

Lincolnshire Police

Authority



Financial Statements

2010 / 11

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Lincolnshire Police Authority

Financial Statements

2010/11

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Lincolnshire Police Authority

Members and Officers of the Authority

The Members of the Police Authority on 31st March 2011 were:

Chairman	Barry Young	Councillor		
Vice Chairman	John Cooke OBE	Independent		
Neil Cooper		Councillor	John Atter	Independent
Graham Dark		Councillor	Angela Crowe	Independent
Richard Davies		Councillor	Andre Dezonie	Independent
Robert Palmer		Councillor	Fred Mann	Independent
Paul Przystlak		Councillor	Rodney Must	Independent
Raymond Sellars		Councillor	John Walker	Independent
Kelly Smith		Councillor	Brian Wookey	Independent
Christopher Underwood-Frost		Councillor		

Independent lay members of the Ethical Standards Committee:

David Lomas
Sarah Skelton
Dennis Bambridge

Independent members of Police Misconduct Panels:

Andrew Smith
David Subden

The Officers of the Police Authority on 31st March 2011 were:

Malcolm Burch	Chief Executive to the Police Authority
Julie Flint, MSc CPFA	Treasurer to the Police Authority
John Davidson	Monitoring Officer to the Police Authority

Further Information

Further information about the Financial Statements and Accounts is available from the Police Authority Treasurer, Police Headquarters, Deepdale Lane, Nettleham, Nr Lincoln LN5 7PH. In addition interested members of the public have a statutory right to inspect the Accounts before the audit is completed. The availability of the Accounts for inspection has been advertised in the local press.

**Prepared and published by:
Finance Department
Lincolnshire Police
PO Box 999
Lincoln
LN5 7PH**

Lincolnshire Police Authority

APPROVAL OF ACCOUNTS

In accordance with Regulation 8(3)c of the Accounts and Audit (England) Regulations 2011, I certify that the Audit, Risk and Governance Committee approved the Statement of Accounts on 26 September 2011.

Signed on behalf of Lincolnshire Police Authority.

.....
Dr Brian Wookey
Chair of the Audit, Risk and Governance
Committee.

Dated :

DATE OF ISSUE OF ACCOUNTS

The Authority is required to disclose the date that the financial statements are authorised for issue. This establishes the date after which events will not have been recognised in the Statement of Accounts.

**Date of Issue of Accounts
26th September 2011**

Treasurer's Foreword to the Statement of Accounts

This section highlights some of the more important issues that are reported in the Accounts. Commentary is included on any issues that have had a major effect on the Authority's finances during the year being reported and the factors that may impact in the future.

Introduction

I am pleased to present the Statement of Accounts for Lincolnshire Police Authority for the financial year 2010/11. The accounts have been compiled in accordance with, and as required by, the Accounts and Audit Regulations 2003, 2006 and 2011, the Code of Practice on Local Authority Accounting 2010 and also the Best Value Accounting Code of Practice (BVACOP) 2008. The accounts show the financial affairs of Lincolnshire Police Authority during 2010/11 and the financial position as at 31st March 2011.

The accounts are prepared to provide the reader with a "true and fair" view of the financial position at the year end and the income and expenditure for the year. In order to achieve this view the accounts are prepared in accordance with the code detailed above. For the first time in 2010/11 the code is based on the requirements of International Financial Reporting Standards (IFRS). This is a major development in the way the accounts are prepared and disclosed.

International Financial Reporting Standards are primarily drafted for the commercial sector and are not designed to address all the accounting issues relevant to local authorities. The code of practice has therefore been developed based on a hierarchy of alternative standards including International Accounting Standards (IAS), Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and International Public Sector Accounting Standards (IPSAS).

For 2010/11 the introduction of IFRS has not only resulted in major changes in presentation and disclosure but has resulted in the requirement to restate some balances and transactions that were presented in previous Statements of Accounts. Previous accounts were produced on the UK GAAP basis, the adoption of IFRS in the Authority's accounts results in changes to the ways we account for areas such as:

- Leases
- Property, Plant and Equipment
- Government Grants
- Investment Property
- Budget Reporting

Specific transitional arrangements have been determined for this first year of adoption. These provide for the inclusion of three statements of the financial position explaining the changes made to the accounts to allow for the adoption of IFRS and the revised balances utilised in the accounts. These are detailed in Note 5 to the accounting statements.

In addition to changes to the financial statements the Authority has reviewed its Accounting Policies, Note 1 in order to ensure that they are compliant with the requirements of an IFRS based code of practice.

IFRS has introduced a requirement to disclose in the main accounting statements, liabilities with respect to outstanding accumulated annual leave, flexi time hours, time off in lieu and back rest days allocated to police officers when scheduled rest days are cancelled. This change has resulted in the accrual of the cost of these liabilities in the Comprehensive Income and Expenditure Statement, with a creditor balance being established in the Balance Sheet.

However, regulations have been issued which result in the establishment of an accumulated absences account in the Balance Sheet, and the adjustment of the Comprehensive Income and Expenditure Statement to ensure that the cost of this accrual is not a charge against the resources available to the Authority. Further details of the adjustments made to 2009/10 are given in Note 5.

This foreword provides a brief explanation of the main financial aspects of the Police Authority's activities.

Background

The Lincolnshire Police Authority was established under the Police and Magistrates Court Act 1994, and began operation as a freestanding corporate body from 1st April 1995. It is responsible for providing policing services to a population in excess of 690,000 dispersed across a large geographical area of 590,000 hectares.

The Authority:

- sets its own budget;
- holds its own Reserves;
- receives its share of Police Grant paid by the Home Office in accordance with a detailed formula and specific grants for example Additional Grant Rule 2;
- receives Revenue Support Grant paid by the Department for Communities and Local Government (DCLG);
- receives National Non Domestic Rates paid by the DCLG;
- receives precepts for the proportion of the budget to be met by the residents of Lincolnshire as part of the overall council tax collected by District Councils.

The Accounts

The Financial Statements for Lincolnshire Police Authority consist of:

- Statement of Responsibilities;
- Annual Governance Statement;
- Accounting Statements;
- Notes to the Accounts including Accounting Policies.

Statement of Responsibilities – Page 12

This explains the Authority's responsibility for its financial affairs and how it ensures these responsibilities are carried out.

Annual Governance Statement – Page 13

The Authority must prepare and publish an annual governance statement in accordance with the "Good Governance Framework" and in order to meet the statutory requirements set out in the Accounts and Audit Regulations 2003 and 2006. This statement was adopted by the Authority's Audit, Risk and Governance Committee in June 2011.

The Accounting Statements are as follows:

Movement in Reserves Statement – Page 23

A summary of the different reserves held by the Authority, distinguishing between those that are usable and unusable. Showing the overall financial result for the year in terms of movement in the Authority's reserves.

Comprehensive Income and Expenditure Statement – Page 24

A summary of the resources generated and consumed by the Authority in accordance with accounting policies rather than the amount required from taxation.

Balance Sheet– Page 25

This represents the financial position of the Police Authority as at 31st March 2011; it shows the balances and reserves at the Authority's disposal together with the long term and current assets employed in its operation.

Cash Flow Statement– Page 26

This summarises the movement of the Police Authority's cash balances arising from transactions during the year and has been based on the indirect method of production.

Notes to the Accounts – Page 27

Detailed notes supporting each of the main accounting statements, together with additional information to help in describing the Authority's financial transactions. Note 1 contains the Authorities Accounting Policies. The purpose of these policies is to explain the basis for the recognition, measurement and disclosure of transactions and other events in the accounts.

Relationship between accounting statements

The different accounting statements are linked in several important ways.

- The relationship between the Comprehensive Income and Expenditure Statement and the movement in the Authority's total reserves is shown in the Movement in Reserves Statement.
- The Cash Flow statement reconciles to the balance on the Comprehensive Income and Expenditure Statement for the year and the movement in the Balance Sheet cash and cash equivalents.

The Statement of Accounts provides an opportunity to present more information to support the details in the Local Policing Plan.

The Policing Plan document is available from the Police Authority website www.lincolnshire-pa.gov.uk.

The Police Authority's spending is planned and controlled through a lengthy and consultative budget process, which leads to the setting of its precept. Expenditure on the day to day running costs of the service is charged against the Revenue Budget and is recorded in the Comprehensive Income and Expenditure Statement. This is analysed by type of spending in Note 42 to the accounts. IFRS also requires the disclosure of "Budget Accounting Information" which provides a link between the statements and the management accounting information normally used by the Authority for the monitoring and control of the revenue budget (Note 41).

Expenditure on assets, which will be of benefit over a period of years, is dealt with in the capital programme initially. The expenditure incurred is subsequently added to Property, Plant and Equipment in the Balance Sheet, although the annual costs of financing capital expenditure is reflected in the Revenue Budget and the Comprehensive Income and Expenditure Statement.

The Comprehensive Income and Expenditure Statement is charged with capital charges for all long term assets used in the delivery of services. Capital financing costs are not shown on the face of the statement but included across the services provided. Total charges are given in Note 7. The presentation of these details serves to highlight the value of the Authority's asset portfolio and the cost of using them in the delivery of services.

Revenue Budget Outturn 2010/11

At its meeting on the 23rd February 2010, the Police Authority approved a total Revenue Budget of £124.2 million and a budget requirement of £108.3 million. This represented an increase in council tax of 3.0% and an increase in budget requirement of £3.5 million or 3.3%. This was within the Government's capping criteria for the year.

The Authority received an initial allocation of specific grants of £9.0 million. Following the General Election in the early part of the financial year, the new Government announced an in-year reduction to the level of grant to be received. Home Office Additional Grant Rule 2 was reduced by £936k and Capital Grant by £82k.

Financial Performance

A summarised statement of the actual net expenditure for the year is set out below and compared to the approved original budget for the year:

	Original Budget	Actual	(Under) / Over Spend
	£m	£m	£m
Services			
Police Force	118.9	115.3	(3.6)
Police Authority	1.1	1.0	(0.1)
Service Expenditure	120.0	116.3	(3.7)
Other Operating Costs			
Appropriation to Specific Reserves	-	1.8	1.8
Appropriation from Specific Reserves	(1.2)	(1.3)	(0.1)
Total Net Expenditure	118.8	116.8	(2.0)
Financed By			
Additional Grant Rule 2	(3.3)	(2.3)	1.0
Specific Grants	(5.7)	(5.9)	(0.2)
Neighbourhood Policing Contribution	(1.5)	(1.5)	-
Police Grant	(40.8)	(40.8)	-
Revenue Support Grant	(3.2)	(3.2)	-
National Non Domestic Rates	(22.3)	(22.3)	-
Council Tax Payers	(42.0)	(42.0)	-
Total Funding	(118.8)	(118.0)	0.8
Contribution from General Reserve	-	-	-
Contribution to General Reserve	-	1.2	1.2
Transfer To General Reserve	-	1.2	1.2

Actual spending for 2010/11 was significantly less than the original budget, the financial year being marked by the requirement to achieve sustained reductions in expenditure. Firstly in order to meet the in year Government grant cut and secondly following the work undertaken to

reduce Force expenditure in the light of the Government's announcements on the future funding of the Police Authority. Savings have been achieved in Police Staff costs (£242k), Police Officer Pensions (£227k), Employee Expenses (£210k), Premises (£449k), Supplies & Services (£640k) and Contracted Services (£504k).

Provisions totalling £1.012 million have also been included in the accounts. Details of these amounts are given in Note 25 to the accounts.

The 2008 BVACOP required the introduction of a revised Police Service Expenditure Analysis with nine divisions of service, this has now been included within the Comprehensive Income and Expenditure Statement. In order to assign monetary values to each of the nine divisions of service, apportionments of expenditure have been necessary. Apportionments have been based primarily upon the allocation of officers and staff across services, together with a proportional share of their overheads. A further allocation of central support service costs has been made across all services based on an appropriate allocation method.

At its meeting in February 2011 the Police Authority considered its approach to reserves in the light of the "Guidance on Local Authority Reserves and Balances" issued by CIPFA. The Authority considered the risks it was facing and their corresponding financial consequences. This approach provided a range of minimum and maximum reserve levels between £4.4 million and £9.4 million. The Authority agreed to work towards reserves at the mid point of this range at £6.9 million. Any unplanned underspend at the end of each financial year will be transferred to the General Reserve until such time as the level is reached.

At 31st March 2011, the General Reserve was £5.0 million, an increase of £1.2 million from 31st March 2010. This increase resulted from the transfer of the balance on the Comprehensive Income and Expenditure Statement in 2010/11 after allowing for adjustments for items not required to be funded. This has resulted in the risk assessed reserves of £7.4 million being £0.5 million above the target level.

Earmarked Reserves (including the Authority's share of the East Midlands Special Operations Unit) totalled £5.6 million. The movements are detailed in note 8 to the accounts.

Pensions

The reporting requirement known as IAS 19 "Retirement Benefits" features in the Authority's accounting statements. This is a complex accounting standard, but is based on a simple principle; that an organisation should account for retirement benefits when the commitment to give them is made, even if the actual liability will be many years into the future. The Authority operates two schemes, one of which is funded and has assets to meet the future liabilities; the other for Police Officers is unfunded (or "pay as you go") with payments being made from the Home Office Police Officer pensions account as they become due.

From 2004/05, there was a requirement to disclose in the financial statements the full effect of IAS 19. The Comprehensive Income and Expenditure Statement has been designed to include the cost of retirement benefits when they are earned by employees rather than when the benefits are eventually paid as pensions. This has had a major impact on the statement, with the bottom line usually showing a large deficit (£33,003k in 2009/10).

However, in 2010/11 changes to the regulations have led to a correction of £105m to past service costs. In the UK Budget Statement on 22nd June 2010 the Chancellor announced that with effect from 1st April 2011 public sector pension would be up rated in line with Consumer Prices Index rather than the Retail Prices Index (RPI). This change has significant implications for pension liabilities, in the Police Pension Fund a reduction of £96 million and in the Local Government Scheme £9.9 million. Details of this change are given in Note 56 of the Accounts. This is the main factor for the surplus on the Provision of Services of £60,896k in

2010/11. The entries in the Movement in Reserves Statement show how these entries are reversed to take out this effect on the actual balance of the Authority.

Similarly, the total pension liability for the two schemes is shown in the Balance Sheet. This has been achieved by the creation of a Pensions Reserve and Pension Liability Account. Full details of the accounting entries are shown in the notes to the accounts. The effect of including this liability has a significant impact, in terms of the overall value of the Balance Sheet. It is important to note that these are not new liabilities; they have always existed and been paid for by the Authority on an annual basis from the revenue budget and funded separately by the Home Office in the case of the police officer scheme. The actual financial standing of the Authority remains the same as before with the physical and cash reserves of the Authority being unaffected.

From 1st April 2006, a new method of financing the annual cost of Police Officer pensions was introduced by the Government with the Authority creating a separate memorandum Pensions Account. All payments are made to retired officers out of this account, and income received from Government to offset the net cost of the account after serving officer contributions have been deducted. This has smoothed the burden on the Authority of budgeting for the increasing costs of police officer pensions.

Capital Expenditure

Capital expenditure for the year totalled £3.2 million. This was financed from:

- Home Office Grants and other grants of £1.0 million;
- borrowing of £1.9 million;
- capital receipts of £0.1 million;
- contribution from Revenue of £0.2 million.

The Prudential Code for Capital Finance in Local Authorities came into being on 1st April 2004. The Authority has embraced these changes to the capital regime. Under this system, individual authorities are responsible for deciding the level of their borrowing, having regard to the Prudential Code. Borrowing in 2010/11 amounted to £1.9 million, which was used to finance capital expenditure with £1.3 million repayable over 5 years and £0.6 million over 25 years in accordance with the anticipated life of the asset. Total debt outstanding at 31st March 2011 was £19.4 million, with £0.2 million interest owing.

Assets and Liabilities

These are summarised in the table below:

	Restated 2009/10 £m	2010/11 £m
Assets:		
Long-Term Assets	35.5	31.4
Current Assets	19.1	21.3
Liabilities:		
Current Liabilities	(14.9)	(14.6)
Long-Term Liabilities	(940.1)	(818.8)
Total Net Assets	(900.4)	(780.7)
Financed by:		
Usable Reserves	8.9	10.6
Unusable Reserves	(909.3)	(791.3)
Total Reserves	(900.4)	(780.7)

The current assets of the Authority include the site of the former police station in Grantham. This building is being actively marketed and classified in the Balance Sheet as an asset held for sale in less than a year.

Prospects for 2011/12 and beyond

For the financial year 2011/12, the Authority set a budget against the background of the public sector funding deficit and unprecedented reductions in public sector spending.

The Government announced a grant settlement for the period 2011/12 – 2012/13 and provided guidance on future years' grants payable up to 2014/15 in its spending review. The Authority faced reductions in Formula grant of £3.66 million (5.1%) in 2011/12 and a further £4.6 million (6.8%) in 2012/13. The Authority is assuming that further reductions of 3.8% and 2.2% will occur in 2013/14 and 2014/15 respectively.

The Authority resolved to freeze its Council Tax in the light of the Governments commitment to provide a grant to compensate for this freeze up to the equivalent of a 2.4% increase. The reductions in funding have led to the identification of significant future funding deficits across the period of the medium term financial plan. This has led to the creation of a number of savings plans in order to address this situation these include:

- Strategic changes to operational arrangements; including the redesign of the Force from a three Basic Command Unit model to a whole force model;
- Regional Collaboration in a number of key areas;
- A project in respect of examining the delivery of Support Services;
- VFM Programme and examination of the Revenue Budget to identify savings;
- Centralisation of Support Services;
- Review of capital programme.

The Authority has approved a capital programme of £8.3 million in 2011/12. The programme includes:

- significant investment in the Force estate;
- replacement and upgrade of IT network including the virtualisation of servers;
- business continuity projects;
- replacement of the Police National Database;
- replacement of the Crime and Intelligence system;
- replacement programme for vehicles.

The financial situation requires that this level of expenditure be reviewed to identify savings in order to reduce future capital financing charges in the revenue account.

Impact of the current economic climate

The Authority has, as part of its activities, taken actions to reflect the current economic climate; the public sector funding deficit has led to the Force undertaking a programme of transformational change in order to ensure future budgetary balance.

A review of the Authority's asset portfolio has been undertaken, the revised valuations reflecting the current commercial property market with a reduction on the value of the major assets of £1.3 million recorded.

The worldwide banking crisis has resulted in the Authority making radical changes in its approach to the investment of cash flow funds. Whilst not being one of the Authorities involved in the Icelandic banking incident, the Authority has limited its exposure to UK institutions albeit at a cost of much lower returns.

Implementation of IFRS

The Authority has completed a project to implement the new IFRS based accounts, this will be developed as the process becomes embedded and further requirements are introduced such as the identification of components within long-term assets as part of the overall revaluation of the Authority's estate.

Julie Flint, MSc CPFA
Treasurer to the Police Authority

Statement of Responsibilities for the Statement of Accounts

This section explains the Authority's responsibilities for its financial affairs and how it makes sure it carries out these responsibilities properly.

The Police Authority's Responsibilities

The Police 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, which for Lincolnshire Police Authority is the Treasurer to the Police Authority;
- to manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets;
- to approve the Statement of Accounts.

Responsibilities of the Treasurer to the Police Authority

The Treasurer to the Police Authority 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 Code).

In preparing this Statement of Accounts, the Treasurer has:

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

The Treasurer has also:

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

TREASURER'S CERTIFICATE

I certify that the Financial Statements present a true and fair view of the financial position of the Lincolnshire Police Authority as at 31st March 2011 and its income and expenditure for the year then ended.

.....
Julie Flint, MSc CPFA
Treasurer

Date:

Annual Governance Statement

This section details the Authority's governance arrangements in operation during 2010/11 including plans for the financial year 2011/12.

1. SCOPE OF RESPONSIBILITIES

- 1.1 The Lincolnshire Police Authority is responsible for ensuring its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.
- 1.2 The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.3 In discharging this overall responsibility, the Authority is also responsible for putting in place proper arrangements for the governance of its affairs and facilitating the exercise of its functions, which includes ensuring a sound system of internal control is maintained through the year and that arrangements are in place for the management of risk. In exercising this responsibility the Authority places reliance on the Chief Constable of Lincolnshire Police to support the governance and risk management processes.
- 1.4 The Authority has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework: *Delivering Good Governance in Local Government*. A copy is on our website at www.lincolnshire-pa.gov.uk or can be obtained from Malcolm Burch, Chief Executive, Lincolnshire Police Authority, Police Headquarters, Deepdale Lane, Nettleham, Lincoln, LN2 3LT. Telephone 01522 558022. Email police.authority@lincs.pnn.police.uk.
- 1.5 This statement explains how the Authority has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.
- 1.6 A more detailed Statement of Assurance for the Force signed by the Chief Constable supports this overarching Governance Statement.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

- 2.1 The governance framework comprises the systems and processes, and culture and values by which the Authority is directed and controlled and its activities through which it accounts to and engages with the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services, including achieving value for money.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable and foreseeable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. 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, to manage them effectively, efficiently and economically.

2.3 The governance framework has been in place at the Authority for the year ended 31 March 2011 and up to the date of approval of the statement of accounts.

3. THE GOVERNANCE FRAMEWORK

3.1 The key elements of the systems and processes that comprise the governance arrangements put in place for the Authority and Force are measures:

- for identifying and communicating the Authority's vision of its purpose and intended outcomes;
- for reviewing the Authority's vision and its implications for governance arrangements;
- for measuring the quality of services for users, for ensuring they are delivered in accordance with the Authority's objectives and for ensuring that they represent the best use of resources;
- for defining and documenting the roles and responsibilities of the Authority and Force and the senior members and officers within each, setting out clear delegation arrangements and protocols for effective communication, and arrangements for challenging and scrutinizing Force activity;
- for developing, communicating and embedding codes of conduct, defining the standards of behaviour for members, officers and staff;
- for reviewing and updating standing orders, standing financial instructions, a scheme of delegation, contract/procurement regulations, and supporting procedure notes/ manuals, which clearly define how decisions are taken and the processes and controls required to manage risks;
- for undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committee – Practical Guidance for Local Authorities;
- for ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful;
- for whistle blowing and for receiving and investigating complaints from the public and handling redress;
- for identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training;
- for establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation;
- for incorporating good governance arrangements in respect of partnerships and other group working and reflecting these in the Authority's overall governance arrangements.

4. REVIEW OF EFFECTIVENESS

- 4.1 The Authority has responsibility for conducting, at least annually, a review of the effectiveness of the governance framework, including:
- the system of internal audit
 - the system of internal control.
- 4.2 This review has been informed by the work of the Chief Executive, Deputy Chief Executive and the Treasurer, internal auditors, and also members of staff within the Authority Secretariat who have the responsibility for the development and maintenance of the governance environment. It has also been informed by the work of the Authority's Committees. In addition comments made by the external auditors and other review agencies and inspectorates have informed this review.
- 4.3 The Authority has overall responsibility for Corporate Governance, including adopting a Code of Corporate Governance. It is advised by the Audit, Risk and Governance Committee on corporate governance and by the Ethical Standards Committee on ethical governance issues.
- 4.4 The Audit, Risk and Governance Committee has received and considered reports from both Internal and External Audit and monitored the implementation of action plans drawn up to address identified internal control weaknesses. The Finance and Performance Committee has received and considered reports on Force performance.
- 4.5 The Force has undertaken its own review of governance and the Annual Assurance Statement has informed and supports this Statement and is attached as an Annex.
- 4.6 Internal Audit have completed their programme of work for 2010/11 and reported the outcome of their work to the Audit, Risk and Governance Committee.
- 4.7 The results of the review of the effectiveness of the governance framework have informed the development of a plan to address weaknesses and to ensure continuous improvement.

5. SIGNIFICANT GOVERNANCE ISSUES

- 5.1 The challenges presented by the financial landscape prior to and following the Government's Spending Review 2011 have led to significant Force and Authority activity. These have and will continue to impact on the future shape of policing in the County. This continuing and substantial change presents on-going governance risks to the Authority and its successor body which are being closely monitored and managed via the Authority's governance framework.
- 5.2 Significant work was undertaken during 2010/11 to align and develop the timetables for the drafting of the policing plan and budget in order to define key milestones, deliverables and decision points for the Authority. During the planning process the Authority reviewed its vision and strategic priorities for policing in Lincolnshire. For the current policing plan year the Authority and Force also agreed key performance indicators (KPIs) which will be used to monitor Force performance. The use of KPIs will improve our ability to measure the quality of service for users and aid the communication of service outcomes. Additionally a Strategy and Operations Plan is now in place to drive the work of the Authority Secretariat and aid in the delivery of key business objectives which support the Authority's governance role.

- 5.3 Historically the Authority has conducted detailed formal scrutinies of areas of Force business. Whilst effective in driving improvement in specific areas, a more holistic approach was considered to be more effective in informing the level of assurance the Authority has at any one time of the Force's ability to discharge all of its key functions and services. During the year, therefore, an assurance framework was introduced to provide this continuous assessment. In 2010/11 a decision was also made to increase the number of meetings of the Finance and Performance Committee in order to devote sufficient time to the proper analysis of both finance and performance issues.
- 5.4 In order to maintain and improve service levels and to achieve a balanced budget for 2011/12 the Force instigated the Policing Change Programme. Authority governance of this was secured through member attendance at the programme's steering group and regular reporting to and scrutiny by the Authority. Alongside this and the development of the Policing Plan 2011-14 and budget for 2011/12, work was on-going to develop the Authority's medium term financial strategy. Lincolnshire Police remains the lowest funded Force per head of population in England and Wales. Our financial standing therefore remains of prime concern to the Authority. Over the course of the next four years it is anticipated that savings of £19.7m are required in order to achieve a balanced budget. A significant contributor to these savings is the Business Transformation Project which, subject to Authority approval, will see the Authority entering into a strategic partnership during 2011/12 with an external provider to deliver a number of services. A formal governance structure for this project is in place and any resultant contract will be managed by the Authority and its successor body.
- 5.5 The Authority continues to operate a risk based reserves policy which seeks to establish the General Reserve at a level which is commensurate with the midpoint of an acceptable range. Following the establishment of the outturn for 2010/11, the level of the General Reserve is £0.5m above the midpoint. As a result of the Authority's policy, the General Reserve is at an acceptable level for the first time in a number of years.
- 5.6 Lincolnshire Police Authority is now providing secretariat support to the East Midlands collaboration arrangements between the region's forces and authorities. As part of this work, the Authority is leading the strengthening of the governance arrangements for collaboration agreements. Further development of collaboration in the region remains central to the Authority's strategy for policing in the County and risks related to complex governance issues will be managed closely in the coming year.
- 5.7 2010/11 saw significant change in Her Majesty's Inspectorate of Constabulary's (HMIC's) approach to the inspection of police authorities. The expected assessment under the Police Authority inspection framework was not carried out before the framework was abolished. The Working for the Public methodology was also subsequently replaced with the Valuing the Police Support and Challenge process. At the time of writing HMIC's report has yet to be finalised. It will inform a thematic national report due to be published later in the year. However work carried out during 2010/11 in preparation for the anticipated inspection events has informed the development of the Authority's committee workplans, the assurance framework and Policing Plan.
- 5.8 The Authority appointed new internal auditors in 2010/11 and has recently appointed a new monitoring officer following the retirement of the previous postholder.
- 5.9 The Authority's risk management strategy is now well embedded. The Audit, Risk and Governance Committee continues to monitor the Force's evolving methodology, its implementation and effectiveness.
- 5.10 The joint Authority and Force anti-fraud and corruption policy has been reviewed.

- 5.11 The Authority carried out wide-ranging engagement activity throughout the year to inform the development of policing priorities, consult and communicate with the public. This work resulted in close to 7,000 individual engagements including the collation of public views on the Authority's budget via the online budget simulator. This work will continue in 2011/12.
- 5.12 The Authority recently completed a review of its Scheme of Delegation, Finance and Contract Regulations. This included a reassessment of all financial limits. Steps are being taken to ensure that these are received, read and understood by the relevant staff and that the control framework is consistently applied. This work will address weaknesses identified by internal auditors during 2010/11. During 2011/2012 the Authority's policy framework will be further strengthened by the implementation of strategies for asset management, ICT and procurement.
- 5.13 Following the general election the Government published the Police Reform and Social Responsibility Bill. This proposes the abolition of Police Authorities, replacing them with directly elected Police and Crime Commissioners and Police and Crime Panels. The Bill is currently progressing through Parliament and is expected to receive Royal Assent in October 2011. Subject to the final legislation, it is anticipated a prime focus for the Authority's work during the third and fourth quarters of 2011/12 will be the transition to the new governance arrangements.
- 5.14 We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. These steps will address the need for improvements that were identified in our review of effectiveness and we will monitor their implementation and operation as part of our next annual review.

SIGNED

 Barry Young
 Chairman of Police Authority

 Malcolm Burch
 Chief Executive of Police Authority

DATE _____

DATE _____

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

Force Annual Assurance Statement

Position as at 31st March 2011 including plans for the financial year 2011/12

1. SCOPE OF RESPONSIBILITIES

The Chief Officer of the Lincolnshire Force is responsible for the direction and control of the Force. In discharging his functions, the Chief Officer shall have regard to the local policing plan issued by the Police Authority for his area. In addition the Chief Officer will have responsibility where the Police Authority delegates its functions in respect of securing an efficient and effective police force. In this regard the Chief Officer is responsible for ensuring the Force's business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

The Chief Officer is also responsible for putting in place proper arrangements for the governance of the Force and facilitating the exercise of its role, which includes ensuring that arrangements are in place for the management of risk.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems, processes, culture and values through which the Force manages its activities. It enables the Chief Officer to monitor the achievement of Force objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services, including achieving value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable and foreseeable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable 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 Force's policies, aims and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised, and; to manage them effectively, efficiently and economically.

The governance framework has been in place at the Force for the year ended 31st March 2011 and up to the date of approval of the statement of accounts.

3. THE GOVERNANCE FRAMEWORK

This section describes the key elements of the systems and processes of the governance arrangements that have been put in place for the Force. In doing so it reflects the overarching structures that have been developed to deliver objectives and manage risk.

- Processes for setting objectives and targets that support the policing priorities outlined in the Annual Policing Plan, including reporting to Police Authority:
 - daily management meetings of frontline officers in accordance with the National Intelligence Model;
 - Tactical Tasking and Coordinating Group aligns day to day work with strategic objectives;
 - Interim Service Delivery meetings;
 - Operational commanders conference where operational matters can be discussed, risks identified and solutions found.

- Decision making structures for establishing priorities and considering strategic issues facing the Force:
 - internal departmental management teams establishing business plans;
 - Chief Officer / Command Group;
 - The Forum, where Chief Officers share and discuss key issues with senior staff;
 - reporting to Police Authority committees;
 - feedback from the public and other local stakeholders.

- The monitoring processes by which performance against operational, financial and other strategic plans are considered and key issues identified and tasked:
 - departmental meetings monitoring business plans for the year;
 - Force performance meetings;
 - performance indicators;
 - Establishment Management Board, controlling the police officer and staff establishments;
 - Major Programme Board managing the asset base of the Force, and planning capital developments;
 - Value For Money Board, working jointly with the Police Authority to develop programmes of work to make the Force more economic, efficient and effective;
 - Policing Change Programme Steering Group.

- The Risk Management process by which the Force identifies and seeks to mitigate key risks:
 - Risk Management Board leads the monitoring of risk and implementation of the resultant actions.

- Developing, communicating and embedding codes of conduct and defining the standards of behaviour for officers and staff:
 - regular publications;
 - sharing best practice and case studies;
 - setting standards for new staff at their induction;
 - PRIDE and leadership charters;
 - Professional Standards Department independently reviewing the behaviour and conduct of officers.

- Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks and resources:
 - review by Internal Audit;
 - scrutiny by the Police Authority;
 (It should be noted here that the Police Authority intend to update the scheme of delegation / finance and contract regulations at their next Annual General Meeting.)

- Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful:
 - review by Internal Audit and External Audit;
 - appointment of professionally qualified staff throughout the organisation;
 - promotion of a culture of professionalism and integrity through the staff charter and the PRIDE values;
 - advice from our own Legal Services department ;
 - monitoring and oversight through the Professional Standards Department.

- Processes for receiving, investigating, and reporting upon complaints from the public, and other stakeholders:
 - clear communication with the public through the Neighbourhood Policing model;

- customer service teams to respond to feedback from the public;
 - Professional Standards Department to follow up complaints against police officers;
 - HR to lead and advise on disciplinary issues against police staff;
 - compliance with national standards and processes.
- Determining the conditions of employment and remuneration of officers and staff, within appropriate national frameworks:
 - professional advice from qualified HR and Finance staff.
 - Identifying the development needs of officers and staff in relation to their roles, supported by appropriate training and linked to the priorities of the Force:
 - Personal Development Reviews for all staff;
 - ensuring that training needs are fully integrated into project implementation plans.
 - Establishing clear channels of communication with all sections of the community and other stakeholders on priorities and plans:
 - clear communication with the public through the Neighbourhood Policing model;
 - partnership working to find the best agency for interacting with the public;
 - use of Key Individual Networks to direct the work of Neighbourhood Policing Teams;
 - use of Problem Solving Plans to record priorities for local communities.
 - Incorporating good governance arrangements in respect of partnerships and other group working:
 - established terms of reference, minutes and delivery plans;
 - multi-agency boards for managing partnerships;
 - scrutiny by all members, local and central government.
 - Preparedness for dealing with emergency situations:
 - use of risk registers across the public sector in Lincolnshire;
 - Business Continuity Management Policy;
 - dedicated resources allocated to Emergency Planning, working to develop and maintain relationships with other Lincolnshire based organisations and regional colleagues.

4. REVIEW OF EFFECTIVENESS

The Chief Officer has responsibility for conducting, at least annually, a review of the effectiveness of the governance framework and the system of internal control within the Force. The review of the effectiveness is informed by the work of the Assistant Chief Officer & Director of Resources, and managers within the Force who have the responsibility for the development and maintenance of the governance environment. In addition, comments made by the external auditors and other review agencies and inspectorates inform the review.

On an on-going basis governance is monitored and reviewed via a range of mechanisms. These range from formal meetings (in areas such as Force performance, project management arrangements and conduct oversight from the Professional Standards Department) to the operation of management teams at a corporate, divisional and service level.

5. SIGNIFICANT GOVERNANCE ISSUES

Information security

During 2010/11 the Force has progressed its work on information security. There is a 3-year accreditation programme in place for IT systems, of which several systems have been accredited during this period. The Force has put significant work into ensuring compliance in aspects of the Security Policy Framework, Information Security Standard 6 and the Information Assurance Maturity Model. Work will continue to ensure full compliance in these areas over the next year.

Business continuity

Over the coming year the Chief Officer intends to take steps to continue working to enhance the Force's approach to business continuity and risk management. A Business Continuity Management Policy is now in place. Risk areas in last year's governance review were:

- 1) back up Force communications and control arrangements;
- 2) protection of ICT servers, and;
- 3) the requirement to achieve value for money in the light of possible changes to funding for the Force in future.

1) Back up Force communications and control

A project has been started to address this issue. The project is controlled by the Major Programme Board and reviewed by the Force Risk Management Board. Steady progress has been made during the year. The large scale of the work means that it will continue into 2011/12 and 2012/13.

2) ICT servers

The Force has started to move to virtualised servers as part of its business continuity strategy. This should be complete in 2011/12.

3) Requirements to achieve value for money

The Force's response to government funding reductions will be central to the quality of services over the coming years. As a consequence, policing in Lincolnshire is changing.

Lincolnshire Police have embarked upon a two year programme to radically reshape and reorganise the Force to improve efficiency and the quality of service provided to our community. We plan to simplify the Force structure, moving to a county-wide "whole force" model.

Policing in Lincolnshire was historically organised on a geographically split basis, with services being provided by three separate basic policing command units covering the East, West and South areas of the county. Building on community policing in our neighbourhood areas, the Policing Change Programme will strengthen the relationship between the public and the Force and underpin the inspector-led neighbourhood areas with additional officers by reorganising the way the wider Force does its business.

Working more closely with other forces across the East Midlands will increase our ability to respond to serious and organized crime. Specifically, it will:

- increase resilience in our ability to protect the public from organised crime groups through involvement in regional opportunities for providing protection;
- bolster current resources in areas such as kidnap by sharing specialist resources with other forces in the region;
- ensure local processes are streamlined and able to take full advantage of collaboration, increase specialist resilience and deliver efficiency savings.

There will also be a review of working methods in the Force Control & Communications Centre, and in 'back office' support functions. The possibility of 'outsourcing' support functions is being actively explored. An OJEU advert has been issued asking for private sector companies to make proposals on running these services. This is another route by which the Force is seeking to provide greater value for money.

In order to deliver our planned change, the work has been divided into six projects, overseen and coordinated by the Policing Change Programme Steering Group. The steering group meets on a bi-weekly basis. Chaired by the Deputy Chief Constable, supported by two members of the Police Authority, it comprises the senior officers responsible for the delivery of the projects and their business leads, along with senior managers of a number of key organizational departments such as Finance, Human Resources and Information Technology.

Conclusions

The reductions to funding and the consequent gap in service provision continues to be an ongoing issue and will be reflected within the Force's risk management arrangements. The Force is committed to regular review of its resource allocation to ensure that future policing arrangements are fit for purpose. Governance requirements will be a fundamental element of the reviews.

Signed

Richard Crompton
Chief Officer of Lincolnshire Police

Lincolnshire Police Authority Movement in Reserves Statement 2010/11

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

	Capital Receipts Reserve £000	Earmarked Reserves £000	General Fund Balance £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Restated Balance at 31 March 2009	-	5,551	2,941	8,492	(586,536)	(578,044)
Restated Movement in Reserves during 2009/10						
Deficit on the provision of services	-	-	(33,003)	(33,003)	-	(33,003)
Other Comprehensive Income and Expenditure	-	-	-	-	(289,301)	(289,301)
Restated Total Comprehensive Income and Expenditure	-	-	(33,003)	(33,003)	(289,301)	(322,304)
Adjustments between accounting basis and funding basis under regulations (Note 7)	93	-	33,374	33,467	(33,467)	-
Restated Net Increase / Decrease before Transfers to Earmarked Reserves	93	-	371	464	(322,768)	(322,304)
Transfers to/from Earmarked Reserves (Note 8)	-	(547)	547	-	-	-
Restated Increase/(Decrease) in 2009/10	93	(547)	918	464	(322,768)	(322,304)
Restated Balance at 31 March 2010 carried forward	93	5,004	3,859	8,956	(909,304)	(900,348)
Movement in Reserves during 2010/11						
Surplus on the provision of services	-	-	60,896	60,896	-	60,896
Other Comprehensive Income and Expenditure	-	-	-	-	58,754	58,754
Total Comprehensive Income and Expenditure	-	-	60,896	60,896	58,754	119,650
Adjustments between accounting basis and funding basis under regulations (Note 7)	(93)	-	(59,183)	(59,276)	59,276	-
Net Increase / Decrease before Transfers to Earmarked Reserves	(93)	-	1,713	1,620	118,030	119,650
Transfers to/from Earmarked Reserves (Note 8)	-	508	(508)	-	-	-
Increase/(Decrease) in 2010/11	(93)	508	1,205	1,620	118,030	119,650
Balance at 31 March 2011 carried forward	-	5,512	5,064	10,576	(791,274)	(780,698)

Lincolnshire Police Authority

Comprehensive Income and Expenditure Statement

2010/11

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement of Reserves Statement.

Restated 2009/10			Note		2010/11		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000			Gross Expenditure £000	Gross Income £000	Net Expenditure £000
70,311	(9,942)	60,369		Local Policing	74,986	(9,965)	65,021
7,993	(234)	7,759		Dealing with the Public	6,404	(84)	6,320
10,229	(2,236)	7,993		Criminal Justice Arrangements	9,541	(1,536)	8,005
7,100	(472)	6,628		Road Policing	7,919	(424)	7,495
6,725	(449)	6,276		Specialist Operations	7,090	(462)	6,628
4,367	(371)	3,996		Intelligence	5,030	(525)	4,505
12,391	(1,601)	10,790		Specialist Investigation	13,826	(927)	12,899
3,225	(429)	2,796		Investigative Support	3,607	(387)	3,220
1,177	(361)	816		National Policing	2,801	(358)	2,443
1,129	-	1,129	43	Corporate and Democratic Core	1,187	-	1,187
-	-	-	43	Change from RPI to CPI within IAS 19 Pensions	(106,020)	-	(106,020)
1,868	-	1,868	43	Non Distributed Costs	2,029	-	2,029
126,515	(16,095)	110,420	42	Cost of Services	28,400	(14,668)	13,732
1,330	(1,233)	97	9	Other Operating Expenditure	1,111	(1,071)	40
42,192	(259)	41,933	10	Financing and Investment Income and Expenditure	45,982	(330)	45,652
-	(119,447)	(119,447)	11	Taxation and Non-Specific Grant Income	-	(120,320)	(120,320)
170,037	(137,034)	33,003		(Surplus) or Deficit on the Provision of Services	75,493	(136,389)	(60,896)
		114	28	Deficit on Revaluation of Non-Current Assets			333
		289,187	56	Actuarial (Gains) or Losses on Pension Assets and Liabilities			(59,087)
		289,301		Other Comprehensive Income and Expenditure			(58,754)
		322,304		Total Comprehensive Income and Expenditure			(119,650)

There were no acquisitions or discontinued operations in the current year or in the preceding year.

Lincolnshire Police Authority Balance Sheet as at 31st March 2011

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Restated 1 April 2009 £000	Restated 31 March 2010 £000	Note		31 March 2011 £000
35,536	34,612	12	Property, Plant and Equipment	30,441
1,190	725	14	Investment Property	780
89	49	15	Intangible Assets	19
150	141	21	Long-Term Debtors	131
36,965	35,527		Long-Term Assets	31,371
4,900	-	19	Short-Term Investments	5,010
379	393	20	Inventories	413
7,299	6,927	21	Short-Term Debtors	4,945
14,142	11,788	22	Cash and Cash Equivalents	9,717
136	-	23	Assets Held for Sale (< 1 yr)	1,250
26,856	19,108		Current Assets	21,335
(1,604)	(1,890)	19	Short-Term Borrowing	(2,153)
(17,941)	(12,108)	24	Short-Term Creditors	(11,047)
(872)	(878)	25	Short-Term Provisions	(791)
(1,281)	(40)	49	Capital Grants Receipts in Advance (< 1 yr)	(577)
(21,698)	(14,916)		Current Liabilities	(14,568)
(16,508)	(17,269)	19	Long-Term Borrowing	(17,213)
(603,309)	(922,460)	56	Other Long-Term Liabilities	(801,402)
-	-	25	Long-Term Provisions	(221)
(350)	(338)	49	Capital Grants Receipts in Advance (> 1 yr)	-
(620,167)	(940,067)		Long-Term Liabilities	(818,836)
(578,044)	(900,348)		Net Assets	(780,698)
8,492	8,956	26	Usable Reserves	10,576
(586,536)	(909,304)	27	Unusable Reserves	(791,274)
(578,044)	(900,348)		Total Reserves	(780,698)

Lincolnshire Police Authority Cash Flow Statement 2010/11

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

Restated 2009/10 £000	Note		2010/11 £000
33,003		Net (Surplus) or Deficit on the Provision of Services	(60,896)
(35,148)	34	Adjustments to net surplus or deficit on the provision of services for non-cash movements	55,171
10	35	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(74)
(2,135)	36	Net Cash Flows from Operating Activities	(5,799)
196	37	Investing Activities	8,291
4,293	38	Financing Activities	(421)
2,354		Net (Increase) or Decrease in Cash and Cash Equivalents	2,071
14,142	22	Cash and Cash Equivalents at the Beginning of the Reporting Period	11,788
11,788	22	Cash and Cash Equivalents at the End of the Reporting Period	9,717

Lincolnshire Police Authority

Notes to the Accounts

2010 / 2011

1. Accounting Policies

General Principles

The Statement of Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010-11, based on International Financial Reporting Standards (the Code), and relevant statute, except where otherwise stated. The Code is issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The publication includes guidance on how to apply International Financial Reporting Standards (IFRS's) and International Accounting Standards (IAS's) to local authority accounts. The accounts also conform with specific guidance issued by CIPFA on capital accounting, specifically the Prudential Code for Capital Finance in Local Authorities and the Best Value Accounting Code of Practice.

Where the Code permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Authority for the purpose of giving a true and fair view has been selected.

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment and intangible assets.

These are the first set of accounts prepared under the Code which are based on International Financial Reporting Standards. Comparative figures for the year ended 31 March 2010 have been restated to comply with the Code and the Balance Sheet as at 1 April 2009 has also been restated on this basis for the purposes of transition.

All accounting policies that are material to the production of the accounts are described in this section.

Changes in Accounting Policies

Changes in accounting policy may arise through changes to the Code or changes instigated by the Authority. For changes brought in through the Code, the Authority will disclose the information required by the Code.

For other changes we will disclose:

- the nature of the change;
- the reasons why the change has been made;
- report the changes to the current period and each prior period presented and the amount of the adjustment relating to periods before those presented.

If retrospective application is impracticable for a particular prior period (or for periods before those presented), we will disclose the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.

Prior Period Adjustments

The Code requires prior period adjustments to be made when material omissions or misstatements are identified. Such errors include the effects of arithmetical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

The following disclosures will be made for each prior period adjustment:

- the nature of the prior period error;

- for each prior period presented, to the extent practicable, the amount of the correction for each financial statement line item affected, and;
- the amount of the correction at the beginning of the earliest prior period presented.

Non-Current Assets – Property, Plant and Equipment

Property, plant and equipment are tangible items that:

- are held for operational use, for rental to others, or for administrative purposes; and
- are expected to be used during more than one period.

Classification

Property, plant and equipment is classified under the following headings in the Authority's Balance Sheet:

Operational Assets:

- Land and Buildings;
- Vehicles, Plant, Furniture and Equipment;
- Non-Operational Assets:
- Surplus Assets; and
- Assets Under Construction.

a) Initial Recognition

To be recognised as an item of property, plant and equipment an asset must:

- yield benefits to the Authority for more than a year; and
- have a cost which can be measured reliably.

Assets are initially measured at cost on an accruals basis, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use and costs incurred subsequently to enhance, replace part of, or service it as long as the above criteria are met. This excludes expenditure on training, routine repairs and maintenance, which are charged directly to the Comprehensive Income and Expenditure Statement.

Further details relating to capital expenditure are set out in the Authority's Capitalisation Policy.

De minimis level

The Authority has no de minimis level for recognising property, plant and equipment. This means that any item or scheme which meets the above criteria could be treated as capital. This relates to initial recognition and subsequent expenditure on assets.

Subsequent expenditure

Where subsequent expenditure enhances an asset beyond its original specification, the directly attributable cost is added to the asset's carrying value. Where subsequent expenditure is simply restoring the asset to the specification assumed by its economic useful life then the expenditure is charged to operating expenses. Where considered appropriate, the cost of the replacement is capitalised if it meets the criteria for recognition above.

Where material, the carrying value of the component replaced is de-recognised. Where the value is not known the value of the enhancement is used as a proxy. Indexation is used to deduce historic cost and a revaluation reserve. De-recognition costs are charged initially

against any revaluation reserve for the asset and then to the Comprehensive Income and Expenditure Statement.

b) Measurement after Recognition – Valuation Approach

Property, Plant and Equipment assets are valued on the basis recommended by CIPFA and in accordance with the Practice Statements in the Appraisal and Valuation Standards published by The Royal Institution of Chartered Surveyors (RICS), in particular UK Practice Statement 1.1 – 1.3. Land and building valuations have been carried out by Lambert Smith Hampton, members of The Royal Institution of Chartered Surveyors. The Authority may rely on the advice of other relevant expert managers to value other assets.

Property, Plant and Equipment assets are classified into the groupings required by the Code of Practice on Local Authority Accounting. All operational and non-operational land and properties (including Investment Properties) were subjected to a full revaluation exercise at 31st March 2007. This valuation has been updated for the 31st March 2011 by way of a desktop revaluation of all assets.

All valuations are in accordance with the capital accounting rules on the following basis:

Operational Assets

- Land and operational properties – where the assets are considered by valuers to be “specialist” in nature (for example custody suites in operational police stations) they are valued at depreciated replacement cost (DRC), reflecting their value to the Police Authority in their current use. Because of the specialist nature of these buildings, the DRC value is normally higher than open market value. Where the assets are not considered to be “specialist” in nature, they are valued at fair value. Fair value is the lower of net current replacement cost or net realisable value in existing use; and
- Vehicles, plant and equipment are determined to have short asset lives and are measured at historic cost; and
- Furniture and non-specialist equipment are valued as a proportion of the building and have also been revalued in accordance with the movement in value of the host building.

Non-Operational Assets

- Surplus assets (being assets which the Authority no longer operates/are no longer used for service delivery, but are not investment properties or meet the definition for held for sale) are valued, measured and depreciated in line with the operational asset class; and
- Assets Under Construction are held at historical cost. When these assets are operationally complete they will be reclassified into the appropriate asset class and valued under the adopted approach.

Valuation Programme

In years when there is a full revaluation (every 5 years) the steps to account for assets involve valuing assets at the start of the financial year, and then considering impairment issues at the end of the year. The next full valuation is due in 2011/12.

In all other years (including the 2010/11 accounts) the year end valuation will encompass all changes in value, whether from additions, disposals, changes in market value, impairment or other consumption of economic benefits.

Component Accounting for Property, Plant and Equipment

The Code requires that assets included within property, plant and equipment are broken down into significant component parts. Where a large asset, for example a building, includes a number of components with significantly different asset lives e.g. plant and equipment, then these components are treated as separate assets and depreciated over their own useful economic lives. Only those components with significantly different useful lives or depreciation methods and the cost of the component is significant in relation to the overall cost of the asset are included. A de minimis level has been set so that a part of an asset will be subject to componentisation if the replacement value to the asset is in excess of £250k, and the expected life of the component is at least half that of the main asset.

Application of this standard is not required retrospectively. It will apply to:

- new expenditure under the 2010/11 capital programme; and
- revaluations as part of the quinquennial review planned for 2011/12.

Hence, component accounting has a minimal impact on the 2010/11 accounts, but will be a more significant issue in 2011/12.

c) Revaluation Gains and Losses

Movements in value arising from revaluation of assets are reflected in the value of these assets held on the Balance Sheet.

Recognising a Revaluation Gain or Loss

Increases as a result of revaluations are debited to the appropriate asset account, with the opposite entry going to the Revaluation Reserve to recognise unrealised gains, except to the extent where it reverses a previous revaluation loss that was charged to a service revenue account within the Comprehensive Income and Expenditure Statement. In this case the revaluation gain will first be used to offset the previous loss and any further gain is then taken to the Revaluation Reserve. Revaluation gains charged to Surplus or Deficit on Provision of Services are transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

Decreases as a result of revaluation which are not specific to one asset but affect several, are revaluation losses as opposed to impairments. The decrease is recognised in the Revaluation Reserve up to the balance in respect of each asset affected and then in Surplus or Deficit on Provision of Services. Any such charge taken to Surplus or Deficit on Provision of Services is then transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Any movements on revaluation arising before this date have been consolidated into the Capital Adjustment Account.

d) Depreciation

Depreciation is charged on all assets with a finite useful life (which can be determined at the time of acquisition or revaluation). It is Authority policy that six months of depreciation is charged against assets in the year of acquisition and also in the year of disposal.

The policy on asset lives is as follows:

- Operational buildings (other than temporary buildings) are depreciated over their estimated useful life of between 20 and 50 years as estimated by the valuer.

- Furniture and non-specialist equipment is depreciated over 15 years.
- Vehicles, plant and specialist equipment (including computing equipment) are depreciated over their estimated useful lives, varying between 3 and 5 years.

Depreciation is calculated as the current cost of the asset divided by the useful existing life of the asset. Hence, revaluation gains are depreciated as well as the historic cost of the asset, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on the historic cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

For surplus assets awaiting disposal, depreciation is not charged to services. Rather, it is charged to non distributed costs in the Income and Expenditure Statement. No depreciation is charged on: land; asset under construction; and assets held for sale. Depreciation of an asset begins when the asset becomes available for use and ceases when the asset has been de-recognised.

e) Disposal of Property, Plant and Equipment

An item of property, plant and equipment shall be de-recognised on disposal; or when no future economic benefits are expected from its use or disposal.

The gain or loss arising from disposals is shown in the Comprehensive Income and Expenditure Statement (netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts in excess of £10k are categorised as capital receipts and can then only be used for new capital investment or to repay the principal of any amounts borrowed. Sale proceeds below £10k are below the de-minimis and are credited to the Comprehensive Income and Expenditure Statement.

f) Impairment of Non-Current Assets

If an asset's carrying amount is more than its recoverable amount, the asset is described as impaired. Circumstances that indicate an impairment has occurred include:

- a significant decline in an asset's market value during the period, that is specific to the asset;
- evidence of obsolescence or physical damage of an asset;
- a commitment by the authority to undertake a significant reorganisation; or
- a significant change in the statutory environment in which the authority operates.

Recognising an Impairment

Impairment losses are initially recognised against the revaluation reserve for that asset, up to the balance available. Any remaining loss is charged in the Surplus or Deficit on Provision of Services. This is then reversed through the Movement in Reserves Statement and charged to the Capital Adjustment Account.

Intangible Assets

Intangible assets are defined as an identifiable non-financial (monetary) asset without physical substance, but are under the control of the Authority, and expected to provide future economic or service benefits.

For Lincolnshire Police Authority the most common classes of intangible assets are software licences. Software which is integral to the operation of hardware, e.g. an operating system, is capitalised as part of the relevant item of property, plant or equipment. Software which is not integral to the operation of hardware, e.g. application software, is capitalised as an intangible asset.

a) Recognition and Measurement

Recognition of assets that qualify as an intangible asset shall be measured at cost. Costs that are directly associated with the development of intangible assets for internal use by the Authority are recognised under this heading, including employee costs.

Intangible assets are determined to have short asset lives and will continue to be carried at depreciated historic cost in the Balance Sheet after initial recognition.

De minimis level

The Authority has no de minimis level for recognising intangible assets. This relates to initial recognition and subsequent expenditure on assets.

b) Subsequent Expenditure

Costs associated with maintaining intangible assets are recognised as an expense when incurred in the Comprehensive Income and Expenditure statement.

c) Amortisation

The carrying value of intangible assets with a finite life is amortised on a straight line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. Amortisation is charged to the relevant service area.

Intangible assets are amortised over an estimated useful lives of 5 years.

Investment Properties

An investment property is defined as a property that is solely held to earn rental income or for capital appreciation or both.

a) Initial Recognition

As with Property, Plant and Equipment, initial recognition includes the costs associated with the purchase.

b) Measurement after Recognition

Investment properties are measured at fair value. Fair value for investment properties is the amount that would be paid for the asset in its highest and best use.

c) Revaluation Gains and Losses

A gain or loss arising from a change in the fair value of investment property shall be recognised in Surplus or Deficit on Provision of Service.

d) Depreciation

Depreciation is not charged on investment properties.

e) Disposal of Investment Properties

Gains or losses arising from the disposal of an investment property shall be recognised in Surplus or Deficit on Provision of Services. As with all capital receipts, on de-recognition of an investment property the charge to the Surplus or Deficit on Provision of Services shall be reversed out of the General Fund.

Non-Current Assets Held for Sale

Non current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the following criteria are met as at the Balance Sheet date:

- the asset is available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets;
- the sale is highly probable (with management commitment to sell and active marketing of the asset initiated);
- it is actively marketed for a sale at a price that is reasonable in relation to its current fair value; and
- the sale should be expected to qualify for recognition as a completed sale within one year.

a) Measurement

Non-Current Assets Held for Sale are measured at the lower of carrying value and fair value less costs to sell (fair value here is the amount that would be paid for the asset in its highest and best use, i.e., market value).

b) Depreciation

Depreciation is not charged on non-current assets held for sale.

c) Disposal

Receipts from disposals are recognised in the Surplus or Deficit on Provision of Services.

Amounts in excess of £10k are categorised as capital receipts and can then only be used for new capital investment or to repay the principal of any amounts borrowed.

Charges to Revenue for the use of Non-Current Assets

Police services and central support services are charged with a capital charge for all non-current assets used in the provision of services to record the real cost of holding assets during the year. The total charge covers:

- the annual provision for depreciation;
- impairment losses; and
- amortisation of intangible assets.

The Authority is not required to raise council tax to cover depreciation, impairment losses or amortisation. However, it is required to make a prudent annual provision from revenue to contribute towards the reduction in its overall borrowing requirement.

Depreciation, impairment losses and amortisation are therefore replaced by a revenue provision in the Movement in Reserves Statement, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

Minimum Revenue Provision

The Authority makes provision for the repayment of debt in accordance with the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008. This requires the Authority to set a Minimum Revenue Provision (MRP) which it considers to be prudent.

The accounts are charged with a capital charge for all non-current assets used in the provision of services. The total charge covers:

- the annual provision for depreciation;
- impairment losses attributable to the clear consumption of economic benefits on tangible non-current assets used by the Authority and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off;
- amortisation of intangible non-current assets attributable to the service.

In accordance with the Authority's approved policy, the annual contribution towards the reduction in overall borrowing is equal to:

- 4% of the Capital Financing Requirement as at 31st March 2008, adjusted for repayments made since that date;
- 4% of any additional borrowing from 2008/09 onwards within our allocation of supported capital expenditure;
- for any other borrowing from 2008/09 onwards, a repayment based on the asset life method.

Depreciation, impairment losses and amortisations are therefore replaced by a revenue provision in the Movement in Reserves Statement, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

Revenue Expenditure Financed through Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset in the Balance Sheet has been charged as expenditure to the relevant service revenue account in the year.

Statutory provision reverses these charges from the Surplus or Deficit on Provision of Services by debiting the Capital Adjustment Account and crediting the General Fund Balance through the Movement in Reserves Statement.

Borrowing Costs

The Authority recognises borrowing costs of qualifying assets in the Comprehensive Income and Expenditure Statement (disclosed within Interest Payable) in the year in which the payments are made.

Classification of Leases

Leases are classified as a finance lease or an operating lease depending on the extent to which risks and rewards of ownership (substance of the transaction over its legal form) of a leased asset lie with the lessor (landlord) or the lessee (tenant).

IAS 17 'Leases' includes indicators for the classification of leases as a finance lease. Within these indicators the Authority has set the following criteria: the 'major part' of the asset life is determined to be 75%; and 'substantially all' of the value is determined to be 75%.

Finance Lease

A lease is classified as a finance lease when the lease arrangement transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee.

Operating Lease

All other leases are determined to be operating leases.

a) Finance Leases

i) Lessee – Vehicles, Plant & Equipment

Where a lease arrangement is identified as a finance lease and where the Authority is the lessee, the asset is recognised on the Balance Sheet at cost, and depreciated on a straight line basis over the term of the lease (in line with the Authority's capitalisation and depreciation policy for Vehicles, Plant and Equipment).

ii) Lessee – Property

Where a property lease arrangement is identified as a finance lease and where the Authority is the lessee, the asset is recognised on the Balance Sheet at an amount equal to the fair value of the property, or if lower, the present value of the minimum lease payments, determined at the inception of the lease.

In both cases above, a liability is also recognised at the asset value. This is reduced as lease payments are made.

Minimum lease payments are to be apportioned between the finance charge (interest) and the reduction of the deferred liability.

The finance charge (interest) will be charged to the surplus or deficit on the Provision of Services, and then transferred to the Capital Adjustment Account through the Movement In Reserves statement.

iii) Lessor – Property

Where a property lease arrangement is identified as a finance lease and where the Authority is the lessor, an asset is recognised on the Balance Sheet as a debtor at an amount equal to the net investment in the lease. The lease payment is treated as repayment of principal and finance income (interest).

Initial direct costs are included in the initial measurement of the debtor and recognised as an expense over the lease term on the same basis as the income.

Rental income from finance leases entered into after 1 April 2010 should be treated as a capital receipt.

b) Operating Leases

i) Lessee – Property, Vehicles, Plant & Equipment

Where a lease arrangement is identified as an operating lease and where the Authority is the lessee, the lease payments are treated as revenue expenditure on a straight line basis over the term of the lease.

ii) Lessor – Property, Vehicles, Plant & Equipment

Where a lease arrangement is identified as an operating lease and where the Authority is the lessor, an asset is shown within non-current assets according to the nature of the asset. (See above Property, Plant & Equipment policy.)

Lease income from operating leases shall be recognised as income on a straight line basis over the lease term.

Capital Government Grants and Contributions (for the acquisition of non-current assets)

Capital grants and contributions are used for the acquisition of non-current assets. The treatment of these grants is as follows:

a) Capital grants where there are no conditions attached to the grant. The income is recognised immediately in the Comprehensive Income and Expenditure Statement.

Capital grant income is not a proper charge to the General Fund. It is accounted for through the Capital Financing Requirement (set out in statute) so it does not have an effect on council tax. To reflect this the income is credited to the Capital Adjustment Account through the Movement in Reserves Statement.

b) Capital grants where the conditions have not been met at the Balance Sheet date. At the Balance Sheet date the grant is recognised as a Capital Grant Receipt in Advance in the top part of the Balance Sheet. When the conditions have been met, the grant is recognised as income in the Comprehensive Income and Expenditure Statement and the appropriate statutory accounting requirements for capital grants are applied.

c) Capital grants where no conditions remain outstanding at the Balance Sheet date, but expenditure has not been incurred. The income is recognised immediately in the Comprehensive Income and Expenditure Statement. As the expenditure being financed from the grant has not been incurred at the Balance Sheet date, the grant is transferred to the Capital Grants Unapplied Account (within usable reserves in the Balance Sheet), reflecting its status as a capital resource available to finance expenditure, through the Movement in Reserves Statement. When the expenditure is incurred the grant is transferred from the Capital Grants Unapplied Account to the Capital Adjustment Account to reflect the application of capital resources to finance expenditure.

Debtors

Debtors are recognised in the accounts when the ordered goods or services have been delivered or rendered by the Authority by the 31 March but the income has not yet been received.

Debtors are recognised and measured at fair value in the accounts. There is no de-minimis for capital or revenue income accruals.

Creditors

Creditors are recorded where goods or services have been supplied to the Authority by 31 March but payment is not made until the following financial year.

Creditors are recognised and measured at fair value in the accounts. There is no de-minimis for capital or revenue accruals.

Debt impairment

The Authority makes a provision for debts which may go bad or not be paid in full. Where it is doubtful that debts will be settled, the fair value of that debt is written down accordingly and a charge made to the Comprehensive Income and Expenditure Statement for the income that might not be collected.

The Authority's policy is to review outstanding debts annually in order to allow for debt impairment.

Inventories

Inventory assets include materials or supplies to be consumed or distributed in the rendering of services. This includes fuel, uniforms, equipment, vehicle supplies and catering produce. These are carried at the lower of cost (calculated as an average price) or current replacement cost (at the Balance Sheet date for an equivalent quantity).

A de minimis of £5k is set before a group of stock items would need to be accounted for at the year end.

Investments and Cash Equivalents

a) Investments

Lincolnshire Police Authority will classify these as follows:

- Short term deposits (due to be returned within any period from a day to a year after 31 March) held for investment purposes for the returns offered are classed as Short Term Investments.
- Deposits held for investment purposes for the returns offered which are due for return more than a year after 31 March are classed as Long Term Investments.

b) Cash and Cash Equivalents:

Cash Equivalents are held for the purpose of meeting short term cash commitments rather than for investment or other purposes. Lincolnshire Police Authority will classify these as follows:

- Other cash, on-call deposit accounts or banking facilities set up for the purpose of meeting short term liquidity requirements are classed as Cash and Cash Equivalents.

c) Bank Overdrafts:

Bank overdrafts are shown separately from Cash and Cash Equivalents. They are recorded as liabilities within Creditors.

Provisions

The Authority sets aside provisions for future expenses where:

- an event has taken place on or before the Balance Sheet date that creates an obligation for the Police Authority;
- it is probable that the obligation requires settlement by a transfer of economic benefits;
- the value of settlement can be reliably estimated; and
- the timing of the transfer is uncertain.

Provisions are charged to the Comprehensive Income and Expenditure Statement 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. Estimated settlements are reviewed at the end of each financial year. When it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made) the provision is reversed and credited back to the Comprehensive Income and Expenditure Statement.

Where some or all of the payment required to settle a provision is expected to be met by another party (e.g. from an insurance claim) the income is only recognised in the Comprehensive Income and Expenditure Statement if it is virtually certain that reimbursement will be received when the obligation is settled.

Provisions contained within the Balance Sheet are split between current liabilities (those which are estimated to be settled within the next 12 months) and non-current liabilities (those which are estimated to be settled in a period greater than 12 months).

Contingent Liabilities

A contingent liability is where there is a possible obligation to transfer economic benefit exists due to a past event, but the possible obligation will only be confirmed by the occurrence or non-occurrence of one or more events in the future. These events may not wholly be within the control of the Authority.

The Authority discloses these obligations in the narrative notes to the accounts if estimated accounts are greater than £100k.

These amounts are not recorded in the Authority's accounts because:

- it is not probable that an outflow of economic benefits or service potential will be required to settle the obligation, or
- the amount of the obligation cannot be measured with sufficient reliability at the year end.

Contingent Assets

A contingent asset is where there is a possible transfer of economic benefit to the Authority from a past event, but the possible transfer will only be confirmed by the occurrence or non-occurrence of one or more events in the future. These events may not wholly be within the control of the Authority.

The Authority discloses these rights in the narrative notes to the accounts if the value of the contingent asset is greater than £100k.

Events after the Reporting Date

These are events that occur between the end of the reporting period and the date when the financial statements are authorised for issue. The Authority will report these in the following way if it is determined that the event has had a material effect on the Authority's financial position:

- events which provide evidence of conditions that existed at the end of the reporting period will be adjusted and included within the figures in the accounts; and
- events that are indicative of conditions that arose after the reporting will be reported in the narrative notes to the accounts.

Recognition of Revenue (Income and Expenditure)

Revenue shall be measured at the fair value of the consideration received or receivable.

Revenue is recognised only when it is probable that the economic benefits or service potential associated with the transaction will flow to the Authority.

Costs of 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 2010/11. 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 Police Authority's status as a multi-functional democratic organisation;

- Non Distributed Costs – the historic costs of retirement benefits and the costs of supporting non operational assets.

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

Revenue Government Grants and Contributions

Government grants and other contributions are accounted for on an accruals basis and recognised in the accounts when it is expected that the conditions for their receipt will be complied with and there is reasonable assurance that the grant or contribution will be received.

Revenue grants are recognised in full in the year of their receipt. The impact on the General Fund is negated by a transfer to Earmarked Reserves in the Movement in Reserves Statement.

Specific revenue grants are matched in the Net Cost of Services with the service expenditure to which they relate.

Grants which cover general expenditure (e.g. Revenue Support Grant) are credited to the foot of the Comprehensive Income and Expenditure Statement.

Value Added Tax (VAT)

The Authority's Comprehensive Income and Expenditure Statement excludes VAT. All VAT must be passed on (where output tax exceeds input tax) or repaid (where input tax exceeds output tax) to HM Revenue and Customs.

The net amount due to or from HM Revenue and Customs for VAT at the year end shall be included as part of creditors or debtors balance.

Council Tax Income

The collection of council tax is in substance an agency arrangement with the seven Lincolnshire district authorities (billing authorities) collecting council tax on behalf of Lincolnshire Police Authority. The assessment of whether the Authority is acting as principal or agent is in line with IAS 18 Revenue, IPSAS 9 Revenue from Exchange Transactions and IPSAS 23 Revenue from Non Exchange Transactions.

The council tax income is included in the Comprehensive Income and Expenditure Statement on an accruals basis and includes the precept for the year plus Lincolnshire Police Authority's share of Collection Fund surpluses and deficits from the billing authorities.

The difference between the income reported in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund shall be taken to the Collection Fund Adjustment Account through the Movement in Reserves Statement.

The year end Balance Sheet includes Lincolnshire Police Authority's share of year end debtors (arrears and collection fund surpluses) and creditors (prepayments, overpayments and collection fund deficits).

Reserves

a) Usable Reserves

The Authority's general revenue balances are held in the General Fund. The Authority also maintains a number of specific 'Earmarked' reserves for future expenditure for either policy purposes or to cover contingencies. They are described in more detail in the notes to the accounts.

b) Unusable Reserves

Certain reserves are kept to maintain the accounting processes for areas such as non-current assets, financial instruments and retirement benefits. These accounts do not represent usable resources for the Authority.

Employee Benefits – Benefits Payable during Employment

a) Short Term Benefits

These are amounts expected to be paid / incurred within 12 months of the Balance Sheet date. They include:

- salaries, wages and expenses accrued up to the Balance Sheet date;
- annual leave and flexi hours earned, but not yet taken at the Balance Sheet date, and;
- 'back rest days' allocated to police officers when scheduled rest days are cancelled.

These items will be accrued in the Balance Sheet at the year end, charged to the relevant service revenue account and reversed through the General Fund Balance.

b) Long Term Benefits

These are amounts which are payable beyond 12 months. The Authority does not have any material long term benefits to be declared within the financial statements.

Employee Benefits – Termination Benefits

Termination benefits arise from the Authority's obligation to pay redundancy costs to employees. These costs will be recognised in the Authority's financial statements when the obligation to pay these benefits arises. For example; when there is a formal plan for redundancies approved by the full Police Authority (including the location, function and approximate number of employees affected; the termination benefits offered, and the time of implementation).

These items will be accrued in the Balance Sheet at the year end and charged to the relevant service revenue account. If payments are likely to be payable in more than 12 months from the year end then these costs will be discounted at the rate determined by reference to market yields.

Employee Benefits – Post Employment Benefits (Pensions)

In accordance with IAS19, the Balance Sheet includes recognition of the net asset/liability and a pensions reserve. The Comprehensive Income and Expenditure Statement shows movements in the asset/liability relating to defined benefit schemes (with reconciling entries back to contributions payable for council tax purposes in the Movement in Reserves Statement).

Accounting for retirement benefits is complex but has a simple principle:

"An organisation should account for retirement benefits when it is committed to give them, even if the actual giving will be many years into the future."

The important distinction for pension schemes is whether they are "defined contribution" or "defined benefit". As the police pension scheme and police staff superannuation scheme are both based on employees earning benefits from years of service they are both "defined benefit schemes".

IAS 19 relies on the recognition of pension assets and liabilities.

Liabilities - being the retirement benefits promised measured on an actuarial basis

Assets – being the Authority’s share of investments (if any)

Movements on these assets and liabilities have been recorded in the Comprehensive Income and Expenditure Statement. The Authority has commissioned the actuaries Hymans Robertson LLP to determine the relevant figures. More explanatory notes on each scheme are given below.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme. The liabilities of the Lincolnshire County Council pension scheme attributable to the Police Authority are included in the Balance Sheet on an actuarial basis using the projected unit method. (This is an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projected earnings of future employees). Liabilities are discounted to their value at current prices, using a discount rate of 5.5%. This rate is based on the gross redemption yield on iBoxx Sterling Corporates AA over 15 years at the IAS19 valuation date, but with the removal of recently re-rated bonds from the index.

In assessing liabilities for retirement benefits at 31 March 2011 for the 2010/11 Statement of Accounts, the actuary made assumptions about inflation, salary increases, pension increases, expected return on assets and the discount rate. These are discussed further in Note 4.

The assets of the Lincolnshire County Council pension scheme attributable to the Police Authority are included in the Balance Sheet at their fair value as at 31st March 2011. Investments are stated at market values at the close of business on the final working day of the financial year as follows:

- UK listed securities are stated at either bid or last traded closing prices;
- overseas listed securities are stated at either bid or last traded closing prices;
- unit trusts are stated at bid price from the most recent official valuation;
- other investments are stated at fair value, as estimated by the manager of the particular investment.

Other investments would be property and private equity.

The Police Officer Pension Scheme

The police officer pension schemes (both the old and new schemes) are accounted for as defined benefits schemes. The liabilities of the police officer pension schemes are included in the Balance Sheet on an actuarial basis using the projected unit method. (This is an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projected earnings of future employees). Liabilities are discounted to their value at current prices, using a discount rate of 5.5%. This rate is based on the gross redemption yield on iBoxx Sterling Corporates Index AA over 15 years at the IAS 19 valuation date, but with the removal of recently re-rated bonds from the index.

In assessing liabilities for retirement benefits at 31 March 2011 for the 2010/11 Statement of Accounts, the actuary made assumptions about inflation, salary increases, pension increases, and the discount rate. These are discussed further in Note 4.

Pension Scheme Policies

The changes in the net pensions liability is analysed into seven components:

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated to the Cost of Services in the Comprehensive Income and Expenditure Statement;
- past service cost / gains or losses on curtailment - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of non distributed costs;
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid - debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- gains/losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of non distributed costs;
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve;
- contributions paid to the Lincolnshire County Council Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

Police Officer Pensions - Home Office Memorandum Account

From 1st April 2006 the Home Office changed the method of financing police pensions. Effectively the Authority has continued to make payments but accounts for these outside of its own accounts in a separate memorandum account, which is reported as a supplementary statement in these accounts.

Group Relationships

The Authority assesses on an annual basis relationships with other bodies to identify the existence of any group relationships. A de-minimis level of £1million has been set for considering bodies to be included within group accounts.

The Authority has not identified, and does not in aggregate have any a material interest in subsidiaries, associated companies or joint ventures and therefore is not required to prepare group accounts.

Financial Instruments

a) Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For all of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

The authority has not undertaken any repurchasing or early settlement of borrowing.

b) Financial Assets

Financial assets are classified into four types: loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market; available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments; fair value through profit and loss – assets that are held for trading and derivatives with a positive value; and held for maturity – assets that have fixed or determinable payments and a fixed maturity.

The Authority only has loans and receivables.

Loans and Receivables

Loans and receivables are included in current assets. The Authority's loans and receivables comprise: short term investments, trade debtors, accrued income and 'other receivables'.

Loans and receivables are recognised initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using an effective interest method.

2. Accounting Standards That Have Been Issued But Have Not Yet Been Adopted

For 2010/11, the only accounting policy change relates to FRS30, Heritage Assets. This does not affect the Authority.

3. Critical Judgements In Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are:

- There is uncertainty about service provision following government decisions to reduce future levels of funding for the Authority by £19.7m over 4 years. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The potential creation of Police and Crime Commissioners in November 2012 will change the governance structures of the Authority but will not affect its purpose or provision of services. Hence, there is no need to question the 'going concern' status of the organisation.
- Masts are treated as investment properties as they are not used directly by the Authority for operational purposes. The Force may make incidental use of them via third party suppliers, but ownership and control of the assets is not relevant to our policing requirements.

4. Assumptions Made About The Future And Other Major Sources Of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are described below. The main area of fluctuation is the assessment of pensions assets and liabilities. Hence, these are considered separately.

Pensions assumptions

Item	Uncertainties	Effect if actual results differ from assumptions
Pensions liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions have been measured and described in the tables below. The tables give an indication of the impact of changes in the main assumptions but are not an exhaustive list of the variables involved.
Pensions liability	A report from the Office of Budget Responsibility indicates that RPI is likely to be around 0.8% higher than CPI in future. The observed difference in the past has been 0.5%. The actuaries intend to incorporate this change into the way that the Authority sets the CPI assumption for accounting purposes.	The impact is estimated to be: <ul style="list-style-type: none"> • a fall in the liabilities for the 2010/11 Balance Sheet by 4% - 5%; • a one off past service credit in the 2010/11 Comprehensive Income and Expenditure Statement of (£104.9m) 8% - 11% of the total liability value; • a reduction in future service costs from April 2011 onwards of around 6%.

The sensitivities regarding the principal assumptions used to measure the Police Pension Schemes are set out below.

Change in financial assumptions	Approximate percentage increase likely to employer liability	Approximate monetary increase (£m)
0.5% decrease in the Real Discount Rate	9%	71.0
1 year increase in member life expectancy	3%	23.1
0.5% increase in the Salary Increase Rate	1%	11.0
0.5% increase in the Pensions Increase Rate	8%	58.9

The sensitivities regarding the principal assumptions used to measure the liabilities in the Local Government Pension Scheme are set out below.

Change in financial assumptions	Approximate percentage increase likely to employer liability	Approximate monetary increase (£m)
0.5% decrease in the Real Discount Rate	11%	9.4
1 year increase in member life expectancy	3%	2.5
0.5% increase in the Salary Increase Rate	4%	3.2
0.5% increase in the Pensions Increase Rate	7%	6.1

Other areas of estimation uncertainty

Item	Uncertainties	Effect if actual results differ from assumptions
Property, plant and equipment	The full revaluation of assets in 2011/12 will bring with it an obligation to consider the use of component accounting for our existing estate.	If components are widely introduced then annual depreciation will be materially larger for buildings than before, and the carrying value of buildings will drop more sharply over the next few years than it would have done.
Reserves	Reductions to government funding will put more pressure on financial resources in general, and in particular may lead to further redundancy payments.	Earmarked Reserves are more likely to be used quickly if revenue savings are hard to find in the coming years. It is also possible that General Reserves could be used if the Force revenue budgets fall into deficit.
Classification of leases	There is some subjective interpretation of contract information when classifying some arrangements as finance or operating leases. For some equipment, the nature of the agreement points to a finance lease, but the details in the contract do not allow accurate calculations to be performed.	We have treated some arrangements as operating leases in the absence of the necessary information to account for them as finance leases. Assets and liabilities may be understated in the Balance Sheet by around £70k. We expect to correct this anomaly in future year accounts.
Collection fund balances	Estimates have been used to show the proportion of income due to the Authority for council tax, but held by the district councils in their collection fund account. Some Councils have estimated their year end surplus and the associated Balance Sheet figures, but have had to do so several months before the collection fund accounts are prepared.	There is no impact on the General Fund Balance. The surplus in the Comprehensive Income and Expenditure Statement and the associated Balance Sheet figures could vary by up to £200k.
Employee benefits: measurement of short term accumulating absences accrual	Measurement covers most staff for leave and time in lieu, but not all. It is possible that some staff not covered by the current approach may have time owing which is significantly different to the average.	There is no impact on the General Fund Balance. The surplus in the Comprehensive Income and Expenditure Statement and the associated Balance Sheet figures could vary by up to £100k.

Note also that some of the required efficiency savings to meet reductions to funding may come from use of a strategic partnership with a private sector provider.

This list does not include assets and liabilities that are carried at fair value based on a recently observed market price.

5. First-Time Adoption of IFRS

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS-based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent amounts presented in the Statement of Accounts for 2009/10. An explanation of the differences between the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 financial statements is set out in the following tables and notes that accompany the tables.

Reconciliation of Net Worth Reported Under Previous GAAP to Net Worth Under IFRS at the Date of Transition to IFRS (1st April 2009)

	Usable Reserves			Unusable Reserves					Total Reserves £000
	Usable Capital Receipts Reserve £000	Earmarked Reserves £000	General Fund Balance £000	Revaluation Reserve £000	Pensions Reserve £000	Accumulated Absences Account £000	Capital Adjustment Account £000	Collection Fund Adjustment Account £000	
Total Reserves as at 01 April 2009 under UK GAAP:	-	5,360	2,907	1,092	(603,309)	-	12,992	205	(580,753)
Adjustments for IFRS changes:									
- Property, Plant and Equipment changes under IAS 16				(99)			99		-
- Finance Leases changes under IAS 17									-
- Accumulated absences changes under IAS 19						(2,791)			(2,791)
- Government Grants changes under IAS 20		225					5,120		5,345
- Assets Held for Sale changes under IFRS 5							(5)		(5)
Adjustments for:									
- UK GAAP errors		(34)	34				160		160
Total Reserves at 01 April 2009 under IFRS:	-	5,551	2,941	993	(603,309)	(2,791)	18,366	205	(578,044)

Reconciliation of Net Worth Reported Under Previous GAAP to Net Worth Under IFRS at the End of the Latest Period Presented in the Most Recent Financial Statements Under Previous GAAP (31st March 2010)

	Usable Reserves			Unusable Reserves					Total Reserves £000
	Usable Capital Receipts Reserve £000	Earmarked Reserves £000	General Fund Balance £000	Revaluation Reserve £000	Pensions Reserve £000	Accumulated Absences Account £000	Capital Adjustment Account £000	Collection Fund Adjustment Account £000	
Total Reserves as at 31 March 2010 under UK GAAP:	93	4,697	3,821	1,183	(922,460)	-	9,552	61	(903,053)
Adjustments for IFRS changes:									
- Property, Plant and Equipment changes under IAS 16				(316)			316		-
- Finance Leases changes under IAS 17							(1)		(1)
- Accumulated absences changes under IAS 19						(3,631)			(3,631)
- Government Grants changes under IAS 20		345					5,842		6,187
- Assets Held for Sale changes under IFRS 5									-
Adjustments for:									
- UK GAAP errors		(38)	38	(95)			245		150
Total Reserves at 31 March 2010 under IFRS:	93	5,004	3,859	772	(922,460)	(3,631)	15,954	61	(900,348)

Reconciliation to Total Comprehensive Income and Expenditure Under IFRS for the Latest Period in the Most Recent Annual Financial Statements (Year Ended 31st March 2010)

	£000
Total Comprehensive Income and Expenditure for 2009/10 under UK GAAP	322,300
Adjustments for IFRS changes:	
- Property, Plant and Equipment changes under IAS 16	
- Finance Leases changes under IAS 17	1
- Accumulated absences changes under IAS 19	840
- Government Grants changes under IAS 20	(842)
- Assets Held for Sale changes under IFRS 5	(5)
Adjustments for:	
- UK GAAP errors	10
Total Comprehensive Income and Expenditure for 2009/10 under IFRS:	322,304

The transition to IFRS highlighted three areas where immaterial errors existed within the Authority's 2009/10 UK GAAP accounts.

- First, in reviewing the operating leases under IAS 17, it was identified that the upfront construction costs for the Market Rasen Sector Station should have been treated as a prepayment (of £192k in 2005) and released to the Comprehensive Income and Expenditure Statement over the 20-year period of the lease. The Authority had previously expensed the £192k when incurred. The remaining balance of £160k as at 1st April 2009 is shown against the Capital Adjustment Account with annual prepayments of £9.6k in subsequent years.
- Second, it was identified that a few properties had been impaired in 2009/10 instead of being offset against the corresponding revaluation reserve. An adjustment of (£95k) is shown against the Revaluation Reserve as at 31st March 2010.
- Thirdly, £38k of General Fund Balance was incorrectly classified as Earmarked Reserves in 2009/10.

The following tables explain the material IFRS adjustments: -

Accumulating Absences (IAS 19)

Accumulating absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Authority. Benefits covered by this heading include annual leave, time off in lieu (TOIL), flexi-time and backrest days.

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

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

Accruing for accumulating absences has resulted in the following changes being made to the 2009/10 financial statements:

Opening 1 April 2009 Balance Sheet

	2009/10 Statements £000	Adjustments Made £000
Short-Term Creditors	(15,375)	(2,791)
Accumulated Absences Account	-	2,791

31 March 2010 Balance Sheet

	2009/10 Statements £000	Adjustments Made £000
Short-Term Creditors	(8,704)	(3,631)
Accumulated Absences Account	-	3,631

2009/10 Comprehensive Income and Expenditure Statement

Cost of Services (Net)	2009/10 Statements £000	Adjustments Made £000
Local Policing	59,773	459
Dealing with the Public	7,683	59
Criminal Justice Arrangements	7,914	61
Road Policing	6,562	50
Specialist Operations	6,214	48
Intelligence	3,928	30
Specialist Investigation	10,803	83
Investigative Support	2,768	21
National Policing	808	6
Corporate and Democratic Core	1,124	9
Non Distributed Costs	1,860	14

Cash and Cash Equivalents (IAS 7)

The re-categorisation of on-call accounts to cash equivalents resulted in the following adjustments: -

Opening 1 April 2009 Balance Sheet

	2009/10 Statements £000	Adjustments Made £000
Cash and Cash Equivalents	361	13,781
Short-Term Investments	18,681	(13,781)

31 March 2010 Balance Sheet

	2009/10 Statements £000	Adjustments Made £000
Cash and Cash Equivalents	228	11,560
Short-Term Investments	11,560	(11,560)

Government Grants (IAS 20)

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

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

- The balance on the Government Grant Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 Balance Sheet (i)
- £531k of Government Grant Deferred was previously recognised as income in 2009/10, this has been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.
- Revenue grants received but not used by the Authority. Previously no income was recognised in respect of these grants, instead they were shown as Short-Term Creditors in the Liabilities section of the Balance Sheet. Following the change in accounting policy, £225k in 2008/09 and £2k in 2009/10 has been recognised as income. Specific revenue grants are matched in the Net Cost of Services with the service expenditure to which they relate. (ii)
- Capital grants received but not used by the Authority amounted to £1,631k in 2008/09 and £496k in 2009/10. These grants were previously recognised in the Usable Capital Grants account within the Liabilities section of the Balance Sheet. In line with the new accounting policy, the grants have been transferred to the Capital Grants Receipts in Advance account as conditions remain. When the conditions have been met, the grant is recognised as income in the Comprehensive Income and Expenditure Statement. Furthermore, the Authority has reclassified £118K of 2009/10 capital grants to revenue. This grant has been recognised as income, inline with the change in accounting policy. (iii)

This has resulted in the following changes being made to the 2009/10 financial statements:

Opening 1 April 2009 Balance Sheet

	2009/10 Statements £000	Adjustments Made £000	
Government Grants Deferred Account	(5,120)	5,120	(i)
Capital Adjustment Account	(12,992)	(5,120)	
Short-Term Creditors	(15,375)	225	(ii)
Earmarked Reserves	(5,360)	(225)	
Usable Capital Grants	(1,631)	1,631	(iii)
Capital Grants Receipts in Advance < 1 yr	-	(1,281)	
Capital Grants Receipts in Advance > 1 yr	-	(350)	

31 March 2010 Balance Sheet

	2009/10 Statements £000	Adjustments Made £000	
Government Grants Deferred Account	(5,842)	5,842	(i)
Capital Adjustment Account	(9,552)	(5,842)	
Short-Term Creditors	(8,704)	227	(ii)
Earmarked Reserves	(4,697)	(227)	
Usable Capital Grants	(496)	496	(iii)
Capital Grants Receipts in Advance < 1 yr	-	(40)	
Capital Grants Receipts in Advance > 1 yr	-	(338)	
Earmarked Reserves	(4,697)	(118)	

2009/10 Comprehensive Income and Expenditure Statement

	2009/10 Statements £000	Adjustments Made £000
Net Cost of Services:		
Local Policing	59,773	283
Dealing with the Public	7,683	36
Criminal Justice Arrangements	7,914	37
Road Policing	6,562	31
Specialist Operations	6,214	29
Intelligence	3,928	47
Specialist Investigation	10,803	(69)
Investigative Support	2,768	13
National Policing	808	4
Corporate and Democratic Core	1,124	-
Non Distributed Costs	1,860	-
Taxation and Non-Specific Grant Income:		
Recognised Capital Grants and Contributions	-	(1,253)

6. Material Items of Income and Expense

This note sets out the nature and amount of material items not disclosed on the face of the Comprehensive Income and Expenditure Statement.

Note 11 taxation and non-specific grant incomes gives details of material income. Note 42 gross expenditure and income gives a breakdown by service expenditure. Other material items are as follows: -

- Revaluation losses £1.5m
- Depreciation/amortisation £4.2m
- Contributions to General Reserves £1.2m
- Contributions to Redundancy Reserve £0.8m
- Contributions to Outsourcing Reserve £0.75m (Business Transformation Project on Note 8)
- Past service costs (re pensions) (£104.9m)

7. Adjustments Between Accounting Basis and Funding Basis Under Regulations

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

2009/10 Comparative Figures	Usable Reserves		
	Capital Receipts Reserve £000	General Fund Balance £000	movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:			
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:			
Charges for depreciation and impairment of non-current assets		4,202	(4,202)
Amortisation of lease prepayment		10	(10)
Revaluation losses on Property Plant and Equipment		2,420	(2,420)
Movements in the market value of Investment Properties		395	(395)
Amortisation of intangible assets		44	(44)
Capital grants and contributions applied		(2,705)	2,705
Revenue expenditure funded from capital under statute		4	(4)
Amounts of non-current assets written off on disposal or sale as part of the gain/(loss) on disposal to the Comprehensive Income and Expenditure Statement		179	(179)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:			
Statutory provision for the financing of capital investment		(1,390)	1,390
Capital expenditure charged against the General Fund		(557)	557
Adjustments primarily involving the Capital Receipts Reserve:			
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	176	(176)	-
Use of the Capital Receipts Reserve to finance new capital expenditure	(83)		83
Adjustments primarily involving the Pensions Reserve:			
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 56)		58,623	(58,623)
Employer's pensions contributions and direct payments to pensioners payable in the year		(28,659)	28,659
Adjustments primarily involving the Collection Fund Adjustment Account:			
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements		144	(144)
Adjustments primarily involving the Accumulated Absences Account:			
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		840	(840)
Total Adjustments	93	33,374	(33,467)

2010/11	Usable Reserves		
	Capital Receipts Reserve £000	General Fund Balance £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:			
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:			
Charges for depreciation and impairment of non-current assets		4,193	(4,193)
Amortisation of lease prepayment		10	(10)
Revaluation losses on Property Plant and Equipment		1,529	(1,529)
Movements in the market value of Investment Properties		(55)	55
Amortisation of intangible assets		29	(29)
Capital grants and contributions applied		(875)	875
Revenue expenditure funded from capital under statute		1	(1)
Amounts of non-current assets written off on disposal or sale as part of the gain/(loss) on disposal to the Comprehensive Income and Expenditure Statement		59	(59)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:			
Statutory provision for the financing of capital investment		(1,688)	1,688
Capital expenditure charged against the General Fund		(300)	300
Adjustments primarily involving the Capital Receipts Reserve:			
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	14	(14)	-
Use of the Capital Receipts Reserve to finance new capital expenditure	(107)		107
Adjustments primarily involving the Pensions Reserve:			
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 56)		(32,046)	32,046
Employer's pensions contributions and direct payments to pensioners payable in the year		(29,925)	29,925
Adjustments primarily involving the Collection Fund Adjustment Account:			
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements		(114)	114
Adjustments primarily involving the Accumulated Absences Account:			
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(234)	234
Adjustments primarily involving the Termination Benefits Adjustment Account:			
Recognition of pension liabilities created under past accounting arrangements (see Note 33)		247	(247)
Total Adjustments	(93)	(59,183)	59,276

8. Transfers To / From Earmarked Reserves

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

	Balance at 1 April 2009 £000	Transfers Out 2009/10 £000	Transfers In 2009/10 £000	Balance at 31 March 2010 £000	Transfers Out 2010/11 £000	Transfers In 2010/11 £000	Transfer Between Reserves 2010/11 £000	Balance at 31 March 2011 £000
Major Incidents	1,789	(189)		1,600				1,600
Insurance	764	(455)	54	363		224		587
Protective Services	140	(83)		57	(46)			11
Community safety	111	(111)		-				-
IFRS			20	20	(6)			14
Seconded Officers Ill Health	15	(15)		-				-
Specific Time Limited Posts	1,594	(591)	80	1,083	(635)		(89)	359
Business Change Fund	296	(296)	586	586	(199)	100	89	576
Crime and Intelligence	246	(121)		125	(62)	15		78
Bank Holiday Reserve	211			211				211
Police Authority Reserve	40			40				40
Mobile Data reserve	27			27	(27)			-
ANPR South Division			75	75				75
Case & Custody Carry Forward			60	60				60
PRIDE			90	90	(13)			77
POCA	62		79	141	(79)			62
POCA 2010/11				-		93		93
Employee Welfare Reserve			36	36		3		39
Funded Fleet Vehicles			72	72	(27)	4		49
Uniforms Project			30	30	(30)			-
Operations Fusion & Nova			15	15				15
Business Transformation Project				-	(45)	750		705
Migration Impact				-		219		219
2 Project Assistants				-		50		50
Farm & Country Watch				-		7		7
Moorland Youth Warden				-		1		1
Earlsfield Youth Project				-		4		4
Neighbourhood Watch Signs				-		9		9
Grantham Cadets				-		1		1
Harrowby Youth Project				-		1		1
PPO Delivery Groups				-		18		18
Redundancy Reserve				-	(606)	800		194
Special Priority Payment	163			163				163
Crime Commissioner				-		60		60
Crime Prevention Payments				-		3		3
SARC Grant from LCC			118	118	(75)			43
Domestic Violence Admin				-		2		2
Subtotal	5,458	(1,861)	1,315	4,912	(1,850)	2,364	-	5,426
EMSOU	93	(1)		92	(6)			86
Total	5,551	(1,862)	1,315	5,004	(1,856)	2,364	-	5,512

The Insurance Reserve is held to provide both for ongoing claims and for future unforeseen claims of which the Authority has no knowledge.

9. Other Operating Expenditure

2009/10				2010/11		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
-	(14)	(14)	(Gains) or Losses on the Disposal of Property, Plant & Equipment	22	-	22
-	-	-	(Gains) or Losses on the Disposal of Assets Held for Sale	21	-	21
1,330	(1,219)	111	Seconded Officers	1,068	(1,071)	(3)
1,330	(1,233)	97		1,111	(1,071)	40

10. Financing and Investment Income and Expenditure

2009/10				2010/11		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
754	-	754	Interest Payable on Debt	767	-	767
41,408	-	41,408	Pensions Interest Cost and Expected Return on Pensions Assets	45,199	-	45,199
-	(149)	(149)	Investment Interest Income	-	(156)	(156)
-	(110)	(110)	Rentals Received on Investment Properties	-	(119)	(119)
30	-	30	Expenses Incurred on Investment Properties	16	-	16
-	-	-	Changes in Fair Value of Investment Properties	-	(55)	(55)
42,192	(259)	41,933		45,982	(330)	45,652

11. Taxation and Non Specific Grant Incomes

2009/10				2010/11		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
-	(1,253)	(1,253)	Recognised Capital Grants and Contributions	-	(875)	(875)
-	(39,402)	(39,402)	General Government Grants	-	(40,762)	(40,762)
-	(4,662)	(4,662)	Revenue Support Grant	-	(3,238)	(3,238)
-	(20,201)	(20,201)	Non Domestic Rates Redistribution	-	(22,301)	(22,301)
-	(40,305)	(40,305)	Council Tax Income	-	(42,109)	(42,109)
-	(13,624)	(13,624)	Home Office Grant Payable towards the Cost of Retirement Benefits	-	(11,035)	(11,035)
-	(119,447)	(119,447)		-	(120,320)	(120,320)

12. Property, Plant and Equipment

Comparative Movements in 2009/10	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation					
At 1 April 2009	24,454	9,192	1,890	-	35,536
Additions	1,346	4,441	-	-	5,787
Revaluation Increases/ (decreases) recognised in the Revaluation Reserve	(67)	30	(9)	-	(46)
Revaluation Increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,250)	(112)	(58)	-	(2,420)
Derecognition - Disposals	-	(44)	-	-	(44)
Other movements in cost or valuation	1	-	-	-	1
At 31 March 2010	23,484	13,507	1,823	-	38,814
Accumulated Depreciation and Impairment					
At 1 April 2009	-	-	-	-	-
Depreciation charge	(444)	(3,735)	(23)	-	(4,202)
At 31 March 2010	(444)	(3,735)	(23)	-	(4,202)

Movements and closing balances in 2010/11	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation					
At 1 April 2010	23,040	9,772	1,800	-	34,612
Additions	262	2,642	-	375	3,279
Revaluation Increases/ (decreases) recognised in the Revaluation Reserve	(36)	(37)	-	-	(73)
Revaluation Increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,553)	(3)	27	-	(1,529)
Derecognition - Disposals	-	(39)	-	-	(39)
Assets reclassified to/from Held for Sale	-	-	(1,530)	-	(1,530)
Other movements in cost or valuation	(88)	-	-	-	(88)
At 31 March 2011	21,625	12,335	297	375	34,632
Accumulated Depreciation and Impairment					
At 1 April 2010	-	-	-	-	-
Depreciation charge	(429)	(3,760)	(2)	-	(4,191)
At 31 March 2011	(429)	(3,760)	(2)	-	(4,191)
Net Book Value:					
At 31 March 2011	21,196	8,575	295	375	30,441
At 31 March 2010	23,040	9,772	1,800	-	34,612

Supplementary information on leases can be found in note 53.

13. Valuation of Non-current assets

Non-current assets have been revalued on the basis described in Note 1 and in accordance with the principles of the Accounting Code of Practice. Property, plant and equipment and investment properties were valued by a desktop exercise as at the 31st March 2011 by Mr A Martin BSc MRICS, Mr R Smalley BSc MRICS and Mr D Chambers BSc MRICS of the independent firm of Chartered Surveyors Lambert Smith Hampton, following their full revaluation on 31st March 2007. The revaluation resulted in increases and decreases to the Authority's assets. In accordance with the required accounting practice these revaluations have been written back to the Revaluation Reserve or the Comprehensive Income and Expenditure Statement respectively. The Authority has no Private Finance Initiative (PFI) arrangements.

14. Investment Properties

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

	2009/10 £000	2010/11 £000
Rental income from investment property	(110)	(119)
Direct operating expenses arising from investment property	30	16
Net gain/(loss)	(80)	(103)

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

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

	2009/10 £000	2010/11 £000
Balance at start of the year	1,190	725
Net gains/(losses) from fair value adjustments	(395)	55
Revaluation Increases/ (decreases) recognised in the Revaluation Reserve	(70)	-
Balance at end of the year	725	780

15. Intangible Assets

The movement on Intangible Asset balances during the year is as follows:

	2009/10	2010/11
	Other Assets £000	Other Assets £000
Balance at start of year:		
Gross carrying amounts	262	154
Accumulated amortisation	(173)	(105)
Net carrying amount at start of year	89	49
Amortisation for the period	(44)	(29)
Additions:		
Purchases	4	
Other changes		(1)
Net carrying amount at end of year	49	19
Comprising:		
Gross carrying amounts	154	153
Accumulated amortisation	(105)	(134)
	49	19

The Authority has no internally generated assets. All other assets have finite useful lives and amortised in line with the Authority's accounting policies, note 1.

16. Major Non Current Assets

An analysis of major non current assets is:

	31st March 2010 (Numbers)	31st March 2011 (Numbers)
Force Headquarters	1	1
Divisional Headquarters	3	3
Police Stations	12	12
Section Stations	9	9
Rural Beat Offices	15	15
Section Boxes	2	2
Sexual Assault Referral Centre	1	1
Major Aerial sites	3	3
Police Houses	11	11
Vehicles	431	413
Police dog training establishment	1	1
Divisional HQ awaiting disposal	1	1

17. Capital Expenditure

The main items of capital expenditure during the year were:

	£000
Vehicles Total Spend (incl EMSOU)	1,250
Business Continuity Servers	288
Rolling Replacement of PC's	218
PND	210
Crime & Intelligence	322
Queensgate Hotel - Spalding Police Station	375
Estates Capital Projects	111

18. Capital Commitments

The Force is implementing a new Crime and Intelligence system and Case Preparation and Custody system from a supplier. It is estimated that the total cost of this work is £1.7 million. Payments and accruals to the 31st March 2011 totalled £1.3 million leaving further payments of £0.4 million during 2011/12.

19. Financial Instruments

Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

	Long-term			Current		
	1 April 2009 £000	31 March 2010 £000	31 March 2011 £000	1 April 2009 £000	31 March 2010 £000	31 March 2011 £000
Investments						
Loans and receivables - Short Term Investments				4,900	-	5,010
Total investments	-	-	-	4,900	-	5,010
Debtors						
Loans and receivables	150	141	131	1,486	1,952	2,467
Total debtors	150	141	131	1,486	1,952	2,467
Borrowings						
Financial liabilities at amortised cost - PWLB	15,988	16,801	16,797	1,552	1,838	2,101
Financial liabilities at amortised cost - Deferred Liabilities	520	468	416	52	52	52
Total borrowings	16,508	17,269	17,213	1,604	1,890	2,153
Creditors						
Financial liabilities at contract amount				13,278	8,000	7,324
Total creditors	-	-	-	13,278	8,000	7,324

The Police Authority invests its surplus cash in temporary investments and short-term deposits with a range of UK banks, financial institutions and other local authorities. Note that in accordance with LAAP 81, the figures above include investment interest capitalised of £10k in 2010/11 (2009/10: £10k).

Financial Liabilities is borrowing with the Public Works Loan Board (PWLB) and Deferred Liabilities. Total PWLB outstanding at 31st March 2011 is £18.898m. The table also

includes capitalisation of interest payable of £202k in 2009/10 and £187k in 2010/11 (as required by LAAP 81).

Total Deferred Liabilities outstanding at 31st March 2011 is £0.468m. These represent the balance of loans outstanding as at 31st March 1995 which were transferred to the new Police Authority as established under the Police and Magistrates' Court Act 1994. The loans are administered by Lincolnshire County Council on behalf of the Police Authority. Repayments of £52k were made in 2010/11.

Total borrowing in 2010/11 amounted to £1.91 million which was used to finance capital expenditure, with £1.260 million repayable over 5 years and £0.650 million over 25 years. After making normal repayments of principal totalling £1.688 million and a decrease in loan interest accrual of £0.015 million, this increased the Police Authority's borrowing from £19.159 million to £19.366 million in the year.

The debtors and creditors figures have been adjusted for non-contractual obligations. For debtors these are VAT debtors, Statutory Maternity Pay debtors, payments in advance, grant income and collection fund adjustments. For creditors these are receipts in advance, grant income, tax and NI and collection fund adjustments.

	Range of Interest rates Payable %	1st April 2010 £000	31st March 2011 £000
PWLB	1.82-8.25	(18,639)	(18,898)
Transferred Debt - Lincolnshire CC	Variable	(520)	(468)
		(19,159)	(19,366)

A full analysis of loans by maturity is shown in note 58 under 'liquidity risk exposure'.

Income, Expense, Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

	2009/10			2010/11		
	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Total £000	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Total £000
Interest expense	(754)	-	(754)	(767)	-	(767)
Total expense in Surplus or Deficit on the Provision of Services	(754)	-	(754)	(767)	-	(767)
Interest income	-	149	149	-	156	156
Total income in Surplus or Deficit on the Provision of Services	-	149	149	-	156	156
Net gain/(loss) for the year	(754)	149	(605)	(767)	156	(611)

Fair Values of Assets and Liabilities

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

- the fair value of PWLB has been calculated by reference to the 'premature repayment' set of rates as at 31st March 2011
- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- deferred liabilities have been accounted for on the basis of outstanding principal amounts as defined by statutory arrangements

Financial Liabilities

The fair values calculated are as follows

	1 April 2009		31 March 2010		31 March 2011	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Financial liabilities - PWLB	17,540	19,478	18,639	19,570	18,898	20,280
Financial liabilities - Deferred Liabilities	572	572	520	520	468	468
Financial liabilities - Current Creditors	13,278	13,278	8,000	8,000	7,324	7,324

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

The table above excludes other Financial Liabilities such as cash overdrawn and other liabilities. The carrying amount as shown in the Balance Sheet is assumed to approximate to fair value, as the instrument will mature in the next 12 months.

Financial Assets

The fair values calculated are as follows

The fair value has been assessed as being the same as the carrying value.

	1 April 2009		31 March 2010		31 March 2011	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Loans and receivables - Investments	4,900	4,900	-	-	5,010	5,010
Loans and receivables - Current Debtors	1,486	1,486	1,952	1,952	2,467	2,467
Loans and receivables - Long Term Debtors	150	150	141	141	131	131

20. Inventories

An analysis of inventories is given below:

	Uniform & Equipment		Diesel		Vending & Catering		Fleet Maintenance		Other		Total	
	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000
Balance outstanding at start of year	255	268	85	92	6	5	21	22	12	6	379	393
Purchases	234	293	644	770	6	2	87	92	51	11	1,022	1,168
Recognised as an expense in the year	(221)	(271)	(642)	(769)	(7)	(2)	(78)	(91)	(52)	(13)	(1,000)	(1,146)
Written off balances			5				(8)	(2)	(5)		(8)	(2)
Balance outstanding at year-end	268	290	92	93	5	5	22	21	6	4	393	413

21. Debtors

An analysis of debtors is shown below:

	1 April 2009 £000	31 March 2010 £000	31 March 2011 £000
Amounts falling due within one year:			
Central government bodies	3,611	2,889	1,903
Other entities and individuals	3,688	4,038	3,042
Total Debtors falling due within one year	7,299	6,927	4,945

	1 April 2009 £000	31 March 2010 £000	31 March 2011 £000
Amounts falling due after one year:			
Other entities and individuals	150	141	131
Total Debtors falling due after one year	150	141	131

The other entities and individuals figure is presented net of impairment as per LAAP 88. Central government bodies balances as at 1st April 2009 and 31st March 2010 include government grants such as Pension top up grant and PCSO quarter 4 receipts which were outstanding at the Balance Sheet date. For the year ending 31st March 2011, the outstanding grant has been accounted for with other grants in note 49.

The funding arrangements for the police station at Market Rasen amount to a lease prepayment. Each year, a proportion of the prepayment is amortised as the useful life of the building reduces.

22. Cash and Cash Equivalents

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

	1 April 2009 £000	31 March 2010 £000	31 March 2011 £000
Cash held by the Authority	28	32	49
Bank current accounts	386	201	250
Confiscated account	(53)	(5)	(6)
Short-term deposits with building societies	13,781	11,560	9,424
Total Cash and Cash Equivalents	14,142	11,788	9,717

The cash and cash equivalents figure represents a total amount of £9,717k in hand. The actual cash position at the bank and held as petty cash was a balance of £293k. £9,424k represents short-term deposits.

23. Assets Held for Sale

The analysis of Assets Held for Sale is shown below:

	2009/10 £000	2010/11 £000
Balance outstanding at start of year	136	-
Assets newly classified as held for sale:		
- Property, Plant and Equipment	-	1,530
Revaluation Increases/ (decreases) recognised in the Revaluation Reserve	-	(260)
Cost to Sell	-	(20)
Assets sold in the year	(136)	
Balance outstanding at year end	-	1,250

In 2010/11 £1,230k relates to property and £20k relates to vehicles.

Property

2009/10

In November 2008, the Police Authority decided to put police house 5 Cliffe Road, Stamford on the market in its current state. JH Walters were appointed as the estate agents. The property was sold via auction on the 29th April 2009. The property had a guide price of £142k, it was sold for £142k less costs to sell of £6k.

2010/11

In 2006 the Police Authority decided to build a new Police Headquarters for the South of the county. The old facility in the centre of Grantham was secured and classified as a surplus asset with NBV of £1530k as at 31st March 2010. In February 2011, the Authority took steps to put the property on the market and the asset was reclassified as an asset held for sale. At this point the asset was removed from non-operational assets and moved into non current assets held for sale. The property revaluation went down by £280k.

The Authority expects to dispose of the asset within the year. Old Grantham Police Station was vacated on the 7th November 2007. Hodgson Elkington estate agents were

appointed by the Authority to sell the property. The property is currently being marketed by Hodgson Elkington with a guide price of £1,250k based on estate agents market value. Cost to sell is estimated at £20K.

Vehicles

2010/11

All Force vehicles are depreciated over 3 years. Fleet review all vehicles on an ongoing basis throughout the year to identify any vehicles that need to be sold i.e. older than 3 years or with excessive mileage. Vehicles are sent to auction six at a time.

As soon as a vehicle is identified for decommissioning the tax disc is removed and livery removed. At this point the asset is classified as non-operational and available for sale. At 31st March 2011, the reserve price on the cars held awaiting auction was £20.1k. Costs to sell were £0.7k.

24. Creditors

An analysis of creditors is given below. Other entities and individuals include: supplies and services, pay accruals, receipts in advance, other creditors and employee benefits. Employee benefits are the theoretical value of annual leave/time owed to staff at the Balance Sheet date.

	31 March 2009 £000	31 March 2010 £000	31 March 2011 £000
Central government bodies	(1,503)	(1,596)	(1,837)
Other local authorities	(417)	(453)	(459)
Other entities and individuals	(16,021)	(10,059)	(8,751)
Total Short-Term Creditors	(17,941)	(12,108)	(11,047)

25. Revenue Provisions

The Authority has made provisions to meet the costs of the liabilities described below. They are classified as provisions because there is uncertainty about the value and timing of the liabilities, and whether there was an obligation to transfer economic benefits at the Balance Sheet date. The factors affecting the Authority's provisions at 31st March 2010 are set out in the second table.

	Major Incidents £000	Legal Services £000	Ill Health Retirements £000	Termination Benefits of Employment £000	Total £000
Balance at 1 April 2009	(295)	(443)	(134)	-	(872)
Additional Provisions Made In 2009/10	(334)	(389)	(155)	-	(878)
Amounts Used In 2009/10	295	443	134	-	872
Balance at 31 March 2010	(334)	(389)	(155)	-	(878)
Additional Provisions Made In 2010/11	(360)	(142)	(241)	(248)	(991)
Amounts Used In 2010/11	334	319	155	-	808
Unused amounts reversed in 2010/11	-	49	-	-	49
Balance at 31 March 2011	(360)	(163)	(241)	(248)	(1,012)

With the exception of the termination benefits of employment provision all other provisions are expected to be used in 2011/12. The termination benefits of employment is split between short-term provisions (£27k) and long-term provisions (£221k).

Provision	Description of the obligation	Expected timing of payments	An indication of the uncertainties	Amount of any expected reimbursement
Major Incidents	Each current major incident has been examined and a provision made for the costs to be incurred in concluding the investigation.	April to September 2011	The scope of investigations can quickly change as new evidence is discovered. This could greatly reduce or increase costs.	None.
Legal Services	A number of claims are being pursued against the authority, both public and employer's liability.	No certainty, but expected during 2011/12	As with any legal claim, the final outcome will depend upon many factors.	Insurers bear any costs above the excess on our policy.
Ill Health Retirements	Officers were being considered for ill health retirement at the Balance Sheet date.	June 2011	Appeals are possible within the process of ill health retirements.	None.
Termination Benefits of Employment	Amounts to be paid in relation to Police Staff previously retired.	These liabilities are met on a monthly basis, they will continue for the lifetime of the claimant.	Actual costs will vary with the lifespan of the claimant.	None

26. Usable Reserves

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statements. 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. Usable Capital Receipts are the proceeds from the sale of capital assets, which are used to fund future capital expenditure.

	Capital Receipts Reserve £000	Earmarked Reserves (LPA)	Earmarked Reserves (EMSOU)	Earmarked Reserves Total £000	General Fund Balance (LPA) £000	General Fund Balance (EMSOU) £000	General Reserve Total £000	Total Usable Reserves £000
Balance as at 1 April 2010	93	4,912	92	5,004	3,821	38	3,859	8,956
Movements during the year								
Surplus on the provision of services	-			-	61,044	(48)	60,996	60,996
Adjustments between accounting basis and funding basis under regulations	-			-	(59,321)	38	(59,283)	(59,283)
Income and Expenditure contribution	-	2,364		2,364	(2,364)	-	(2,364)	-
Used in the year	(93)	(1,850)	(6)	(1,856)	1,850	6	1,856	(93)
Total reserve movements 2010/11	(93)	514	(6)	508	1,209	(4)	1,205	1,620
Balance as at 31 March 2011	-	5,426	86	5,512	5,030	34	5,064	10,576

27. Unusable Reserves

	1 April 2009 £000	31 March 2010 £000	31 March 2011 £000
Revaluation Reserve	993	772	438
Capital Adjustment Account	18,366	15,954	13,159
Pensions Reserve	(603,309)	(922,460)	(801,402)
Collection Fund Adjustment Account	205	61	175
Accumulated Absences Account	(2,791)	(3,631)	(3,397)
Termination Benefits Adjustment Account	-	-	(247)
Total Unusable Reserves	(586,536)	(909,304)	(791,274)

28. Revaluation Reserve

The Revaluation Reserve records the accumulated gains on the long-term assets held by the Authority arising from increases in value. The Reserve is also debited with amounts equal to the part of depreciation charges on assets that have been incurred only because the asset has been revalued. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

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

2009/10 £000		2010/11 £000
993	Balance at 1 April	772
-	Upward revaluation of Property, Plant and Equipment	9
(44)	Downward revaluation of Property Plant and Equipment, and impairment losses not charged to the Surplus or Deficit on the Provision of Services	(82)
-	Downward revaluation of Assets Held for Sale and impairment losses not charged to the Surplus or Deficit on the Provision of Services	(280)
-	Upward valuation of Assets Held for Sale	20
(70)	Downward revaluation of Investment Properties not charged to the Surplus or Deficit on the Provision of Services	-
(114)	Deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(333)
(11)	Difference between fair value depreciation and historical cost depreciation and adjustment on revaluation reserve	(1)
(96)	Accumulated gains on assets sold or scrapped	-
(107)	Amount written off to the Capital Adjustment Account	(1)
772	Balance at 31 March	438

29. Capital Adjustment Account

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

2009/10 £000		2010/11 £000
18,366	Balance at 1 April	15,954
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(4,202)	Charges for depreciation and impairment on non-current assets	(4,193)
(10)	Market Rasen Station Prepayment	(10)
(2,420)	Revaluation losses on Property, Plant and Equipment	(1,529)
(44)	Amortisation of intangible assets	(29)
(4)	Revenue expenditure funded from capital under statute	(1)
(179)	Amounts of non-current assets written off on disposal or sale as part of the gain/(loss) on disposal to the Comprehensive Income and Expenditure Statement	(59)
(6,859)		(5,821)
107	Adjusting amounts written out of the Revaluation Reserve	1
(6,752)	Net written out amount of the cost of non-current assets consumed in the year	(5,820)
	Capital financing applied in the year:	
83	Use of Capital Receipts Reserve to finance new capital expenditure	107
557	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	300
2,705	Application of capital grants and contributions to capital financing transferred to the CAA	875
3,345		1,282
(395)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	55
(395)		55
	Items not debited or credited to the Comprehensive Income and Expenditure Statement:	
1,390	Revenue provision for the repayment of debt	1,688
1,390		1,688
15,954	Balance at 31 March	13,159

The Account contains accumulated gains and losses on Investment Properties. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date the Revaluation Reserve was created to hold such gains. Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

30. Pensions Reserve

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

2009/10 £000		2010/11 £000
(603,309)	Balance at 1 April	(922,460)
(289,187)	Actuarial gains or losses on pensions assets and liabilities	59,087
(44,999)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	43,081
15,035	Employer's pensions contributions and direct payments to pensioners payable in the year	18,890
(922,460)	Balance at 31 March	(801,402)

31. Collection Fund Adjustment Account

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

2009/10 £000		2010/11 £000
205	Balance at 1 April	61
(144)	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	114
61	Balance at 31 March	175
	Represented by:	
1,686	Council tax arrears	1,713
(414)	Impairment for doubtful debts	(514)
(628)	Council tax overpayments and prepayments	(689)
(583)	Creditors, billing authorities	(335)
61	Collection fund surplus / (deficit)	175

32. Accumulated Absences Account

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

2009/10 £000		2010/11 £000
(2,791)	Balance at 1 April	(3,631)
2,791	Settlement or cancellation of accrual made at the end of the preceding year	3,631
(3,631)	Amounts accrued at the end of the current year	(3,397)
(840)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	234
(3,631)	Balance at 31 March	(3,397)

33. Termination Benefits Adjustment Account

The Termination Benefits Adjustment Account recognises movements in termination benefits during the year. It relates to the annual review of liabilities to 26 individuals who left the Authority under past accounting arrangements. 2010/11 was the first year that the Authority's full liability was recognised.

2009/10 £000		2010/11 £000
	- Balance at 1 April	-
	- Settlement or cancellation of accrual made at the end of the preceding year	-
	- Amounts accrued at the end of the current year	(247)
	- Amount by which termination benefits charged to the Comprehensive Income and Expenditure Statement on an accruals basis	(247)
	- Balance at 31 March	(247)

34. Cash Flow – Adjustments on Provision of Services for Non Cash Movements

2009/10 £000		2010/11 £000
(4,204)	Depreciation of Non-Current Assets	(4,206)
(2,818)	Impairment and Downward Valuations of Non-Current Assets	(1,523)
(44)	Amortisation of Intangible Assets	(31)
1,966	Amortisation of Government Grant and Other Contributions	-
24	Increase in Impairment Provisions for Bad Debts	(1)
298	Increase/(Decrease) in Creditors	1,061
(406)	(Increase)/Decrease in Debtors	(1,981)
14	(Increase)/Decrease in Stock	20
(29,964)	Pension Liability	61,971
5	Carrying Amount of Non-Current Assets Sold	(60)
(6)	Contributions to Provisions	(134)
(13)	Other Non-Cash Items Charged to the Net Surplus or Deficit on the Provision of Services	55
(35,148)	Non Cash Movements	55,171

35. Cash Flow – Adjustment on Provision of Services for Investing and Financing Activities

2009/10 £000		2010/11 £000
10	Proceeds from the Sale of Property, Plant and Equipment and Investment Property	14
-	Capital Grants credited to Surplus or deficit on the provision of services	(88)
10		(74)

36. Cash Flow – Operating Activities

The cash flows for operating activities include the following items:

2009/10 £000		2010/11 £000
(202)	Interest received	(156)
766	Interest paid	782

37. Cash Flow Statement – Investment Activities

2009/10 £000		2010/11 £000
5,273	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	3,281
-	Purchase of Short-Term and Long-Term Investments	5,010
(177)	Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets	-
(4,900)	Proceeds from Short-Term and Long-Term Investments	-
196	Net Cash Flows from Investing Activities	8,291

38. Cash Flow Statement – Financing Activities

2009/10 £000		2010/11 £000
(2,450)	Cash Receipts of Short and Long-Term Borrowing	(1,910)
(729)	Other Receipts from Financing Activities	(199)
1,404	Repayments of Short and Long-Term Borrowing	1,688
6,068	Other Payments for Financing Activities	-
4,293	Net Cash Flow from Financing Activities	(421)

The £6,068k in 2009/10 represents Mobile Data expenditure for the region (Derbyshire, Leicestershire, Lincolnshire, Northamptonshire and Nottinghamshire). The Authority received the Home Office regional funding in 2008/09.

39. Proceeds from Short-Term Investments

This item relates to the movement in short term investments made by the Authority during the year.

2009/10 £000	Changes in Short Term Investments	2010/11 £000
4,900	Balance Sheet Opening Balance	-
(4,900)	Transactions during the year reported in the Cash Flow Statement	5,010
-	Balance Sheet Closing Balance	5,010

40. Police Property Act Fund

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

	2009/10 £000	2010/11 £000
Balance as at 1st April	(32)	(24)
Income	(9)	(14)
Expenditure	17	20
Balance as at 31st March	(24)	(18)
Cash balance held by Lincolnshire Police as at 31st March	(24)	(18)

41. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Police Authority on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement;
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year.

The income and expenditure of the Authority's principal directorates recorded in the budget reports for the year is as follows:

Reconciliation of Directorate Income and Expenditure to Net Cost of Services in the Comprehensive Income and Expenditure Statement

Directorate Income and Expenditure 2009/10 Comparative Figures	Police Officer Pay Costs £000s	Operational Devolved Budgets £000s	Support Devolved Budgets £000s	Central Budgets £000s	Police Authority £000s	Seconded Officers £000s	General Government Grants £000s	NDR £000s	Council Tax £000s	Other Grants £000s	Other Income / Funding £000s	Total £000s
Fees, charges & other service income	-	(2,343)	(3,145)	(22)	(10)	-	-	-	-	-	(149)	(5,669)
Government grants	-	-	-	-	-	-	(44,065)	(20,201)	(40,449)	(10,631)	-	(115,346)
Total Income	-	(2,343)	(3,145)	(22)	(10)	-	(44,065)	(20,201)	(40,449)	(10,631)	(149)	(121,015)
Employee expenses	60,095	17,075	16,270	-	385	111	-	-	-	-	-	93,936
Other operating expenses	-	8,780	12,726	2,454	547	-	-	-	-	-	-	24,507
Support services	-	1,984	493	-	-	-	-	-	-	-	-	2,477
Total Expenditure	60,095	27,839	29,489	2,454	932	111	-	-	-	-	-	120,920
Net Expenditure	60,095	25,496	26,344	2,432	922	111	(44,065)	(20,201)	(40,449)	(10,631)	(149)	(95)

Directorate Income and Expenditure 2010/11	Police Officer Pay Costs £000s	Operational Devolved Budgets £000s	Support Devolved Budgets £000s	Central Budgets £000s	Police Authority £000s	Seconded Officers £000s	General Government Grants £000s	NDR £000s	Council Tax £000s	Other Grants £000s	Other Income / Funding £000s	Total £000s
Fees, charges & other service income	-	(1,535)	(2,343)	(82)	(21)	-	-	-	-	-	(316)	(4,297)
Government grants	-	-	-	-	-	-	(44,000)	(22,301)	(41,995)	(9,721)	-	(118,017)
Total Income	-	(1,535)	(2,343)	(82)	(21)	-	(44,000)	(22,301)	(41,995)	(9,721)	(316)	(122,314)
Employee expenses	60,204	17,807	17,127	910	374	(3)	-	-	-	-	-	96,419
Other operating expenses	-	7,502	10,569	3,808	637	-	-	-	-	-	-	22,516
Support services	-	1,744	426	-	-	-	-	-	-	-	-	2,170
Total Expenditure	60,204	27,053	28,122	4,718	1,011	(3)	-	-	-	-	-	121,105
Net Expenditure	60,204	25,518	25,779	4,636	990	(3)	(44,000)	(22,301)	(41,995)	(9,721)	(316)	(1,209)

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2009/10 £000s	2010/11 £000s
Net Expenditure in the Directorate Analysis	(95)	(1,209)
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis.	6,502	(91,459)
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement, Cost of Services.	104,013	106,400
Cost of Services in Comprehensive Income and Expenditure Statement	110,420	13,732

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

	Directorate Analysis £000s	Services and Support Services not in Analysis £000s	Amounts not reported to management for decision making £000s	Amounts not included in I&E £000s	Other Adjustments £000s	Cost of Services £000s	Corporate Amounts £000s	Total £000s
2009/10 Comparative Figures								
Fees, charges & other service income	(5,520)	-	-	-	56	(5,464)	(1,363)	(6,827)
Surplus or deficit on associates and joint ventures	-	-	-	-	-	-	-	-
Interest and investment income	(149)	-	-	149	-	-	(149)	(149)
Income from council tax	(40,449)	-	-	40,449	-	-	(40,305)	(40,305)
Government grants and contributions	(74,897)	-	-	64,266	-	(10,631)	(64,265)	(74,896)
Total Income	(121,015)	-	-	104,864	56	(16,095)	(106,082)	(122,177)
Employee expenses	93,936	2,180	-	(111)	2,157	98,162	27,895	126,057
Other service expenses	22,012	1,012	-	-	(1,844)	21,180	30	21,210
Support services	2,477	-	-	-	(369)	2,108	-	2,108
Capital financing	1,755	3,310	-	-	-	5,065	-	5,065
Interest payments	754	-	-	(754)	-	-	754	754
Precepts & levies	-	-	-	-	-	-	-	-
Gain or (loss) on disposal of non current assets	(14)	-	-	14	-	-	(14)	(14)
Total Expenditure	120,920	6,502	-	(851)	(56)	126,515	28,665	155,180
(Surplus) or Deficit on the Provision of Services	(95)	6,502	-	104,013	-	110,420	(77,417)	33,003

	Directorate Analysis £000s	Services and Support Services not in Analysis £000s	Amounts not reported to management for decision making £000s	Amounts not included in I&E £000s	Other Adjustments £000s	Cost of Services £000s	Corporate Amounts £000s	Total £000s
2010/11								
Fees, charges & other service income	(4,142)	-	-	-	439	(3,703)	(2,237)	(5,940)
Surplus or deficit on associates and joint ventures	-	-	-	-	-	-	-	-
Interest and investment income	(155)	-	-	155	-	-	(211)	(211)
Income from council tax	(41,995)	-	-	41,995	-	-	(42,109)	(42,109)
Government grants and contributions	(76,022)	-	-	65,057	-	(10,965)	(65,057)	(76,022)
Total Income	(122,314)	-	-	107,207	439	(14,668)	(109,614)	(124,282)
Employee expenses	96,419	(96,135)	-	3	777	1,064	34,161	35,225
Other service expenses	19,187	1,433	-	-	(1,201)	19,419	16	19,435
Support services	2,170	-	-	-	(15)	2,155	-	2,155
Capital financing	2,519	3,243	-	-	-	5,762	-	5,762
Interest payments	767	-	-	(767)	-	-	767	767
Precepts & levies	-	-	-	-	-	-	-	-
Gain or (loss) on disposal of non current assets	43	-	-	(43)	-	-	42	42
Total Expenditure	121,105	(91,459)	-	(807)	(439)	28,400	34,986	63,386
(Surplus) or Deficit on the Provision of Services	(1,209)	(91,459)	-	106,400	-	13,732	(74,628)	(60,896)

42. Gross Expenditure and Income

The Comprehensive Income and Expenditure Statement has been prepared using the service expenditure analysis for Police Services as detailed in the amendments to the 2008 Best Value Accounting Code of Practice (BVACOP).

The following table is intended to aid the reader in understanding where the money is spent and in making comparisons between Forces in terms of the type of expenditure incurred.

2009/10 £000	Description	2010/11 £000
61,302	Police Pay and Allowances	61,997
29,851	Police Staff Pay and Allowances	24,008
1,280	Other Employee Expenses	843
2,205	Police Pensions - Ill Health Retirements	1,381
3,524	IAS 19 Adjustment	(87,165)
3,944	Premises	3,176
2,901	Transport	2,853
14,208	Supplies and Services	13,251
127	Third Party Payments	139
2,108	Support Services	2,155
5,065	Capital Financing	5,762
(16,095)	Income from Grants, Fees and Charges	(14,668)
110,420	Net Cost of Services	13,732

This is the second year that the analysis across nine service headings has been required by the BVACOP, it is based on the "Police Objective Analysis" (POA), which has been developed by the Police Service following the end of Activity Based Costing. This method of allocating costs across services is based on a series of apportionments of expenditure in accordance with the actual services carried out by police officers and staff. However, the BVACOP also requires the allocation of central support service costs and other adjustments, which are not carried out in the POA.

43. Corporate and Democratic Core and Non Distributed Costs

Corporate and democratic core expenditure represents those costs of operating an organisation such as a Police Authority, which cannot be directly attributed to a particular function as defined in the Best Value Accounting Code of Practice.

Non distributed costs are a classification from the Best Value Accounting Code of Practice. They are costs which do not require allocation as police service costs. Rather, they are an overhead cost for the organisation. They come from two sources: the historic cost of retirement benefit, and the costs of non operational assets.

	2009/10 £000	2010/11 £000
Police Services	107,423	116,536
Corporate and Democratic Core	1,129	1,187
Change from RPI to CPI within IAS19 Pensions	-	(106,020)
Non Distributed Costs	1,868	2,029
Net Cost of Services	110,420	13,732

Historic costs of retirement benefits

The liabilities as at 31st March 2011 are based on the current benefit structure of both the Local Government Pension Scheme and the Police Pension Scheme. The liabilities include an allowance in respect of retrospective changes to member benefits that came into effect on 1st April 2010 as follows:

- (£106,020k) in respect of the change from RPI to CPI in actuarial calculations;
- £1,115k in respect of the past service costs; and
- £113k in respect of losses on curtailments.

Costs of non operational assets

A new police station was completed in Grantham during 2007/08. The sale of the old site has been delayed, leading to costs of £119k for maintaining the current condition of the property (£97k in 2009/10). Costs for maintaining two other sites were £3K. Depreciation of two police houses at Stamford, which are classed as non-operational assets, is £2k.

Termination benefits

Costs of £677k relating to historic redundancy transactions are also included within non distributed costs. They are described in more detail in Note 55.

44. Jointly Controlled Assets

Sexual Assault Referral Centre

Spring Lodge, Sexual Assault Referral Centre (SARC) opened in April 2010. The SARC is a one stop location where victims of sexual assault can receive medical care and counselling whilst at the same time having the opportunity to assist the police investigation into alleged offences. It is a partnership between Lincolnshire Police and Lincolnshire Partnership NHS Foundation Trust, with Lincolnshire Police acting as the lead Authority. The financial statements include the Authority's share of capital expenditure, primarily the purchase and refurbishment costs associated with Spring Lodge (Lincolnshire Police Authority share is 65%). The financial statements also include the Authority's share of revenue expenditure (Lincolnshire Police Authority share is 50%).

EMSOU

The East Midlands Special Operations Unit (EMSOU) is responsible for undertaking special operations across Leicestershire, Nottinghamshire, Derbyshire, Lincolnshire and Northamptonshire (includes the Regional Asset Recovery Team superannuation and the Regional Review Unit). Leicestershire acts as the lead Authority. The following table shows the total Balance Sheet for this jointly controlled asset together with the balances attributable to Lincolnshire. The transactions relating to Lincolnshire's 12.6% share of revenue expenditure have been included in the Comprehensive Income and Expenditure Statement. The Balance Sheet and Cash Flow also incorporate Lincolnshire's share of EMSOU transactions.

Lincolnshire Police Authority's contribution to EMSOU was £540,957 in 2010/11 (£391,308 in 2009/10).

Lincolnshire Share of EMSOU Balance Sheet as at 31st March 2011

EMSOU 01 April 2009 £000	EMSOU 31 March 2010 £000		EMSOU 31 March 2011 £000
153	118	Property, Plant & Equipment	82
3	6	Intangible Assets	4
156	124	Long Term Assets	86
174	265	Cash and Cash Equivalents	153
115	12	Short-Term Debtors	67
289	277	Current Assets	220
(172)	(157)	Short-Term Creditors	(110)
(172)	(157)	Current Liabilities	(110)
273	244	Net Assets	196
34	38	General Fund Balance	34
93	92	Earmarked Reserves	86
127	130	Usable Reserves	120
156	124	Capital Adjustment Account	86
(10)	(10)	Accumulated Absences Account	(10)
146	114	Unusable Reserves	76
273	244	Total Reserves	196

Lincolnshire Share of EMSOU Comprehensive Income and Expenditure Statement

EMSOU 2009/10 £000		EMSOU 2010/11 £000
205	Police Pay and Allowances	297
133	Police Staff Pay and Allowances	204
19	Other Employee Expenses	16
174	Supplies and Services	163
98	Premises	92
42	Transport	49
22	Support Services	5
63	Capital Financing	67
756	Gross Operating Expenditure	893
(58)	Other Income	(41)
-	(Gains) or Losses on Disposal of Non Current Assets	(1)
698	Amount to be met from Partners	851
	Financed by:	
(391)	Contributions from Partners	(541)
(278)	External Grants	(262)
29	Deficit on the Provision of Services	48
-	(Surplus) or Deficit on Revaluation of Non-Current Assets	-
-	Other Comprehensive Income and Expenditure	-
29	Total Comprehensive Income and Expenditure	48

45. Jointly Controlled Operations

Lincolnshire Road Safety Partnership

Lincolnshire Road Safety Partnership (LRSP) was formed in June 2000 in order to reduce the number of people killed or injured on Lincolnshire's roads. LRSP is a unique multi-agency partnership that brings together road safety professionals from the Police Authority, Lincolnshire County Council, Fire & Rescue, the NHS, the Highways Agency and the Probation Service.

Drug and Alcohol Action Team (DAAT)

The Lincolnshire DAAT is a virtual partnership of all the statutory services in the area and some other significant organisations responsible for delivering the National Drugs Strategy. Previously named the Lincolnshire DAT (Drugs Action Team) the organisation's remit has been widened to incorporate responsibility for the National Alcohol Harm Reduction Strategy and is now called the Lincolnshire Drug and Alcohol Action Team. Drugs Referral Officers work in the Force's custody suites to provide support and advice to individuals and families affected by substance misuse. Lincolnshire Police made a contribution of £55k to DAAT in 2010/11 (£57k in 2009/10).

46. Members' Allowances and Expenses

During 2010/11 payments were made to Members of the Police Authority amounting to £241,132 (2009/10: £145,477) in respect of allowances and £23,738 (2009/10: £30,251) as a contribution towards expenses necessarily incurred in the course of their duties. A new scheme of allowances was introduced during 2009/10, following a review of the basis of payment.

47. Remuneration of Senior Staff

Remuneration includes all sums paid to or receivable by an employee. Pension contributions payable by the employer are excluded.

The table below excludes senior employees who are shown in more detail in the following tables for Senior Officers' Remuneration. It includes 7 Chief Superintendants for 2009/10 and 5 Chief Superintendants for 2010/11.

The table includes 3 employees who received redundancy payments in the year for 2010/11.

Remuneration Range	2009/10 Number of employees	2010/11 Number of employees
£50,000 to £54,999	58	63
£55,000 to £59,999	21	25
£60,000 to £64,999	14	10
£65,000 to £69,999	4	5
£70,000 to £74,999	3	1
£75,000 to £79,999	3	5
£80,000 to £84,999	2	4
£85,000 to £89,999	2	1

2009/10 Senior Employees' Remuneration

Post title	Notes	Salaries, fees or allowances £	Performance related pay £	Compensation for loss of office £	Other benefits receivable in the role £	Total remuneration excluding pension contributions 2009/10 £	Employer's pension contribution £	Total remuneration including pension contributions 2009/10 £
Police officers								
Chief Constable		129,062			6,868	135,930	30,363	166,293
Deputy Chief Constable		108,892			2,756	111,648	25,421	137,069
Assistant Chief Constable 1	01/04/2009 to 28/06/10	22,500				22,500	5,101	27,601
Assistant Chief Constable 2		107,102			1,879	108,981	25,027	134,008
Assistant Chief Constable 3	26/05/2009 to 31/03/10	78,696			245	78,941	18,042	96,983
Assistant Chief Constable 4	01/07/2009 to 31/03/10	70,292			1,957	72,249	16,500	88,749
Police staff								
Director of Human Resources		92,423	9,290		4,660	106,373	16,193	122,566
Director of Finance & Administration		87,561	8,969		5,506	102,036	13,989	116,025
Officers of the Authority								
Treasurer*		8,000				8,000		8,000
Chief Executive & Monitoring Officer	01/04/09 to 31/08/09	51,917		38,123	540	90,580	2,287	92,867
Monitoring Officer**	01/10/09 to 31/03/10							

* The Treasurer's services were largely provided via a third party. During the year, payments amounting to £59,320 were made to the third party for the Treasurer's services.

** From 1 October 2009, Monitoring Officer services were provided via a third party. During the year, payments amounting to £3,000 were made to the third party for Monitoring Officer services.

2010/11 Senior Employees' Remuneration

Post title	Notes	Salaries, fees or allowances £	Performance related pay £	Cost of early retirement under the Rule of 85 £	Other benefits receivable in the role £	Total remuneration excluding pension contributions 2010/11 £	Employer's pension contribution £	Total remuneration including pension contributions 2010/11 £
Police officers								
Chief Constable		134,122			7,307	141,429	28,522	169,951
Deputy Chief Constable		112,362	13,271		3,483	129,116	26,074	155,190
Assistant Chief Constable 1	29/11/10 to 31/03/11	24,220			738	24,958	5,612	30,570
Assistant Chief Constable 2	01/04/10 to 31/03/11	117,914	5,000		3,704	126,618	27,496	154,114
Assistant Chief Constable 3	01/04/10 to 25/05/10	15,349				15,349	3,186	18,535
Assistant Chief Constable 4	01/04/10 to 31/03/11	101,702			3,419	105,121	23,544	128,665
Police staff								
Director of Human Resources	01/04/10 to 16/01/11	74,666	9,526	125,778	3,803	213,773	13,454	227,227
Director of Finance & Administration*		100,637	8,122		5,735	114,494	17,401	131,895
Officers of the Authority								
Treasurer**						-		-
Chief Executive Monitoring Officer***	06/04/10 to 31/03/11	76,056			1,304	77,360	11,960	89,320

* With effect from the 17/01/11 the Director of Finance & Administration became Assistant Chief Officer Director of Resources with a revised portfolio including HR.

** The Treasurer's services were largely provided via a third party. During the year, payments amounting to £56,107 were made to the third party for the Treasurer's services.

*** The Monitoring Officer services were provided via a third party. During the year, payments amounting to £6,000 were made to the third party for Monitoring Officer services.

48. Audit Costs

In 2010/11 the following fees related to external audit were incurred and paid to the Audit Commission.

	2009/10 £000	2010/11 £000
Fees payable to Audit Commission with regard to external audit services carried out by the appointed auditor for the year	68	80
Fees payable in respect of other services provided by Audit Commission during the year	-	-
Total	68	80

49. Grant Income

The Authority credited the following grants to the Comprehensive Income and Expenditure Statement.

	2009/10 £000	2010/11 £000
Credited to Taxation and Non Specific Grant Income		
Central Government:		
Police Grant	(39,402)	(40,762)
National Non Domestic Rates	(20,201)	(22,301)
Home Office Pension Grant	(13,624)	(11,035)
Revenue Support Grant	(4,662)	(3,238)
Capital Grants and Contributions	(1,253)	(875)
Other Bodies:		
Council Tax Precept	(40,305)	(42,109)
Total	(119,447)	(120,320)

	2009/10 £000	2010/11 £000
Credited to Services		
Central Government:		
Neighbourhood Policing Fund	(2,789)	(2,868)
Additional Rule 2 Grant	(3,268)	(2,333)
Crime Fighting Fund	(2,189)	(2,189)
Counter Terrorism	(313)	(305)
Serious and Organised Crime Grant		(125)
Prevent	(35)	(52)
Proceeds of Crime Act	(120)	(93)
Local Surveys Grant		(31)
Mobile Data		(27)
Other Home Office Grants		(51)
Other Bodies:		
LCC Neighbourhood Policing	(1,727)	(1,500)
Basic Command Unit	(310)	(310)
Migration Impact Fund		(224)
Special Constabulary Funding Initiative		(13)
Sexual Assault Referral Centre	(118)	
Total	(10,869)	(10,121)

The Additional Rule 2 Grant above contains the Rural Policing, Special Priority Payments, Forensic and IPLDP grants.

The Authority has received a number of grants that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

	31 March 2009 £000	31 March 2010 £000	31 March 2011 £000
Capital Grants Receipts in Advance <1 year			
CPP	(8)		
Coastal Action Zone	(66)		
Kiosk Project	(1)		
Mobile Data	(1,206)	(40)	(338)
Body Worn Video Device			(99)
Home Office Capital Grant			(140)
Total	(1,281)	(40)	(577)

	31 March 2009 £000	31 March 2010 £000	31 March 2011 £000
Capital Grants Receipts in Advance >1 year			
Mobile Data	(350)	(338)	
Total	(350)	(338)	-

50. Related Party Transactions

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

Central Government

Central government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides a large proportion of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties. Grants received from government departments are included in the subjective analysis in Note 41 on reporting for resources allocation decisions. Home Office Grants credited to the Comprehensive Income and Expenditure Statement in 2010/11 amounted to £82,285k (Note 49). Grant receipts outstanding at 31 March 2011 are shown in Note 49.

Members

Members of the Authority have direct control over the Authority's financial and operating policies. The total members' allowance paid in 2010/11 is shown in Note 46. There are 9 County Council members of the Police Authority, of which since March 2010, 7 are Conservative members, 1 Liberal Democrat member and 1 Independent.

The Authority maintains a Register of Members' Interests, open to public inspection at the Authority during office hours. In addition, Members are required to declare personal and, or prejudicial interests before any discussion or decision on a subject is made by the Authority.

All Members have completed a related party transaction declaration for the financial year in respect to themselves and close family members to identify any business dealings with the Authority that fall into this category. No further disclosures are required.

Officers

The total remuneration to senior staff in 2010/11 is shown in Note 47. All senior officers employed by the Authority at the 31st March 2011 have completed a related party transaction declaration for the financial year in respect to themselves and close family members to identify any business dealings with the Authority that fall into this category. No further disclosures are required.

Other Public Bodies

Jointly controlled assets and operations are disclosed in Notes 44 and 45 respectively.

The table below sets out material transactions between all other public bodies and the Police Authority.

	Income £000	Expenditure £000
Boston Borough Council	(3,533)	121
East Lindsey District Council	(8,442)	293
Lincoln City Council	(4,747)	204
North Kesteven District Council	(6,517)	57
South Holland District Council	(5,010)	82
South Kesteven District Council	(8,325)	233
West Lindsey District Council	(5,535)	281
Lincolnshire County Council	(1,724)	318
National Policing Improvement Agency	(323)	623
Lincolnshire County Council Pension Fund		3,800
University of Leicester		105
Forensic Science Service		1,354

51. Capital Expenditure and Capital Financing

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

	2009/10 £000	2010/11 £000
Opening Capital Financing requirement	17,752	18,812
Capital Investment		
Land and Buildings	1,346	262
Plant & Equipment	4,441	2,642
Assets under Construction	-	375
Intangible Assets	4	-
Revenue Expenditure Funded from Capital Under Statute	4	1
Sources of Finance		
Capital Receipts	(83)	(107)
Government grants and other contributions	(2,705)	(1,026)
Revenue Provision (including MRP)	(1,947)	(1,925)
Closing Capital Financing Requirement	18,812	19,034
Explanation of Movements in Year		
Increase in underlying need to borrow (Supported by Government Financial Assistance)	647	-
Increase in underlying need to borrow (Unsupported by Government Financial Assistance)	413	222
Increase/(decrease) in Capital Financing Requirement	1,060	222

52. Minimum Revenue Provision (MRP)

The Authority is required to adopt a "prudent" approach to the repayment of long term borrowing. Various methods are authorised for the calculation of the Minimum Revenue Provision. The Authority must set an annual policy describing its calculation.

For capital expenditure before 1st April 2008 or which forms part of its Supported Capital Expenditure, the Authority applies option 2, with MRP equal to 4% of these balances. For other capital borrowing on or after 1st April 2008 the Authority applies option 3, calculating MRP over the life of the assets created.

On this basis the MRP for 2010/11 was £1.360 million (2009/10: MRP was £1.097 million).

53. Leases

Authority as Lessee

Finance Leases

The Authority has acquired a Police dog training establishment with kennels and a radio mast under a 99-year finance lease. The asset acquired under this lease is carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	31 March 2010 £000	31 March 2011 £000
Land and Buildings	149	148
	149	148

There is no corresponding liability to recognise as the Authority paid the full costs of constructing the premises at the inception of the lease. If demanded the annual rent is one peppercorn per annum, so there are no minimum lease payments to disclose.

Operating Leases

The Authority has acquired a number of assets (properties, photocopiers and Livescan devices) by entering into operating leases, typically on a short-term basis. The future minimum lease payments due under non-cancellable leases in future years are:

	31 March 2010 £000	31 March 2011 £000
Not later than one year	171	149
Later than one year and not later than five years	91	130
Later than five years	-	118
	262	397

The expenditure charged against the cost of services section of the Comprehensive Income and Expenditure Statement during the year in relation to leases was:

	2009/10 £000	2010/11 £000
Minimum lease payments	201	203
	201	203

The Authority has 7 additional licenses to occupy premises on a peppercorn rent basis, which are cancellable by either party at between 1 and 3 months notice. These premises are typically utilised by Neighbourhood Police Teams. No payments are made for these licenses and as such no value is recorded in the tables above in relation to them.

The Authority held an operating lease for premises in Newark on behalf of the East Midlands Police Authorities Joint Committee. The annual rental was £40k, of which £13k is the onerous portion for 2010/11 – see Note 54.

The EMSOU Headquarters building is also leased. Leicestershire manage EMSOU arrangements. Derbyshire are the Tenant, although Lincolnshire pays a percentage of the cost each year.

Authority as Lessor

Operating Leases

The Authority leases out office accommodation and space on radio masts under operating leases for the following purposes:

- office accommodation for the provision of probation services
- office accommodation for the provision of UK immigration services.
- space on radio masts for telecommunication services

The future minimum lease payments receivable under non-cancellable leases in future years are:

	31 March 2010 £000	31 March 2011 £000
Not later than one year	113	113
Later than one year and not later than five years	195	118
Later than five years	83	76
	391	307

54. Onerous Contracts

The Authority leased 4 units at Stephenson Court in Newark on behalf of the East Midlands Police Authorities Joint Committee which became vacant in November 2010. At that time there was a non-cancellable commitment of £23k (£13k relating to 2010/11 and £10k relating to 2011/12). The lease was due to expire on 2nd July 2011. All outstanding costs have been included in the 2010/11 accounts in compliance with IAS 37. This cost is shared by the five East Midlands Regional Forces.

55. Termination Benefits

The Authority terminated the contracts of 36 employees in 2010/11, incurring liabilities of £649k. This is made up of:

- £28k in compulsory redundancy payments (£67k in 2009/10);
- £424k in voluntary redundancy payments (£0 in 2009/10);
- £196k for enhanced retirement benefits (£56k in 2009/10), £130k of which relates to senior officers and is included in Note 45.

Further, the Authority has recognised the potential liability of £247k for 26 employees who had their contracts terminated in the past under different accounting arrangements. For these employees, the impact on the General Fund is restricted to the £29k cash payment made in 2010/11 (Note 33).

56. Retirement Benefits

Participation in pension schemes

As part of the terms and conditions of employment of its officers and other employees, the Authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to disclose the cost of future pension liabilities at the time that employees earn their future entitlement.

The Authority participates in two pensions schemes:

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

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

Transactions Relating to Retirement Benefits

In order to comply with IAS 19, employer's pension contributions have been replaced with current service costs as estimated by the independent actuary. Lincolnshire Police Authority recognise the cost of retirement benefits in the 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 council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The reversal of the IAS 19 transactions ensures that there is no effect on the amounts to be met from government grant and the local taxpayers.

In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than Retail Prices Index (RPI).

This has the effect of reducing the Authority's liabilities in the Police Pension Fund by £96m and in the Local Government Pension Scheme by £9.9m. The change in the valuation of liabilities has been recognised as a past service gain in accordance with guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact upon the General Fund.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	Local Government Pension Scheme		Police Pension Scheme		Total	
	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000
Comprehensive Income and Expenditure Statement						
Cost of Services:						
Current service cost	(2,275)	(4,847)	(13,200)	(22,700)	(15,475)	(27,547)
Past service costs	(20)	9,905	(1,700)	95,000	(1,720)	104,905
Curtailments	(20)	(113)	-	-	(20)	(113)
Financing and Investment Income and Expenditure						
Interest cost	(4,034)	(5,496)	(40,300)	(44,100)	(44,334)	(49,596)
Expected return on scheme assets	2,926	4,397			2,926	4,397
Pensions interest cost and return on assets	(1,108)	(1,099)	(40,300)	(44,100)	(41,408)	(45,199)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	(3,423)	3,846	(55,200)	28,200	(58,623)	32,046
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement						
Actuarial gains and (losses)	(31,187)	20,287	(258,000)	38,800	(289,187)	59,087
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(34,610)	24,133	(313,200)	67,000	(347,810)	91,133
Movement in Reserves Statement						
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	3,423	(3,846)	55,200	(28,200)	58,623	(32,046)
Actual Amount charged against the General Fund Balance for pensions in year:						
Employers contributions payable to scheme	(3,659)	(4,025)	-	-	(3,659)	(4,025)
Retirement benefits payable to pensioners	-	-	(25,000)	(25,900)	(25,000)	(25,900)
Movement from Comprehensive Income and Expenditure Statement to the General Fund	(236)	(7,871)	30,200	(54,100)	29,964	(61,971)

Assets and Liabilities in relation to Retirement Benefits

In addition to the recognised gains and losses included in the Comprehensive Income and Expenditure Statement, there were also actuarial gains of £59.1 million (losses of £289.2 million 2009/10). The cumulative amount of actuarial losses recognised in the Balance Sheet is £255.4 million.

Reconciliation of present value of the scheme liabilities

	Funded liabilities		Unfunded liabilities	
	LGPS		Police Pension Scheme	
	2009/10	2010/11	2009/10	2010/11
	£000	£000	£000	£000
1st April	57,315	105,343	589,900	878,100
Current service cost	2,275	4,847	13,200	22,700
Interest cost	4,034	5,496	40,300	44,100
Contributions by scheme participants	1,466	1,589	4,500	4,600
Actuarial (gains) and losses	41,655	(21,452)	258,000	(38,800)
Benefits paid	(1,442)	(1,801)	(29,500)	(30,500)
Past service costs	20	(9,905)	1,700	(95,000)
Curtailments	20	113	-	-
31st March	105,343	84,230	878,100	785,200

Reconciliation of fair value of the scheme assets

	Local Government Pension Scheme	
	2009/10	2010/11
	£000	£000
1st April	43,906	60,983
Expected rate of return	2,926	4,397
Actuarial gains and (losses)	10,468	(1,165)
Employer contributions	3,659	4,025
Contributions by scheme participants	1,466	1,589
Benefits paid	(1,442)	(1,801)
Settlements	-	-
31st March	60,983	68,028

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

The actual return on scheme assets in the year was a gain of £4.7 million. (2009/10: a gain of £13.4 million).

Scheme history

	2006/07 £000	2007/08 £000	2008/09 £000	2009/10 £000	2010/11 £000
Present value of liabilities					
Local government pension scheme	(62,085)	(56,659)	(57,315)	(105,343)	(84,230)
Police pension scheme	(683,600)	(535,100)	(589,900)	(878,100)	(785,200)
Fair value of assets in the local government pension scheme	52,269	50,826	43,906	60,983	68,028
Surplus / (deficit) in the scheme					
Local government pension scheme	(9,816)	(5,833)	(13,409)	(44,360)	(16,202)
Police pension scheme	(683,600)	(535,100)	(589,900)	(878,100)	(785,200)
Total surplus / (deficit) in the scheme	(693,416)	(540,933)	(603,309)	(922,460)	(801,402)

Figures for 2006/07 and 2007/08 are also still stated at mid market value since there is no material difference with bid value. Figures from 2008/09 onwards are shown at bid value.

The liabilities show the underlying commitments for retirement benefits that the Authority has to pay in the long run. The total liability of £801 million has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance of £781 million. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

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

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31st March 2012 is £4.3 million. Expected contributions for the Police Pension Scheme in the year to 31st March 2012 are £10.0 million.

Basis for Estimating Assets and Liabilities

Both the Police Scheme and the Local Government Scheme liabilities have been assessed by Hymans Robertson (an independent firm of actuaries). The value of the liabilities is 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 on an actuarial basis using the projected unit method. Estimates are based on the latest full valuation of the scheme as at 31st March 2010.

For the police schemes (both the 1987 Police Pension Scheme and the 2006 new Police Pension Scheme) liabilities have been assessed on an actuarial basis by performing a full actuarial valuation as at 31st December 2010. There has been no allowance for any new retirements or deaths in the period from 31st December 2010 to 31st March 2011. Again, the projected unit method of valuation has been used.

The principal assumptions used by the actuary are set out in the table below.

	Local Government Pension Scheme		Police Pension Scheme	
	2009/10	2010/11	2009/10	2010/11
Long term expected rate of return on assets in the scheme:	%	%	%	%
Equity investments	7.8	7.5	n/a	n/a
Bonds	5.0	4.9	n/a	n/a
Property	5.8	5.5	n/a	n/a
Cash	4.8	4.6	n/a	n/a
Mortality assumptions	Longevity at 65 for LGPS pensioners		Longevity at 60 for police pensioners	
	Years	Years	Years	Years
Longevity for current pensioners:				
Men	20.8	21.2	27.6	27.9
Women	24.1	23.4	31.0	30.8
Longevity for future pensioners:				
Men	22.3	23.7	29.2	29.5
Women	25.7	25.7	32.7	32.3
Financial assumptions	%	%	%	%
Market derived RPI	3.8	3.6	3.8	3.6
Rate of increase in salaries	5.3	5.1	5.3	4.6
Rate of increase in pensions	3.8	2.8	3.8	2.8
Rate of discounting for scheme liabilities	5.5	5.5	5.5	5.5

For the local government scheme, note that an allowance is included for future retirements to elect to take 25% of the maximum additional tax free cash up to HMRC limits for pre-April 2008 service and 63% of the maximum tax free cash for post-April 2008 service. These assumptions are unchanged from the 2009/10 accounts.

It is assumed that 90% of future retirees elect to exchange pension for additional tax free cash up to HMRC limits in the old police pension scheme. No allowance for commutation of lump sum for additional pension has been made in the new police pension scheme. These assumptions are also unchanged from the 2009/10 accounts.

The police pension schemes have no assets to cover their liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	31 March 2010	31 March 2011
	%	%
Equity investments	70.0	76.0
Bonds	18.0	12.0
Property	11.0	11.0
Cash	1.0	1.0
Total	100.0	100.0

History of experience gains and losses

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

	2006/07 %	2007/08 %	2008/09 %	2009/10 %	2010/11 %
LGPS					
Differences between the expected and actual return on assets	0.3	(12.7)	(30.8)	17.2	0.4
Experience gains and losses on liabilities	-	0.2	-	-	(7.3)
Police Pension Scheme 1987					
Differences between the expected and actual return on assets	n/a	n/a	n/a	n/a	n/a
Experience gains and losses on liabilities	0.6	8.4	(7.9)	-	1.3
Police Pension Scheme 2006					
Differences between the expected and actual return on assets	n/a	n/a	n/a	n/a	n/a
Experience gains and losses on liabilities	-	(16.7)	(21.4)	-	(1.3)

57. Contingent Liabilities

Legal claims against the Authority

A number of legal claims are being pursued against the Authority. They are all being rigorously defended.

- The claims are public liability, employer's liability and employment tribunal cases brought against the Authority.
- It is not expected that any material awards will be made against the Authority.
- As with any legal claim, the final outcome and timing of each case will depend upon many factors, some of which had not been determined at the Balance Sheet date.
- The Authority will be reimbursed for any costs which exceed the insurer's excess for an individual case.

Ill health retirements

The medical condition of some staff may mean that they qualify for ill health retirements under the rules of their pension scheme. In such cases, the Authority is required to make a contribution to the pension scheme to fund the additional payments to the individual.

- Each case is considered individually, with professional medical advice being sought.
- As at 31st March, there were 3 staff that were being considered for medical retirement but where no provision had been made.
- Key factors in the assessment process are the nature of the condition, illness or disability, the prognosis for its development in the future and the impact on the individual's ability to work for the police.
- The total cost to the Authority for all 3 staff would be around £240k, but there is no certainty that any of the staff will retire.

58. Nature and Extent of Risks Arising from Financial Instruments

Credit Risk Exposure

This is the risk that one party to a financial instrument will fail to meet their contractual obligations, causing a loss for the other party. Exposure to this risk is managed through the Authority's Treasury Management Strategy. The Authority only invests in approved institutions with secure credit ratings, there are also limits in place on how much can be invested with counterparties.

In the current climate an interim set of operating procedures have been implemented. These are:

- i) Weekly review of Fitch IBCA rating for each counterparty. Loan limits are based on the following:

Rating AA+ to AA-	£5,000,000
Rating A+ to A	£4,000,000
Rating A-	£3,000,000

The rating is also amended by the Fitch Rating outlook so that a negative outlook would result in the institutions banding being reduced by one level.

- ii) The loan activities have been further limited by no longer using Banks who are not based in the UK.
- iii) All loans where possible are placed in on call accounts with the main UK clearing banks. This has resulted in a reduced level of interest being received but is seen as lower risk.

In the event that there is insufficient head room within the loan limits for placing on call money with these counterparties then loans will be placed with other UK based counterparties on the approved list for a period of no greater than one month.

The Authority does not generally allow extended credit for customers such that £82k of the £898k for 2010/11 balance is past its due date for payment. The amounts not impaired can be analysed by age as follows:

	2009/10 £000	2010/11 £000
Current	1,882	757
Up to one month	33	59
Up to six months	32	17
Up to one year	14	14
More than one year	38	51
Total:	1,999	898
Other debtors	5,069	4,178
Total:	7,068	5,076

Note this table only shows the aged debt analysis from the trade debtors account.

Liquidity Risk Exposure

This is the risk that a party will be unable to raise funds to meet its commitments associated with financial instruments. As the authority currently has ready access to borrowings from the Public Works Loan Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the authority will be bound to replenish a significant proportion of its borrowings

at a time of unfavourable interest rates. The financial liabilities however all mature at different times. The maturity analysis of financial liabilities is as follows:

2010/11 long term borrowing	PWLB	Deferred Liabilities	Total
	£000	£000	£000
Less than 1 year	2,101	52	2,153
Between one and two years	1,914	52	1,966
Between two and five years	3,853	156	4,009
More than five years	11,030	208	11,238
Total	18,898	468	19,366

2009/10 long term borrowing	PWLB	Deferred Liabilities	Total
	£000	£000	£000
Less than 1 year	1,838	52	1,890
Between one and two years	1,636	52	1,688
Between two and five years	3,929	156	4,085
More than five years	11,236	260	11,496
Total	18,639	520	19,159

This excludes trade and other payables (creditors and other liabilities) which are due to be paid in less than one year.

Market Risk Exposure

This is the risk that the value of an instrument will fluctuate because of changes in interest rates, market prices, foreign currency exchange rates. The Authority has limited risk. PWLB interest rates are fixed and investments are only temporarily invested (less than a year). The Authority does not invest in equity shares and has no financial assets or liabilities in foreign currencies.

The following sensitivity analysis shows that as at 31 March 2010 and as at 31 March 2011, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	2009/10 £000	2010/11 £000
Increase in interest payable on variable rate borrowings	5	5
Increase in interest receivable on variable rate investments	-	50
Impact on Surplus or Deficit on the Provision of Services	5	55
Decrease in fair value of fixed rate investment assets	-	-
Impact on Other Comprehensive Income and Expenditure	5	55
Increase in fair value of fixed rate borrowings (no impact on the Surplus or Deficit on the Provision of Services)	92	710

The impact of a 1% fall in interest rates would be as above but with the movements being reversed. The variable rate borrowings referred to are the deferred liabilities, transferred debt from Lincolnshire County Council and the variable rate investments are the short term investments. The fixed rate borrowings are the PWLB borrowings. The sensitivity analysis for both years has been prepared using the same method.

59. Post Balance Sheet Events

The Audit, Risk and Governance Committee approved the financial statements on 26 September 2011.

Adjusting events

There have been no material post Balance Sheet events between the year end and the date of approval of these accounts which require adjustment to these financial statements.

Non adjusting events

Outsourcing of support services

The Police Authority is actively exploring the possibility of procuring a range of support services from a private sector provider. A decision is expected in November 2011. If approved, transfers of staff and services to the private sector are likely to take effect from 1 April 2012.

Police and Crime Commissioners

The government propose to introduce Police and Crime Commissioners to replace police authorities with effect from November 2012.

Police pension commutations

In April 2011 the Home Office announced changes to the Police Pension Scheme commutation guidance. This has resulted in small increases to the lump sum payments made to police officers when they retire. The full impact on pension liabilities will be formally assessed in the 2011/12 accounts.

Lincolnshire Police Authority

Police Officer Pensions - Home Office Memorandum Account

2010 / 11

This statement shows the transactions relating to retirement benefits paid to Police Officers and how those costs are paid for.

2009/10 £000	Fund account	2010/11 £000
	Contributions Receivable	
	From Employer:	
10,116	Normal	10,398
1,593	Early Retirements	558
32	Reimbursement of Unabated Pensions of 30+ Police Officers	14
318	Recovery from Humberside Police Authority	243
	From Members:	
4,519	Contributions	4,620
264	Individual Transfers in from Other Schemes	314
16,842		16,147
	Benefits Payable	
22,042	Pensions	22,948
7,641	Commutations	4,183
-	Lump Sum Death Benefits	30
32	Unabated Pension of 30+ Police Officers	14
	Payments To and On Account of Leavers	
10	Refunds of Contributions	7
741	Individual Transfers Out	-
-	Equivalent Premium	-
30,466		27,182
13,624	Sub-total for the year before transfer from Lincolnshire Police Authority of amount equal to the deficit	11,035
(13,624)	Additional funding payable by Lincolnshire Police Authority to meet deficit for the year	(11,035)
-	Net Amount payable/(receivable) by Lincolnshire Police Authority	-

2009/10 £000	Net Asset Statement as at 31st March 2010	2010/11 £000
	Net Current Assets and Liabilities	
-	Pension benefits paid in advance	-
18	Receivable from Humberside Police Authority	-
(18)	Creditors to Lincolnshire Police Authority	-
-	Total	-

Disclosure Notes

1. The operation of the Pension Fund for police authorities in England and Wales is controlled by the Police Pension Fund Regulations 2007 (SI 2007 No 1932). It covers both old and new Police Officer pension schemes but has no impact on the benefit structure of either scheme. The new scheme was introduced from 1 April 2006. This is the only scheme open to new officers, whereas officers in the existing scheme have the option to transfer to the new scheme. Injury and ill health awards continue to be paid from the Police Authority's operating account. The employer contribution rate is 24.2% of pensionable pay. Employees' contributions in the old scheme are 11% of pensionable pay. In the new scheme employees contribute 9.5%.
2. There are no investment assets; the fund is balanced to nil each year by receipt of a pension top up grant from the Home Office (via Lincolnshire Police Authority). Payments are made monthly to pensioners, with the pension fund entries being kept separate, outside of the authority's general ledger accounts.
3. The accounting policies followed are in accordance with Note 1 on pages 27 to 43.
4. The Police Officer Pensions - Home Office Memorandum Account does not take account of liabilities to pay pensions and benefits after the period end.
5. The net amount receivable of £1,428,343 is shown in Lincolnshire Police Authority accounts as due from the Home Office.

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

Opinion on the Authority accounting statements

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

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

Respective responsibilities of the Police Authority Treasurer and auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, 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. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on accounting statements

In my opinion the accounting statements:

- give a true and fair view of the state of Lincolnshire Police Authority's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

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

Matters on which I report by exception

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

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

Authority's responsibilities

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

Auditor's responsibilities

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

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

Basis of conclusion

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

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

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

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

Conclusion

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

Certificate

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

Tony Crawley
Officer of the Audit Commission

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28 September 2011

Glossary of Terms

'30+' police officers

Police officers may opt to receive the lump sum from their pension after 30 years and continue as officers outside the pension scheme. They are no longer able to contribute or accrue further benefits from the scheme. The pension scheme compensates the police officers for loss of any allowances. The Police Authority reimburses the pension scheme for this cost.

Accrual

An adjustment to ensure that expenditure and income are reflected in the appropriate accounting period.

Actuary/Actuarial

A person professionally qualified to advise on pension matters and undertakes calculations on pension costs, allowing for risk and demographic factors.

Amortisation

This is the equivalent of depreciation for intangible assets.

Audit Report

The Audit Commission are an independent body charged with auditing public sector organisations to ensure that proper stewardship is undertaken.

Back Rest Days

Due to the rescheduling of rest days Police Officers may accrue untaken rest days which they may accumulated over a number of years.

Balances

The total revenue Reserves required to provide a working balance during the financial year, for example in periods when expenditure exceeds income.

Capital Adjustment Account

A reserve primarily designed to represent timing differences between the amount of the historical cost of fixed assets that has been consumed and the amount that has been financed in accordance with statutory requirements.

Capital Expenditure

Expenditure on assets, which have a long term value. Includes the purchase of land, purchase or construction of new buildings and vehicles.

Capital Grants

Grants received towards capital outlay on a particular service or project.

Capital Receipts

Proceeds received from the sale of property and other fixed assets (assets which have value beyond one financial year).

CIPFA

The Chartered Institute of Public Finance and Accountancy. This is the main professional body for accountants working in the public service.

Collection Fund

A fund administered by each billing Authority. Council tax monies are paid into the fund. These are distributed to precepting and billing Authority's in proportion to the council tax set.

Creditors

Amounts owed by the Authority for work done, goods received or services rendered but for which payment has not been made at 31 March.

Debtors

Sums of money due to the Authority but unpaid at 31 March.

Depreciation

The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset.

Direct Revenue Financing

This refers to financing of capital expenditure directly from revenue rather than loans or other sources.

Earmarked Reserves

The elements of total Police Authority Reserves, which are retained for specific purposes.

EMSOU

East Midland Special Operations Unit

Financial instruments

Financial instruments are contracts that give rise to a financial asset of one entity and a financial liability of another. For local authorities, this will normally mean contracts which involve the right to transfer cash or other financial assets.

FLEXI TIME

Police Staff may utilise the Force Flexi time scheme to accrue additional hours worked that are held pending their utilisation at a future date.

FRS

Financial Reporting Standards, as agreed by the UK accountancy profession and the Accounting Standards Board.

Government Grants

Payments by Central Government towards the Police Authority's expenditure. They are receivable in respect of both revenue and capital expenditure.

Government Grants Deferred

Grants or contributions received which have supported wholly or in part the acquisition of fixed assets, net of the appropriate share of depreciation for those assets for which a depreciation charge is made.

IFRS

International Financial Reporting Standards: the accounting standards which determine the production and disclosure of financial statements, being due for introduction to local authorities in 2010/11.

Impairment

An adjustment to the value of long-term assets caused by the consumption of economic benefits.

Long Term Debtors

Sums of money due to the Authority originally repayable within a period in excess of twelve months and where payment is not due until future years.

Minimum Revenue Provision (MRP)

The statutory requirement to set aside a minimum revenue provision for the repayment of external loans.

Net Book Value

Long-term assets are depreciated in accordance with their asset life. The net book value is the value remaining after cumulative depreciation has been taken away.

Non Domestic Rates

Rates levied on business properties, collected by District Councils, which are then distributed amongst local authorities as income.

Non Operational Assets

Fixed Assets held by a local authority but not directly occupied, used or consumed in the delivery of services. These will include buildings under construction and surplus assets.

OJEU

Official Journal of the European Union

Precept

The amount levied by one authority which is collected by another e.g. the Police Authority is the precepting authority and the District Councils are the collecting authorities.

PWLB

Public Works Loan Board, a body providing debt funding to local authorities.

Revenue Contributions

This refers to the financing of capital expenditure directly from revenue rather than from loans or other sources.

Revenue Expenditure

The day to day expenditure of the Authority on such items as employees and equipment.

Revaluation Reserve

A reserve designed to represent the amount by which the current value of long-term assets carried in the Balance Sheet is greater, because they are carried at revalued amounts rather than depreciated historical cost.

Revenue Support Grant (RSG)

Grant paid by Central Government in aid of service provision.

Straight Line Depreciation

The writing down of a long-term asset's value by an equal amount for each year of that asset's life.

TOIL

Time Off In Lieu may be accrued by both Police Officers and Staff when working additional hours for which payment is not made.

Virement

Transfers between budget headings, in accordance with Financial Regulations, reflecting changes in Police Authority's expenditure plans.