<u>14</u>	<u>997</u>
Total	<u>9,721</u>	<u>9,482</u>

14. 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 Grants/Contributions Unapplied Account.

	2003/2004	2004/2005
	£000	£000
Balance at 1 April	14,859	29,847
MRP less depreciation	-1,358	-1,581
Deferred Charges	-112	-171
Grant Adjustment	7,941	0
Revenue Financing	0	121
Capital Financing:		
Capital Grant	8,108	6,384
Capital Receipt	<u>409</u>	<u>1,143</u>
Balance at 31 March	<u>29,847</u>	<u>35,743</u>

15. 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 assets when they are disposed of. The Fixed Asset Restatement Account cannot be used to support spending.

	2003/2004	2004/2005
	£000	£000
Balance at 1 April	-19,674	-20,458
Disposal of fixed assets	-250	-1,179
Revaluations	0	13,175
Amendments	-626	0
Prior Year adjustments	<u>92</u>	<u>0</u>
Balance at 31 March	<u>-20,458</u>	<u>-8,462</u>

16. Government Grants Deferred Account

Government grants have been applied to finance capital expenditure on fixed assets. Certain grants received by the Authority do not relate to specific capital schemes, and therefore cannot be written off through the Asset Management Revenue Account to match depreciation. Instead, they are written off to the Capital Financing Account in the year of receipt.

Where grants are specific the grant is released to the Capital Financing Account when the expenditure is incurred.

	2003/2004	2004/2005
	£000	£000
Balance at 1 April	-7,941	0
Grants and contributions due	0	-42
Amortised during the year	0	4
Grant Adjustment	<u>7,941</u>	<u>0</u>
Balance at 31 March	<u>0</u>	<u>-38</u>

17. 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.

	2003/2004	2004/2005
	£000	£000
Balance at 1 April	0	0
Receivable	409	1,143
Applied	<u>-409</u>	<u>-1,143</u>
Balance at 31 March	<u>0</u>	<u>0</u>

18. Capital Grants and Contributions Unapplied

All unused grants and contributions are credited to this account and carried forward to finance capital expenditure in future years.

	2003/2004 £000	2004/2005 £000
Balance at 1 April	8,246	3,039
Receivable	2,901	4,091
Applied	<u>-8,108</u>	<u>-6,426</u>
Balance at 31 March	<u>3,039</u>	<u>704</u>

19. Intangible Assets

The amount capitalised in the period to 31 March 2005 represents expenditure incurred in respect of software licences.

	2003/2004 £000	2004/2005 £000
Balance at 1 April	0	939
Additions in the year	1,051	427
Amortisation charge for the year	<u>-112</u>	<u>-171</u>
Balance at 31 March	<u>939</u>	<u>1,195</u>

20. 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.

	2003/2004 £000	2004/2005 £000
Balance at 1 April	-156	-193
Income	-147	-109
Expenditure	<u>110</u>	<u>94</u>
Balance at 31 March	<u>-193</u>	<u>-208</u>
Held at Property Act Bank A/C	193	196
Held in Force	<u>0</u>	<u>12</u>
	<u>193</u>	<u>208</u>

21. 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 31st March 2005 the balance of the Trust stood at £9,994. During 2004/2005 awards of £3,643 were made.

22. Nottinghamshire Community Safety Trust

The Force administers the above Trust on behalf of the Trustees but it does not form part of the Authority's accounts. It was established in May 2000 to work for an improved quality of life through the prevention of crime and the protection of people and property from criminal acts.

At the 31st March 2005 the balance of the Trust stood at £19,558.

23. 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 are reflected in the Force's Revenue Account, the year end balance of £1 million is shown on the Balance Sheet within creditors.

STATEMENT OF TOTAL MOVEMENT IN RESERVES

REVENUE RESERVES

	General Fund £000	Earmarked Reserves £000	Pensions Reserve £000	Total Revenue Reserves £000
Balance at 1 April 2004	4,943	10,048	-862,883	-847,892
Net surplus / deficit for the year	<u>-759</u>	<u>49</u>	<u>-256,949</u>	<u>-257,659</u>
Balance at 31 March 2005	<u>4,184</u>	<u>10,097</u>	<u>-1,119,832</u>	<u>-1,105,551</u>

CAPITAL RESERVES

	Fixed Asset Restatement Account £000	Capital Financing Account £000	Usable Capital Receipts £000	Grants Unapplied £000	Total Capital Reserves £000
Balance at 1 April 2004	-20,458	29,847	0	3,039	12,428
Net surplus for the year	0	-1,581	0	0	-1,581
Prior year adjustment	0	0	0	0	0
Applied in year	0	0	0	0	0
Revaluations	13,175	0	0	0	13,175
Value of assets disposed of	-1,179	0	0	0	-1,179
Proceeds of disposals of fixed assets	0	0	1,143	0	1,143
Financing of fixed assets	0	7,648	-1,143	-6,426	79
Receipt of Grant	0	0	0	4,091	4,091
Deferred Charges	<u>0</u>	<u>-171</u>	<u>0</u>	<u>0</u>	<u>-171</u>
Balance at 31 March 2005	<u>-8,462</u>	<u>35,743</u>	<u>0</u>	<u>704</u>	<u>27,985</u>

NOTES TO THE STATEMENT OF TOTAL MOVEMENT IN RESERVES

1. Financial Reporting Standard 17 (FRS 17) – Retirement Benefits

The actuarial gain/(loss) can be analysed into the following categories, measured as absolute amounts and as a percentage of liabilities at 31 March 2005:

	Local Government Pension scheme		Police Pension Scheme	
	£000	%	£000	%
Differences between expected and actual return on liabilities	-14,214	17.0	-	-
Differences between actuarial assumptions about liabilities and actual experience	<u>-</u>	-	<u>-191,160</u>	17.6
Actuarial Gain/(Loss)	<u>-14,214</u>		<u>-191,160</u>	
Comparative totals for 2004/2005	<u>3,838</u>		<u>-160,630</u>	

CASH FLOW STATEMENT

This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

2003/2004		Note	2004/2005
£000	REVENUE ACTIVITIES		£000
	Cash Outflows		
158,445	Cash paid to and on behalf of employees		167,479
23,305	Other operating cash payments		31,715
	Cash Inflows		
-34,575	Precept Income		-38,140
-36,661	Revenue Support Grant		-39,507
-14,499	National Non Domestic Rate		-13,935
-72,417	Police Grant		-74,154
-13,264	Other Government Grants	5	-13,451
<u>-18,406</u>	Cash Received for Goods & Services		<u>-16,980</u>
-8,072	Revenue Activities Cashflow	1	3,027
	 SERVICING OF FINANCE		
	Cash Outflows		
591	Interest Paid		556
	Cash Inflows		
<u>-581</u>	Interest Received		<u>-522</u>
10			34
	 CAPITAL ACTIVITIES		
	Cash Outflows		
9,720	Purchase of Fixed Assets		8,916
	Cash Inflows		
-409	Sale of Fixed Assets		-616
-3,054	Capital Grants Received		-3,265
<u>-29</u>	Other Capital Cash Receipts		<u>-998</u>
6,228			4,037
-1,834	Net Cash (Inflow)/Outflow Before Financing	2	7,098
	 MANAGEMENT OF LIQUID RESOURCES		
-1,860	Net increase/(decrease) in Short-term Deposits	3	-8,170
	 FINANCING		
	Cash Outflows		
571	Repayments of amounts borrowed	3	571
<u>-3,123</u>	Net (Increase)/Decrease in Cash	4	<u>-501</u>

NOTES TO THE CASH FLOW STATEMENT

1. Reconciliation of Deficit to Revenue Activities Cash Flow

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

		£000	
(Surplus)/Deficit for the year		759	
Non-Cash transactions			
Capital charges		-1,079	
Contributions to Reserves		-48	
Items on an Accrual Basis	1.4.2004	31.3.2005	Movement
	£000	£000	£000
Stocks	582	517	-65
Debtors	9,042	11,422	2,380
Creditors	-16,544	-15,430	<u>1,114</u>
			3,429
Servicing of Finance			<u>-34</u>
			<u>3,027</u>

2. Reconciliation of Net Cash Inflow to Movement in Net Debt

		£000
Increase in cash		501
Cash outflow from decrease in debt		571
Cash inflow from decrease in liquid resources		<u>-8,170</u>
Change in Net Debt resulting from Cash Flows		<u>-7,098</u>
Net debt at 1 April 2004		1,601
Net debt at 31 March 2005		<u>-5,497</u>
Movement in net debt in period		<u>-7,098</u>

3. Reconciliation of Financing and Management of Liquid Resources

	1.4.2004 £000	31.3.2005 £000	Movement £000
Financing			
Repayment of amounts borrowed:-			
Borrowing repayable within 12 months	-571	-571	0
Long term borrowing	<u>-8,734</u>	<u>-8,163</u>	<u>571</u>
	-9,305	-8,734	571
Management of Liquid Resources			
Temporary Investments	<u>11,400</u>	<u>3,230</u>	<u>-8,170</u>
Net Cash Outflow from Financing and Management of Liquid Resources	<u>2,095</u>	<u>-5,504</u>	<u>-7,599</u>

4. Movement in Cash and Cash Equivalents

The following table shows the reconciliation of the Net Increase in Cash, from the Cash Flow Statement, to the movement in cash shown on the Balance Sheet on page 29.

	1.4.2004 £000	31.3.2005 £000	Movement £000
Cash Overdraft	-552	-41	511
Imprest Account	<u>58</u>	<u>48</u>	<u>-10</u>
Net Increase in Cash	<u>-494</u>	<u>7</u>	<u>501</u>

5. Analysis of other Government Grants

	£000
Crime Fighting Fund	-3,475
P F I Grant	-2,266
BCU Fund	-1,082
Special Priority Payments	-1,044
Drug Testing Pilot	-993
Street Crime Initiative	-826
DNA Expansion Programme	-525
Miscellaneous Grants	-436
PSCO Fund	-469
Anti-Social Behaviour Team	-467
Airwave Project	-423
Airwave Team	-280
Loan Charges Grant	-217
Strategy For A Healthy Police	-205
PACT	-131
Hi Tech Crime	-119
E.M.S.O.U	-118
Local Criminal Justice Board	-115
NIM Analyst	-96
PSU Grant	-84
Dream Policing	-80
Total Grants Received	<u>-13,451</u>

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 £6,000, 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).

Unfunded Pension Scheme

A scheme where the costs of pensions and other benefits, after accounting for employees contribution in the year, are charged to the Revenue Account, e.g. Police Pension Scheme.