

Lincolnshire Police

Authority



Financial Statements

2009 / 10

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Lincolnshire Police Authority

Financial Statements

2009/10

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Lincolnshire Police Authority

Members and Officers of the Authority

The Members of the Police Authority on 31st March 2010 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	Fred Mann	Independent
Robert Palmer		Councillor	Rodney Must	Independent
Paul Przyszlak		Councillor	John Walker	Independent
Raymond Sellars		Councillor	Brian Wookey	Independent
Kelly Smith		Councillor		
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 2010 were:

Julie Flint, MSc CPFA	Treasurer to the Police Authority
John Davidson	Monitoring Officer to the Police Authority
Howard Hunt	Deputy Chief Executive 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 10(3)b of the Accounts and Audit Regulations 2003 (as amended by the Accounts and Audit (Amendment) (England) Regulations 2009), I certify that the Audit, Risk and Governance Committee approved the Statement of Accounts on 28 June 2010.

Signed on behalf of Lincolnshire Police Authority.

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

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. The authorisation was given by Dr Brian Wookey, Chairman of the Audit, Risk and Governance Committee.

**Date of Issue of Accounts
23rd September 2010**

Treasurer's Foreword to the Statement of Accounts

This section highlights some of the more important issues that are reported in the Accounts and comments on any issues that have had a major effect on the Authority's finances.

Introduction

I am pleased to present the Statement of Accounts for Lincolnshire Police Authority for the financial year 2009/10. The accounts have been compiled in accordance with, and as required by, the Accounts and Audit Regulations 2003 and 2006, the Code of Practice on Local Authority Accounting 2009, together with the associated statement of recommended practice (SORP) and also the Best Value Accounting Code of Practice (BVACOP) 2008. The 2008 BVACOP has been amended to require the introduction of a revised Police Service Expenditure Analysis with nine divisions of service, this has been included within the Income & 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. The accounts show the financial affairs of Lincolnshire Police Authority during 2009/10 and the financial position as at 31st March 2010.

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. For the first time in 2009/10 in England the responsible financial officer is required by the Accounts and Audit Regulations to certify that the accounts present a "true and fair" view, previously the requirement was to present fairly. This statement is included within the Statement of Responsibilities for the Statement of Accounts included at page 10.

For 2009/10 there are substantive changes to the presentation of the accounts from those produced by the Authority in 2008/09. A number of technical changes have been made in the code of practice, which have been considered and included where appropriate. Two notes detailing Publicity costs and Section 137 expenditure previously included are no longer required and have been removed. New requirements with regard to the disclosure of senior officer remuneration have been introduced and are included in note 7.

The main change having a significant impact on the Authority's 2009/10 Statement of Accounts is with regard to the inclusion of council tax balances. Since the collection of council tax is in substance an agency arrangement performed by District Councils on behalf of the Authority, the cash collected by the Districts belongs proportionately to the Authority. The Authority therefore, is required to include the debtor/creditor position created in its accounts. This change in accounting policy is significant and therefore a prior period adjustment to the 2008/09 accounts has been made in order that meaningful comparisons can be made between years.

The figures for the 2009/10 collection fund balances were not available from all District Councils in time for preparation of the accounts. Hence, the balances for 2009/10

have been estimated from the declared collection fund forecasts as at 15th January 2010 (which were used for setting the 2010/11 budgets) combined with 2008/09 debtors and creditors uplifted for the council tax increase. The actual figures will be reviewed when received and any required changes made in conjunction with the external auditors.

	2008/09 balances £m	2009/10 balances £m
Council tax arrears	1.6	1.7
Impairment for doubtful debts	(0.4)	(0.4)
Council tax overpayments and prepayments	(0.6)	(0.6)
Creditors, billing authorities	(0.4)	(0.6)
Collection fund (surplus) / deficit	(0.2)	(0.1)

This year the Authority did not utilise all of the proceeds from the sale of surplus assets against the current year's capital expenditure. A small balance has been reserved for future year financing of capital spend and is separately identified on the face of the balance sheet as usable capital receipts reserve.

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 specific formula;
- 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 Policies;
- Accounting Statements;
- Notes to the Accounts.

Statement of Responsibilities – Page 10

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

Annual Governance Statement – Page 11

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 2010.

Accounting Policies – Page 21

The purpose of these policies is to explain the basis for the recognition, measurement and disclosure of transactions and other events in the accounts.

The Accounting Statements are as follows:

Income & Expenditure Account – Page 33

A summary of the resources generated and consumed by the Authority in the year.

Statement of Movement on the General Fund Balance – Page 34

A reconciliation showing how the balance of resources generated/consumed in the year links in with statutory requirements for raising council tax.

Statement of Total Recognised Gains and Losses – Page 36

This provides a summary of the Police Authority's total recognised gains and losses in the year for both capital and revenue.

Balance Sheet– Page 37

This represents the financial position of the Police Authority as at 31st March 2010; it shows the balances and reserves at the Authority's disposal together with the fixed and net current assets employed in its operation.

Cash Flow Statement– Page 38

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 39

Detailed notes supporting each of the main accounting statements, together with additional information to help in describing the Authority's financial transactions.

Relationship between accounting statements

The different accounting statements are linked in several important ways.

- The Income & Expenditure account balance is reconciled in the Statement of Movement on the General Fund Balance to the actual movement in the General Fund.
- The Statement of Total Recognised Gains and Losses demonstrates how the movement in net worth in the Balance Sheet is identified to the Income & Expenditure Account surplus/deficit and to other unrealised gains and losses.
- The cash flow statement reconciles to the balance on the Income & Expenditure account for the year and the movement in Balance Sheet liquid assets and liabilities.

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 Income & Expenditure Account. This is analysed by type of spending Note 1 to the accounts.

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 the fixed assets in the Balance Sheet, although the annual costs of financing capital expenditure are also reflected in the Revenue Budget and the Income & Expenditure Account.

The Income & Expenditure Account is charged with capital charges for all fixed assets used in the delivery of services. Capital financing costs are disclosed in the Income & Expenditure Account. 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 2009/10

At its meeting on the 25th February 2009, the Police Authority approved a total Revenue Budget of £115.3 million and a budget requirement of £104.7 million. This represented an increase in council tax of 4.99% and an increase in budget requirement of £4.1 million or 4.1%. This was within the Government's capping criteria for the year.

The Authority received specific grants and contributions of £10.6 million.

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	115.5	114.1	(1.4)
Police Authority	0.9	0.9	-
Service Expenditure	116.4	115.0	(1.4)
Appropriation to/from Reserves:			
Appropriation to Specific Reserves	-	1.4	1.4
Appropriation from Specific Reserves	(1.1)	(2.0)	(0.9)
Total to be Financed	115.3	114.4	(0.9)
Financed by:			
Additional Grant Rule 2	(3.3)	(3.3)	-
Specific Grants	(5.6)	(5.6)	-
Neighbourhood Policing Contribution	(1.7)	(1.7)	-
Police Grant	(39.4)	(39.4)	-
Revenue Support Grant	(4.7)	(4.7)	-
Non Domestic Rates Income	(20.2)	(20.2)	-
Council tax payers	(40.4)	(40.4)	-
Total Funding	(115.3)	(115.3)	-
Contribution from General Fund	-	-	-
Contribution to General Fund	-	0.9	0.9
Transfer to/from General Fund	-	0.9	0.9

Actual spending for 2009/10 was less than the budget for two main reasons:

- Transfers from the Balance Sheet in respect of moving reserves from specific earmarked reserves into the General Fund (£0.6 million) in accordance with the risk based approach adopted by the Authority and from creditor balances into earmarked reserves (£0.3 million). These transactions are required by accounting rules.
- General underspending across the Force devolved budget of £0.5 million.

Provisions totalling £0.878 million have also been included in the accounts. Details of these amounts are given in note 27 to the accounts.

At its meeting in February 2010 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 £4.8 million and £10.4 million. The Authority agreed to work towards reserves at the mid point of this range at £7.6 million. Any unplanned underspend at the end of each financial year will be transferred to the General Fund until such time as the level is reached.

At 31st March 2010, the General Fund was £3.8 million, an increase of £0.9 million from 31st March 2009. This increase resulted from:

- Reallocation of reserves from the earmarked reserves held for Insurance and Major Incidents in accordance with the risk policy (£0.6million) and
- £0.3 million from Income & Expenditure surplus in 2009/10.

Earmarked Reserves (including the Authority's share of the East Midlands Special Operations Unit) totalled £4.7 million. The movements are detailed in note 30 to the accounts.

Pensions

The reporting requirement known as FRS 17 "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 FRS17. The Income & Expenditure Account 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 account, with the bottom line showing a large deficit of £33.4 million. However, the entries in the Statement of Movement on the General Fund Balance 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 £5.8 million. This was financed from:

- Home Office Grants and other grants of £2.7 million;
- borrowing of £2.5 million;
- contributions from Revenue of £0.5 million;
- capital receipts of £0.1 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 2009/10 amounted to £2.5 million, which was used to finance capital expenditure with half repayable over 5 years and half over 25 years in accordance with the anticipated life of the asset. Total debt outstanding at 31st March 2010 was £19.2 million, with £0.2 million interest owing.

Assets and Liabilities

These are summarised in the table below:

	2008/09 Restated £m	2009/10 £m
Assets		
Property, vehicles, equipment & intangibles	37.0	35.4
Amounts owed & stocks	7.6	7.3
Investments	18.7	11.6
Cash at bank and in hand	0.4	0.2
	63.7	54.5
Liabilities		
Creditors	(15.4)	(8.7)
Other liabilities	(7.6)	(7.2)
Long term loans	(18.1)	(19.2)
Pensions liability	(603.3)	(922.5)
	(644.4)	(957.6)
Total Net Assets	(580.7)	(903.1)
These are financed by:		
Accounting reserves	14.3	10.9
Earmarked reserves	5.4	4.7
General reserve	2.9	3.8
Pensions reserve	(603.3)	(922.5)
	(580.7)	(903.1)

The Authority has revalued its assets. This has resulted in a general impairment to the value of its land and buildings being identified of £1.8 million. This is due to a general decline in the commercial property sector during the financial year and was assessed by the Authority's valuer.

The fixed assets of the Authority includes the site of the former police station in Grantham. This building is currently empty and has been included in the non-operational assets of the Authority.

Prospects for 2010/11 and beyond

For the financial year 2010/11, the Authority set a budget against the background of financial risk arising from the current economic climate and the likely constraints on public sector finances moving forward into 2011/12 and beyond.

The Authority recognised that 2010/11 represented the final year of a 3 year central government funding settlement and that the prospects for central government funding in 2011/12 and subsequent years was uncertain as a result of the forthcoming general election and prevailing economic climate. The Authority resolved to increase the council tax by 3.0% in its 2010/11 budget in accordance with the Governments capping criteria. In the light of forecast deficits in future years the Authority and Force agreed to establish a Value for Money Board to examine ways of reviewing expenditure to reduce costs in the future.

The Authority has approved a capital programme of £8.8 million in 2010/11. The programme includes:

- significant investment in the Force estate;
- replacement data and telephone wiring;
- business continuity projects;
- replacement programme for vehicles.

Impact of the current economic climate

The Authority has, as part of its activities, taken actions to reflect the current economic climate. 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 caught in the Icelandic banking incident, the Authority has limited its exposure to UK institutions albeit at a cost of much lower returns. A review of Treasury Management activities is planned to be undertaken in 2010/11.

The Authority has received notification of a £1 million reduction in its funding for 2010/11 as its contribution toward the coalition governments public expenditure cut of £6.1 billion. The Authority at its Finance and Performance meeting on 8th June 2010 agreed to the Chief Constable's proposals to reduce expenditure to meet this reduction. The Authority is reviewing and amending its three-year financial forecast in the light of the Government's announcements regarding a future council tax freeze and public sector pay freeze. The Authority will continue this process as further information emerges from the budget on 22nd June 2010 and the Spending Review in the autumn of 2010. These financial forecasts will be used in conjunction with the work being undertaken by the Value for Money Board to formulate plans to address the reduced level of funding, which is anticipated to be announced towards the end of 2010.

Preparation for IFRS

The Authority has commenced work on the implementation of International Financial Reporting Standards (IFRS). This will result in major changes to the way in which the accounts are presented. Full adoption is required for the 2010/11 financial year and conversion work is being undertaken including a restatement of the Authority's Balance Sheet.

Work has been undertaken as part of the final accounts process to establish an amount relating to untaken annual leave and time off due but not taken or paid for. This calculation has been based on a sample of Force personnel. The resultant figure has not been separately accounted for in the statements as the accounting requirements are not included in the current SORP, however in the assessment of the Authority's General Fund an allowance was made for this potential liability.

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 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.

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 Statement of Recommended Practice on Local Authority Accounting in the United Kingdom.

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 2010 and its Income & 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 2009/10 including plans for the financial year 2010/11.

SCOPE OF RESPONSIBILITIES

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.
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.
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.
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 HQ, Deepdale Lane, Nettleham, Lincoln, LN2 3LT. Telephone 01522 558022. Email police.authority@lincs.pnn.police.uk.
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.
6. A more detailed Statement of Assurance for the Force signed by the Chief Constable supports this overarching Governance Statement.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

7. 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.

8. 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.
9. The governance framework has been in place at the Authority for the year ended 31 March 2010 and up to the date of approval of the statement of accounts.

THE GOVERNANCE FRAMEWORK

10. 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 citizens and service users;
 - 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 citizen and other 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.

REVIEW OF EFFECTIVENESS

11. 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.
12. This review has been informed by the work of the 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 Business Project and the Police Authority Inspections Task and Finish Group. In addition comments made by the external auditors and other review agencies and inspectorates have informed this review.
13. 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.
14. 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.
15. The Force has undertaken its own review of governance and the Annual Assurance Statement has informed and supports this Statement, which follows on pages 17 - 20.
16. Internal Audit have completed their programme of work for 2009/10 and reported the outcome of their work to the Audit, Risk and Governance Committee.
17. 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.

SIGNIFICANT GOVERNANCE ISSUES

18. The Authority Business Project produced a series of recommendations in respect of the Committee structure, the role of Members, the Authority's approach to partnerships, its strategic planning role and its approach to engaging and communicating with the public and others. These

recommendations, together with an action plan for their implementation, were considered by the Authority at its meeting on 17 July 2009 and the implementation of the Business Project has now been completed. As a result a new committee structure is in place which has increased the efficacy with which the Authority carries out its statutory functions. In particular a new Strategic Planning Committee has been created to lead on developing the Authority's future direction; the Audit, Risk and Governance Committee provides for a better focus on audit and risk issues and the Finance and Performance Committee acts as a more effective forum to monitor these two interdependent areas. The new committee arrangements have been further enhanced by the introduction of workplans for all committees which ensure each committee is focused on contributing to the achievement of the Authority's strategic objectives and meeting its statutory obligations. New role profiles have been developed for Members, clearly outlining responsibilities and expectations. Additionally an annual Personal Development Review has been introduced for all Authority members which will inform their learning and development in 2010/11. During 2009/10 the Authority approved a partnership strategy, emphasising the Authority's increased commitment to partnership working. In addition, a joint Authority/Force engagement strategy has been further embedded through the development of Authority engagement and marketing plans. The on-going implementation of these through 2010/11 will increase the Authority's ability to engage with and understand the needs of local communities, further informing the Authority's business planning and its ability to achieve its objective of increasing public trust and confidence.

19. The Authority has continued to develop its approach to risk management both internally and its oversight of risk management within the Force. The Authority's risk management strategy has been reviewed and risk is actively considered by each of the Authority's committees. The Force Risk Management Board is now in place and is attended by the Authority Treasurer. Whilst the ability of the Force to address operational risk has improved, there remains uncertainty about the way in which strategic risk is being addressed and this will be pursued by the Authority during 2010/11. Last year's Annual Governance Statement reported on the Force's developing approach to business continuity. During 2009/10 the Authority conducted a scrutiny into this area which made a number of recommendations. The Force has now established a Business Continuity Board, on which the Authority is represented. This will enable the Authority to continue to oversee necessary developments, particularly with regard to the resilience of the Force's Communication and Control Centre and ICT infrastructure, the efficacy of which are fundamental to the delivery of policing in the County.
20. The Authority's former Chief Executive left the organization on 31 August 2009 and a new Chief Executive joined on 6 April 2010. The Treasurer and Interim Deputy Chief Executive were in post throughout the intervening period and the Authority's Human Resources Committee retained a close watching brief on the resulting resilience issues faced by the Secretariat. Following the appointment of the Chief Executive, the senior leadership team has been further stabilized by the post of Deputy Chief Executive being filled on a permanent basis.

21. Financial standing remains an issue for the Authority. Following the General Election the Policing Minister announced reductions in Home Office policing funding for all authorities in 2010/11. For Lincolnshire this equates to a total of £1m. This represents just under 1% of the Authority's total budget for the current year. In the current fiscal climate within which the public sector is operating, it is anticipated further reductions in funding will be likely, both in the form of Home Office Grants and through the Council Tax precept, given Government's expectation Council Tax will not rise in 2011/12. Despite this the Authority remains committed to seeking to ensure that Lincolnshire Police has a fairer share of central government funding. The Authority has been active in speaking to the County's MPs and explaining the Authority's rationale for its position, i.e. that it remains one of the lowest funded forces in the country. Whilst continuing to communicate this message to government prior to the next Comprehensive Spending Review, the Authority and Force both recognize the need to plan for a challenging financial future. The Policing Plan for 2010-13 includes the Value for Money (VFM) Statement which outlines the Authority's plans for efficiency savings during the next three years. A joint Force/Authority Value for Money Board will continue to commission VFM reviews to identify savings through 2010/11. The Authority has approved a risk based Reserves Policy which seeks to establish the General Fund at a level which is commensurate with the midpoint of the acceptable range. Currently, the General Fund, whilst above the minimum threshold, is below the midpoint. However, the Authority's policy establishes a clear way forward in terms of restoring, over time, the General Fund to the agreed level.
22. At the time of preparing this statement, the future of the joint Her Majesty's Inspectorate of Constabulary (HMIC)/Audit Commission police authority inspections is uncertain. However, the Authority is continuing to use the inspection framework as a tool to identify areas for development and improvement in the way the Authority carries out its business. A Task and Finish Group, led by the Chairman of the Audit, Risk and Governance Committee, has been established to assess the Authority's current position against the framework and inform improvement planning. This work has been focussed on the four themes of a) setting strategic direction and priorities, b) scrutinising performance outcomes, c) achieving results through community engagement and partnership and d) ensuring value for money and productivity. Currently the Authority holds the view that it would secure an overall score of "Performs Adequately" against the Inspection Framework. The Authority has a strategic objective of aiming to be in the highest category of performance "Performs excellently" within three years. An improvement plan will be finalised during July 2010 and implemented during the remainder of 2010/11.
23. The Authority is also working with the Force to utilise the HMIC Working for the Public productivity framework to inform improvements in the way the workforce is led, organised and developed to maximise productivity. At the time of writing it is anticipated that a Working for the Public Inspection will take place during the calendar year 2010.
24. The Authority has recently initiated a review of its scheme of delegation which it will complete during 2010/11. In particular this will focus on clarifying and ensuring fitness for purpose in the matters for which the Chief Constable and

other members of the Force have delegated responsibility and in those areas where decisions are reserved for the Authority and its Officers.

25. 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 2010 including plans for the financial year 2010/11

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 2010 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
 - Performance indicators
 - Resource Management Board reviewing changes to resource allocation during the year
 - Establishment Management Board, controlling the police officer and staff establishments
 - Major Programme Board managing the asset base of the Force, and planning capital developments
 - Service Improvement Board reviewing the quality of services
 - Value For Money Board, a newly created board working jointly with the Police Authority to develop programmes of work to make the Force more economic, efficient and effective.
- 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
 - PRIDE and leadership charters
- 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.
 - Internal audit
 - Scrutiny by the Police Authority
- Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.

- External audit
 - Internal audit
 - 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
 - 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
 - Ensuring that training needs are fully integrated into project implementation plans
 - 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
 - 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
 - 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 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 system of internal control within the Force. The review of the effectiveness is informed by the work of the Director of Finance and Administration, 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 have informed this 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

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. A review of exposure to risk has identified key areas as:

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

Projects have been implemented to address the first two issues. The projects will be controlled by the Major Programme Board and will be reviewed by the Force Risk Management Board.

In response to the need for increased efficiency in the use of resources, a Value For Money (VFM) Board has been jointly established between the Force and the Police Authority.

The effectiveness of these measures will be monitored as part of our next annual review, along with the need for improvements in other areas.

In addition, the Force has worked throughout 2009/10 to apply its limited resources to the highest areas of operational risk. Developments include:

- more staff to investigate paedophile and on-line criminality;
- additional intelligence support officers;
- the establishment with partner agencies of a Sexual Assault Referral Centre which opened in April 2010.

However the gap in service provision continues to be an ongoing issue and will be reflected within the Force's risk management arrangements. The Force is undertaking reviews of specific areas of spend to provide funding from within existing resources to ensure that future policing arrangements are fit for purpose. Governance requirements will be a fundamental element of the reviews.

Richard Crompton
Chief Officer of Lincolnshire Police

Lincolnshire Police Authority

Statement of Accounting Policies

This section summarises the rules and codes of practice used to prepare these accounts, together with any estimation techniques adopted.

General

1. The accounts have been prepared in accordance with the “Code of Practice on Local Authority Accounting in the United Kingdom 2009, a statement of recommended practice” (known as the “SORP”, issued by CIPFA) and also with CIPFA’s “Guidance notes for practitioners” which provide comments and further examples to help explain and define the principles described in the SORP. 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.
2. The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.
3. All accounting policies that are material to the production of the accounts are described in this section. In addition, estimation techniques adopted to establish the monetary value of an item of account are also declared where applied.
4. Prior year balances have been updated to properly reflect the income of the Force in accordance with FRS 5, Note G. The standard recognises that District Councils are acting purely as an intermediary when they collect council tax income and pay it over to the precepting authorities. In the past, the District Councils disclosed debtor and creditors for council tax, and accounted for council tax collection fund surpluses or deficits. The cash adjustments were passed on to precepting authorities in the following year. FRS 5 identifies precepting authorities to be the ‘principal’ person in the collection of their share of council tax income. Consequently, Lincolnshire Police will accrue for any collection fund surplus or deficit from 2009/10 in the 2009/10 accounts (rather than including it when it is received in 2010/11). Any resulting debtor or creditor relationships will also be disclosed. The figures for the 2009/10 collection fund balances were not available from all District Councils in time for the preparation of the accounts. The balances for 2009/10 have been estimated from the declared collection fund forecasts as at 15th January 2010, combined with 2008/09 debtors and creditors uplifted for the council tax increase.

Tangible Fixed and Intangible Assets

5. All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis in the accounts. Expenditure on fixed assets is capitalised provided that the fixed asset yields benefits to the Authority for a period of more than one year. This includes expenditure which adds to and not merely maintains the value of an existing asset but excludes expenditure on training, routine repairs and maintenance of fixed assets, which is charged direct to the Income & Expenditure Account.
6. Expenditure on assets that do not have physical substance but are identifiable and controlled by the Authority (e.g. software licences) is capitalised when it will bring benefits to the Authority for more than one financial year. Assets of this type are called intangible assets. The balance is amortised to the Income & Expenditure Account over the economic life of the investment to reflect the pattern of consumption of benefits.
7. Fixed 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. The valuations have been carried out by members of The Royal Institution of Chartered Surveyors.
8. Fixed 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 2010 by way of a desktop revaluation of all assets. Vehicles, Plant, Furniture and Equipment have been valued at cost. Operational police stations incorporating custody suites have been valued as a mixture of existing use value and depreciated replacement cost. All other operational properties have been valued on an existing use basis and all non-operational properties have been valued on an open market value basis. All valuations are in accordance with the capital accounting rules on the following basis:
 - land, operational properties and other operational assets are included in the balance sheet at the lower of net current replacement cost or net realisable value in existing use;
 - non-operational assets, assets that are surplus to requirements are included in the balance sheet at net realisable value, except for investment properties which are valued at open market value;
 - intangible assets are included in the Balance Sheet at historic cost;
 - assets under construction are included in the Balance Sheet at historic cost.

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.

Accounting for Fixed Assets

9. In years when there is a full revaluation of assets (every 5 years) the steps to account for assets will be:
- bring forward asset values from the previous year;
 - revalue as at 1st April;
 - remove disposals from the asset register;
 - add additions to the asset register;
 - depreciate assets;
 - complete an impairment review at the 31st March to confirm carrying values;
 - disclose updated asset values in the accounts.

The next full valuation is due in 2011/12. In that year there will be a full revaluation at the start of the financial year, and a separate impairment review at the end of the year, in accordance with our accounting policies.

10. In all other years (including the 2009/10 accounts) the steps to account for assets will be:
- bring forward asset values from the previous year;
 - remove disposals from the asset register;
 - add additions to the asset register;
 - depreciate assets;
 - update asset values as at the 31st March, to include both revaluation and an impairment review;
 - disclose updated asset values in the 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.

Impairment

11. The values of each category of assets and of material individual assets are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for by:
- where attributable to the clear consumption of economic benefits – the loss is charged to the Income & Expenditure Account;
 - otherwise, the reduction is written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the Income & Expenditure Account.
12. Where an impairment loss is charged to the Income & Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

Disposals

13. When an asset is disposed of, the Authority follows the following process:
 - the asset is revalued to market value;
 - the carrying value of the asset is written out of the balance sheet;
 - any government grant deferred relating to the asset is also written out of the balance sheet;
 - income greater than or equal to £10k is recorded as a capital receipt, with any lower value being recorded as income in the Income & Expenditure Account.
14. The profit or loss on disposal is calculated as being the capital receipt, less the carrying value of the asset, adding back the current value of any deferred grants or donations, less the costs of disposal. The profit or loss on disposal appears in the Income & Expenditure Account. Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account. The value of disposals is not a charge against council tax as the cost of the fixed assets is fully provided for under separate arrangements for capital financing. Consequently it is appropriated to the Capital Adjustment Account from the Statement of Movement on the General Fund Balance.
15. Amounts in excess of £10,000 received from disposals are credited to the Usable Capital Receipts Reserve, which can then only be used for new capital investment or set aside to reduce the Authority's borrowing requirement. Receipts are appropriated to the Usable Capital Receipts Reserve (see note 31) from the Statement of Movement on the General Fund Balance.

Depreciation

16. Depreciation is provided for on all fixed 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 fixed assets in the year of acquisition and also in the year of disposal. Note that investment properties (masts) are an exception where in accordance with accounting rules there is no depreciation.
17. The policy on asset lives is as follows:
 - Buildings (other than temporary buildings) are depreciated over their estimated life of between 20 and 50 years as estimated by the valuer.
 - Furniture and non-specialist equipment has been 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.
 - Intangible assets are depreciated over their estimated useful lives of 5 years.
18. 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.

19. For surplus assets awaiting disposal, depreciation is not charged to services. Rather, it is charged to non distributed costs in the Income & Expenditure Account.

Charges to Revenue for Fixed Assets

20. The accounts are charged with a capital charge for all fixed 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 fixed 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 fixed assets attributable to the service.

21. The Authority is not required to raise council tax to cover depreciation, impairment losses or amortisations. The Authority is required to make an annual provision from the Income & Expenditure Account to contribute towards the reduction in its overall borrowing requirement. In accordance with the Authority's approved policy, this 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 Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

22. Amounts set aside from revenue for the repayment of external loans (to finance capital expenditure or as transfers to other earmarked reserves) are disclosed separately as appropriations in the Statement of Movement on the General Fund Balance and detailed in the notes to the accounts. All loans are taken from the Public Works Loans Board and repaid by an equal instalment of principal, being paid in each year of the loan.

Revenue Expenditure Funded from Capital Under Statute

23. Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of fixed assets on the balance sheet of Lincolnshire Police has been charged as expenditure to the Income & Expenditure Account in the year.

Government Grants and Contributions (Capital)

24. Where the acquisition of a fixed asset is financed either wholly or in part by a government grant or other contribution, the amount of the grant or contribution is credited initially to the Government Grants Deferred Account. Amounts are released to the Income & Expenditure Account over the useful life of the asset to match the depreciation charged on the asset to which it relates.
25. Government grants and other contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received.

Operating Leases

26. Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the Income & Expenditure Account on a straight line basis over the term of the lease, generally meaning that rentals are charged when they become payable. Where the Authority acts as a lessor income is credited to the Income & Expenditure Account over the term of the lease as it becomes due.

Accruals of Income & Expenditure

27. Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. Revenue debtors and creditors at the year end have been included in the accounts by adopting the procedures described below:
 - Fees, charges, rent and other income due is accounted for as income in the year that it takes place and not simply when the cash payment is received. Where income has been recognised but not received a debtor for the relevant amount is recorded in the Balance Sheet. 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 Income & Expenditure Account for the income that might not be collected. Likewise a payment received in advance of the activity would be recorded in the Balance Sheet as a payment in advance.
 - Where expenditure has been recognised but payment not made a creditor for the relevant amount is recorded in the Balance Sheet. Supplies are recorded as expenditure when they are consumed. If there is a gap between the date of supply and their consumption then they are carried as stock on the balance sheet.
 - Year-end debtors and creditors are raised for all amounts identified. This approach provides a more detailed and accurate assessment of the amounts outstanding.
 - Employee costs have been charged to the accounts of the period within which the employees worked.
 - Interest payable and receivable is accounted for in the year to which it relates, on a basis that reflects the overall effect of the loan or investment. This approach does not result in a material difference from the effective interest rate for the relevant financial instrument.

28. In order to comply with the SORP requirements concerning the disclosure and presentation of Financial Instruments, loan repayments made are charged to the year in which they are paid rather than accrued over the period since the last repayment.

Government Grants (Revenue)

29. Whether paid on account, by instalments or in arrears, government grants are recognised as income at the date when all of the following conditions are met:
- the Authority satisfies the conditions of entitlement to the grant;
 - there is reasonable assurance that the grant will be received; and
 - the expenditure for which the grant is given has been incurred.
30. Revenue grants are matched in the Income & Expenditure Account with the expenditure to which they relate. Grants to cover general expenditure (e.g. Police General Grant) are credited to the Income & Expenditure Account after Net Operating Expenditure.

Stocks

31. Stocks are included in the Balance Sheet at average cost price.

Short Term Investments

32. The temporary lending out of cash surpluses is shown in the Balance Sheet under this heading. Interest has been accrued and accounted for in the period to which it relates.

Provisions

33. Provisions are made 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; but
 - the timing of the transfer is uncertain.
34. Provisions are charged to the Income & Expenditure Account in the year that the Authority becomes aware of the obligation based on the best estimate of the likely settlement. When payments are eventually made they are charged to the provision set up in the Balance Sheet. 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 Income & Expenditure Account.
35. 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 Income & Expenditure Account if it is virtually certain that reimbursement will be received when the obligation is settled.

Reserves

36. The Police Authority has established a General Fund and a number of Earmarked Reserves, which are for future policy purposes or to cover contingencies. They are described in more detail in notes to the accounts.
37. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred it is charged to the Income & Expenditure Account in that year to score against the Net Cost of Services in the Income & Expenditure Account. The reserve is then appropriated back into the Statement of Movement on the General Fund Balance so that there is no net charge against council tax for the expenditure.
38. Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits. These reserves do not represent usable resources for the Authority.

Retirement Benefits

39. In accordance with FRS17, the Balance Sheet includes recognition of the net asset/liability and a pensions reserve. The Income & Expenditure Account shows movements in the asset/liability relating to defined benefit schemes (with reconciling entries back to contributions payable for council tax purposes in the Statement of Movement on the General Fund Balance).
40. FRS 17 is a complex accounting standard 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.”
41. 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”.
42. FRS 17 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)

43. Movements on these assets and liabilities have been recorded in the Income & Expenditure Account. 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

44. 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. (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 FRS 17 valuation date, but with the removal of recently re-rated bonds from the index.
45. In assessing liabilities for retirement benefits at 31 March 2010 for the 2009/10 Statement of Accounts, the actuary made assumptions about inflation, salary increases, pension increases, expected return on assets and the discount rate. Of these financial assumptions, the discount rate is the most significant. It has reduced from 6.9% in 2008/09 to 5.5% in 2009/10 as described above. Application of the new set of financial assumptions has resulted in an increase in liabilities of £35m measured at today's prices, adjusted for in the accounts by an increase in actuarial losses recognised for the year in the Statement of Total Recognised Gains and Losses.
46. 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 2010.
47. Under FRS17 and the 2009 SORP quoted securities held as assets in the defined benefit pension scheme are valued at bid price. Lincolnshire County Council are the administering authority for the local government pension scheme, of which Lincolnshire Police Authority is one of the members.
48. Lincolnshire County Council provided valuations to the actuary Hymans Robertson on 'bid' and 'last traded price' basis (both acceptable under the 2009 SORP).

The Police Officer Pension Scheme

49. The liabilities of the Police Officer pension scheme are included in the Balance Sheet on an actuarial basis using the projected unit method. (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 FRS 17 valuation date, but with the removal of recently re-rated bonds from the index.
50. In assessing liabilities for retirement benefits at 31 March 2010 for the 2009/10 Statement of Accounts, the actuary made assumptions about inflation, salary increases, pension increases, and the discount rate. Of these financial assumptions, the discount rate is the most significant. It has reduced from

6.9% in 2008/09 to 5.5% in 2009/10 as described above. Application of the new set of financial assumptions has resulted in an increase in liabilities of £265m measured at today's prices, adjusted for in the accounts by an increase in actuarial losses recognised for the year in the Statement of Total Recognised Gains and Losses.

Pension Scheme Policies

51. 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 Income & Expenditure Account;
- 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 Net Cost of Services 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 Net Operating Expenditure;
- 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 Net Operating Expenditure in the Income & Expenditure Account;
- 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 to the Net Cost of Services 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 Statement of Total Recognised Gains and Losses;
- contributions paid to the Lincolnshire County Council Pension Fund – cash paid as employer's contributions to the pension fund.

52. 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 Income & Expenditure Account this means that there is an appropriation to the Pensions Reserve after Net Operating Expenditure to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year end.

Discretionary Benefits

53. 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.

Police Officer Pensions - Home Office Memorandum Account

54. 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.

Financial Instruments - Liabilities

55. Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income & Expenditure Account 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 Income & Expenditure Account is the amount payable for the year in the loan agreement.
56. The authority has not undertaken any repurchasing or early settlement of borrowing.

Financial Instruments - Assets

57. The Authority does not have any quoted available for sale assets nor does it make loans to other bodies or organisations.

Capital Receipts

58. Receipts arising from the sale of surplus land and other assets with a value of greater than or equal to £10,000 are treated as capital receipts and are used in for the financing of capital expenditure.

Overheads and Support Services

59. 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 2008. 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 FRS17 retirement benefits and the costs of supporting non operational assets.
60. These two cost categories are accounted for as separate headings in the Income & Expenditure Account as part of the Net Cost of Services.

Value Added Tax

61. Value Added Tax has been included in the Income & Expenditure Account only to the extent that it is irrecoverable. All other VAT paid is recoverable from HM Revenue and Customs, and all VAT collected is payable to them.

Joint Arrangements

62. The East Midlands Special Operations Unit (EMSOU) was formed on the 1st January 2003 and is responsible for undertaking special operations across Leicestershire, Nottinghamshire, Derbyshire, Lincolnshire and Northamptonshire. Leicestershire acts as the lead authority.
63. The EMSOU has been defined by the authorities involved as being a joint arrangement that is not an entity, as it is used only as a means for each participant to carry out its own business and is therefore not subject to the requirements for Group Accounts. The revenue costs for Lincolnshire have always been included in the Income & Expenditure Account. The main accounting statements incorporate the Authority's share of EMSOU income, expenditure and assets.

Group Accounts

64. The Authority undertakes a review of the position regarding group financial statements each financial year. It is concluded that the Authority does not have any interests in subsidiaries, associates or joint ventures and is not therefore required to prepare group accounts.

Lincolnshire Police Authority
Income & Expenditure Account
2009/10

This section summarises the Authority's spending on services. It also shows where the money comes from.

Restated 2008/09 £000	Note		Gross Expenditure 2009/10 £000	Income 2009/10 £000	Net Expenditure 2009/10 £000
59,214		Local policing	70,059	(10,286)	59,773
7,384		Dealing with the public	7,961	(278)	7,683
7,645		Criminal justice arrangements	10,196	(2,282)	7,914
6,241		Road policing	7,072	(510)	6,562
6,001		Specialist operations	6,699	(485)	6,214
3,796		Intelligence	4,350	(422)	3,928
10,401		Specialist investigation	12,346	(1,543)	10,803
2,600		Investigative support	3,213	(445)	2,768
728		National policing	1,174	(366)	808
1,010	2	Corporate and Democratic Core	1,124		1,124
852	2	Non Distributed Costs	1,860		1,860
105,872		Net Cost of Services	126,054	(16,617)	109,437
57		(Profit) / Loss on Disposal of Fixed Assets			(9)
(923)		Investment Income			(149)
871		Interest Payable			754
93		Seconded Officers			111
36,896		Pensions Interest Cost and Return on Assets			41,408
142,866	1	Net Operating Expenditure			151,552
(41,038)		General government grants			(44,064)
(21,270)		Non Domestic Rates Redistribution			(20,201)
(38,160)		Council Tax			(40,305)
(10,836)		Home Office grant payable towards the cost of retirement benefits			(13,624)
31,562		Deficit for the year			33,358

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

Lincolnshire Police Authority

Statement of Movement on the General Fund Balance

2009/10

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

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

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

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

Restated 2008/09 £000		Actual 2009/10 £000
31,562	Deficit for the Year on the Income and Expenditure Account	33,358
(32,705)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund for the year	(34,272)
(1,143)	(Increase) / Decrease in the General Fund	(914)
(1,764)	General Fund Brought Forward	(2,907)
(2,907)	General Fund Carried Forward	(3,821)

**Note of reconciling items for the Statement of Movement on
the General Fund Balance
2009/10**

Restated 2008/09 £000	Note		Actual 2009/10 £000
		Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund for the year.	
(51)		Amortisation of Intangible Fixed Assets	(44)
(169)	33	Collection Fund Income Adjustment	(144)
(7,692)		Depreciation and impairment of Fixed Assets	(7,381)
1,599		Government Grants Deferred amortisation	1,966
(52)		Net (loss) / profit on sale of Fixed Assets	10
(54,243)	5	Net charges made for retirements benefits in accordance with FRS17	(58,623)
		Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund for the year	
649	6	Minimum Revenue Provision for Capital Financing	1,097
972		Capital Expenditure charged in year to the General Fund	557
13,675		Employers contributions payable to the Pensions Account and retirement benefits payable directly to pensioners	15,035
10,836		Transfer due to Pensions fund to balance the Fund Account deficit	13,624
		Transfers to / (from) the General Fund that are required to be taken into account when determining the movement on the General Fund for the year.	
71		Voluntary Revenue Provision for Capital Financing	294
1,700	3	Total net transfer to / (from) earmarked reserves	(663)
(32,705)		Net Additional amount required to be credited to the General Fund for the year.	(34,272)

Lincolnshire Police Authority

Statement of Total Recognised Gains and Losses

2009/10

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

Restated 2008/09 £000		Actual 2009/10 £000
(31,562)	Deficit for the year on the Income and Expenditure Account	(33,358)
(1,344)	(Deficit)/Surplus arising from the revaluation of fixed assets for the year	245
(32,644)	Actuarial (losses) / gains on the pension fund assets and liabilities	(289,187)
(65,550)	Total recognised (loss) / gain for the year	(322,300)

A correction of £100k to Pension Reserve and Pension Liability is included above.

A significant loss has occurred on the pension fund assets and liabilities. This has resulted from:

- 1) a loss of £300.5m in respect of changes to the financial assumptions compared to the 2009 FRS17 report (principally being a reduction in the discount rate for valuing liabilities);
- 2) a gain of £1.2m in respect of demographic assumptions compared to the 2009 FRS17 report;
- 3) a gain of £10.1m from updating membership details.

The adoption of the 'principal v. agent' approach from FRS5 has led to the recognition of the Collection Fund in the Authority's accounts. Consequently, the Collection Fund Adjustment Account has been created, with a year end balance of £61k as at the 31st March 2010 (£205k in 2008/09).

Lincolnshire Police Authority Balance Sheet as at 31st March 2010

Restated as at 1st April 2009 £000	£000	Note		As at 31st March 2010 £000	£000
			Fixed Assets		
89		12	Intangible Assets	50	
			Tangible Fixed Assets		
			Operational Assets:		
24,455		12	Land and Buildings	23,041	
9,192		12	Vehicles, Plant, Furniture, Equipment	9,772	
3,220		13	Non Operational Assets:	2,525	
	36,956		Total Fixed Assets		35,388
			Current Assets:		
379		20	Stocks	393	
7,289		21	Debtors	6,917	
18,681		22	Short Term Investments	11,560	
361		24	Cash at bank and in hand	228	
	26,710				19,098
	63,666		Total Assets		54,486
			Current Liabilities		
(1,604)		25	Borrowing repayable on demand within 12 months	(1,890)	
(15,375)		23	Creditors	(8,704)	
	(16,979)		Total Current Liabilities		(10,594)
	46,687		Total Assets Less Current Liabilities		43,892
			Long-term Liabilities:		
(16,508)		25	Borrowing repayable in more than 12 months	(17,269)	
(872)		27	Provisions	(878)	
(1,631)		31	Usable Capital Grants	(496)	
(5,120)		34	Government Grants Deferred	(5,842)	
(603,309)	(627,440)	5	Pension Liability	(922,460)	(946,945)
	(580,753)		Total Assets Less Liabilities		(903,053)
			Financed by:		
1,092		32	Revaluation Reserve	1,183	
-		31	Usable Capital Receipts	93	
12,992		34	Capital Adjustment Account	9,552	
205		33	Collection Fund Adjustment Account	61	
5,360		30	Earmarked Reserves	4,697	
2,907		29	General Fund	3,821	
(603,309)		5	Pension Reserve	(922,460)	
	(580,753)		Total Net Worth		(903,053)

Lincolnshire Police Authority
Cash Flow Statement
2009 / 2010

Restated 2008/09		Note		2009/10	
£000	£000			£000	£000
			REVENUE ACTIVITIES		
			Cash paid to and on behalf of employees	96,731	
90,929			Other Operating Costs	23,856	
24,177	115,106		Total Expenditure		120,587
(38,534)			Precept on District Councils	(40,305)	
(2,961)			Revenue Support Grant	(4,663)	
(21,270)			National Non Domestic Rates	(20,201)	
(46,877)		39	Other Government grants	(48,306)	
(7,635)			Cash received for goods and services	(8,946)	
	(117,277)		Total Income		(122,421)
	(2,171)	36	Net cashflow from revenue activities		(1,834)
			SERVICING OF FINANCE		
847			Interest Paid	742	
(955)	(108)		Interest Received	(202)	540
	(2,279)		CAPITAL ACTIVITIES		(1,294)
			Cash Outflows		
5,646			Purchase of Fixed Assets	5,273	
-			Other capital cash payments	6,068	
			Cash Inflows		
-			Sale of Fixed Assets	(177)	
(2,870)			Capital Grants Received	(1,570)	
(6,068)			Other capital cash receipts	-	
	(3,292)		Total Capital Activities		9,594
	(5,571)		NET CASH (INFLOW) / OUTFLOW BEFORE FINANCING		8,300
	6,336	40	Management of Liquid Reserves		(7,121)
			FINANCING		
532			Repayments of amounts borrowed	1,404	
(2,250)			New loans raised	(2,450)	
	(1,718)		Total Financing		(1,046)
	(953)	36	NET CASH (INFLOW) / OUTFLOW		133

Lincolnshire Police Authority

Notes to the Accounts 2009 / 2010

1. Gross Expenditure and Income

The Income & Expenditure Account 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.

Restated 2008/09 £000	Description	Actual 2009/10 £000
63,849	Police Pay and Allowances	64,182
27,599	Police Staff Pay and Allowances	29,655
1,459	Other Employee Expenses	1,280
1,035	Police Pensions - Ill Health Retirements	2,205
3,298	Premises	3,934
2,931	Transport	2,901
13,523	Supplies and Services	14,208
155	Third Party Payments	127
1,771	Support Services	2,108
6,012	Capital Financing	5,454
(15,760)	Income from Grants, Fees and Charges	(16,617)
105,872	Net cost of services	109,437
57	(Profit) / Loss on the Disposal of Fixed Assets	(9)
(923)	Investment Income	(149)
871	Interest Payable	754
93	Seconded Officers	111
36,896	Pensions Interest Costs and Return on Assets	41,408
142,866	Net Operating expenditure	151,552

This is the first year that the analysis across nine service headings has been required by the BVACOP, it is based on the "Police Objective Analysis" (POA), which is being developed by the Police Service following the end of Activity Based Costing. This new method of allocating costs across services is still being developed and embedded in the service and 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, which are not carried out in the POA together with other adjustments to ensure the analysis is compliant with BVACOP.

This analysis and apportionment has been carried out for 2009/10 and in order to provide comparative figures for 2008/09, the same overall proportions of allocation have been adopted rather than recreating retrospectively a new series of apportionments. This is a transitional approach for the first year only, as the Authority is required to restate the figures for 2008/09 in the new format. In future years it will be possible to analyse movements in service expenditure.

2. 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.

	2008/09	2009/10
	£000	£000
Police Services	104,010	106,453
Corporate and Democratic Core	1,010	1,124
Non Distributed Costs	852	1,860
Net Cost of Services	105,872	109,437

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.

Historic costs of retirement benefits

The liabilities as at 31st March 2010 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 2009 as follows:

- £1,720k in respect of the past service costs; and
- £20k in respect of losses on curtailments.

In 2008/09 retrospective adjustments totalling £729k were made in respect of changes to member benefits for deaths grants and dependents pensions.

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 £97k for maintaining the current condition of the property (£123k in 2008/09). Depreciation of seven police houses on this site is £4k and depreciation on the old Grantham Police Station is £18k.

Depreciation of two police houses at Stamford, which are classed as non-operational assets, is £1k.

3. Use of Reserves

The following table provides a breakdown of the funds moved to and (from) reserves. It should be read in conjunction with Note 30, Earmarked Reserves, which details opening and closing balances.

	2008/09 £000	2009/10 £000
Specific time limited posts	1,593	(511)
Protective Services	140	(83)
Crime and Intelligence Project	246	(121)
Bank Holiday Reserve	211	-
Mobile Data Reserve	27	-
Seconded Officers Ill Health Pension	6	(15)
Police Authority	40	-
Major Incidents Reserve	-	(189)
Insurance Reserve	(444)	(401)
Carry Forward Reserve	(165)	-
Airwaves Reserve	(80)	-
Community Safety	-	(111)
IFRS	-	20
Business Change Fund	296	290
ANPR South Division	-	75
Case & Custody Carry Project	-	60
PRIDE Project	-	90
Proceeds of Crime Act Reserve	-	77
Employee Welfare Reserve	-	36
Funded Fleet Vehicles	-	72
Uniforms Project	-	30
Operations Fusion & Nova	-	15
Subtotal	1,870	(666)
EMSOU	(170)	3
Total to / (from) Reserves	1,700	(663)

4. Police Property Act Fund

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

	2008/09 £000	2009/10 £000
Balance as at 1st April	(25)	(32)
Income	(12)	(9)
Expenditure	5	17
Balance as at 31st March	(32)	(24)
Cash balance held by Lincolnshire Police as at 31st March	32	24

5. 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 which then must repay the amount to central government.

Transactions Relating to Retirement Benefits

In order to comply with FRS17, 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 Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Statement of Movement on the General Fund Balance. The reversal of the FRS17 transactions ensures that there is no effect on the amounts to be met from government grant and the local taxpayers.

The following transactions have been made in the Income & Expenditure Account and the Statement of Movement on the General Fund Balance:

Assets and Liabilities in relation to Retirement Benefits

	Local Government Pension Scheme		Police Pension Scheme		Total	
	2008/09 £000	2009/10 £000	2008/09 £000	2009/10 £000	2008/09 £000	2009/10 £000
Income and Expenditure Account						
Net Cost of Services:						
Current service cost	(2,418)	(2,275)	(14,200)	(13,200)	(16,618)	(15,475)
Past service costs / gains or losses on curtailment	(729)	(40)	-	(1,700)	(729)	(1,740)
Net Operating Expenditure:						
Interest cost	(4,013)	(4,034)	(36,600)	(40,300)	(40,613)	(44,334)
Expected return on assets in the scheme	3,717	2,926			3,717	2,926
Pensions interest cost and return on assets	(296)	(1,108)	(36,600)	(40,300)	(36,896)	(41,408)
Net charge to the Income and Expenditure Account	(3,443)	(3,423)	(50,800)	(55,200)	(54,243)	(58,623)
Statement of Movement on the General Fund Balance:						
Reversal of net charges made for retirement benefits in accordance with FRS 17	3,443	3,423	50,800	55,200	54,243	58,623
Actual Amount charged against the General Fund Balance for pensions in year:						
Employers contributions payable to scheme	(3,211)	(3,659)			(3,211)	(3,659)
Retirement benefits payable to pensioners			(21,300)	(25,000)	(21,300)	(25,000)
Movement from Income and Expenditure Account to the General Fund	232	(236)	29,500	30,200	29,732	29,964

In addition to the recognised gains and losses included in the Income & Expenditure Account, actuarial losses of £289.2 million (losses of £32.7 million 2008/09) were included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial losses recognised in the Statement of Total Recognised Gains and Losses is £314.5 million.

Reconciliation of present value of the scheme liabilities

	Funded liabilities		Unfunded liabilities	
	LGPS		Police Pension Scheme	
	2008/09 £000	2009/10 £000	2008/09 £000	2009/10 £000
1st April	56,659	57,315	535,100	589,900
Current service cost	2,418	2,275	14,200	13,200
Interest cost	4,013	4,034	36,600	40,300
Contributions by scheme participants	1,294	1,466	4,400	4,500
Actuarial gains and losses	(6,412)	41,655	25,300	258,000
Benefits paid	(1,386)	(1,442)	(25,700)	(29,500)
Past service costs / gains or losses on curtailment	729	40	-	1,700
31st March	57,315	105,343	589,900	878,100

Reconciliation of fair value of the scheme assets

	Local Government Pension Scheme	
	2008/09 £000	2009/10 £000
	1st April	50,826
Expected rate of return	3,717	2,926
Actuarial gains and losses	(13,756)	10,468
Employer contributions	3,211	3,659
Contributions by scheme participants	1,294	1,466
Benefits paid	(1,386)	(1,442)
31st March	43,906	60,983

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 £13.4 million. (2008/09: a loss of £9.8 million).

Scheme history

	2005/06 £000	2006/07 £000	2007/08 £000	2008/09 £000	2009/10 £000
Present value of liabilities					
Local government pension scheme	(59,731)	(62,085)	(56,659)	(57,315)	(105,343)
Police pension scheme	(699,600)	(683,600)	(535,100)	(589,900)	(878,100)
Fair value of assets in the local government pension scheme	46,227	52,269	50,826	43,906	60,983
Surplus / (deficit) in the scheme					
Local government pension scheme	(13,504)	(9,816)	(5,833)	(13,409)	(44,360)
Police pension scheme	(699,600)	(683,600)	(535,100)	(589,900)	(878,100)
Total surplus / (deficit) in the scheme	(713,104)	(693,416)	(540,933)	(603,309)	(922,460)

The Authority has elected not to restate fair value of scheme assets for 2005/06 as permitted by FRS17 (as revised). 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 for 2008/09 and 2009/10 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 £922 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 £903 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 2011 is £4.4 million. Expected contributions for the Police Pension Scheme in the year to 31st March 2011 are £10.2 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 2007.

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 2009. There has been no allowance for any new retirements or deaths in the period from 31st December 2009 to 31st March 2010. 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	
	2008/09	2009/10	2008/09	2009/10
Long term expected rate of return on assets in the scheme:				
	%	%	%	%
Equity investments	7.0	7.8	n/a	n/a
Bonds	5.6	5.0	n/a	n/a
Property	4.9	5.8	n/a	n/a
Cash	4.0	4.8	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	19.6	20.8	27.6	27.6
Women	22.5	24.1	31.0	31.0
Longevity for future pensioners:				
Men	20.7	22.3	29.2	29.2
Women	23.6	25.7	32.7	32.7
Financial assumptions	%	%	%	%
Rate of Inflation	3.1	3.8	3.1	3.8
Rate of increase in salaries	4.6	5.3	4.6	5.3
Rate of increase in pensions	3.1	3.8	3.1	3.8
Rate of discounting for scheme liabilities	6.9	5.5	6.9	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 62.5% of the maximum tax free cash for post-April 2008 service. These assumptions are unchanged from the 2008/09 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 2008/09 accounts.

Note that FRS17 requires the actuary to value the pension fund liabilities using a good quality corporate bond yield. Over the year, corporate bond yields have dropped from 6.9% at 31 March 2009 to 5.5% at 31 March 2010, reflecting the reversion of credit spreads to more normal levels. This change combined with the other new assumptions shown above has led to an actuarial loss of £299.7m in total during 2009/10 for the police and Local Government schemes.

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 2009 %	31 March 2010 %
Equity investments	64.6	70.0
Bonds	20.9	18.0
Property	13.7	11.0
Cash	0.8	1.0
Total	100.0	100.0

History of experience gains and losses

The actuarial gains identified as movements on the pensions reserve in 2009/10 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31st March 2010:

	2005/06 %	2006/07 %	2007/08 %	2008/09 %	2009/10 %
LGPS					
Differences between the expected and actual return on assets	13.0	0.3	(12.7)	(30.8)	17.2
Experience gains and losses on liabilities	0.0	0.0	(0.2)	0.0	0.0
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	0.7	0.6	8.4	(7.9)	0.0
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	0.0	0.0	(16.7)	(21.4)	0.0

6. 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 2009/10 was £1.097 million (2008/09: MRP was £0.648 million).

7. Remuneration of Senior Staff

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

Remuneration Range	2008/09 £000	2009/10 £000
£50,000 to £54,999	70	58
£55,000 to £59,999	17	21
£60,000 to £64,999	8	14
£65,000 to £69,999	5	4
£70,000 to £74,999	2	3
£75,000 to £79,999	2	3
£80,000 to £84,999	3	2
£85,000 to £89,999	1	2

The table above excludes senior employees who are shown in more detail in the following tables for Senior Officers' Remuneration.

2008/09 Senior Employees' Remuneration

Post title	Notes	Salaries, fees or allowances £	Performance related pay £	Expenses chargeable to UK tax £	Compensation for loss of office £	Other benefits receivable in the role £	Other payments under Police Regulations 2003 £	Total remuneration excluding pension contributions 2008/09 £	Employer's pension contribution £	Total remuneration including pension contributions 2008/09 £
Police officers										
Chief Constable 1	01/04/2008 to 08/06/08	28,048	15,756					43,804	6,212	50,016
Chief Constable 2	09/06/2008 to 31/03/09	102,380	12,395			7,183		121,958	23,135	145,093
Deputy Chief Constable 1	01/04/2008 to 08/06/08	19,750						19,750	5,557	25,307
Deputy Chief Constable 2	09/06/2008 to 24/10/08	49,114						49,114	8,293	57,407
Deputy Chief Constable 3	25/10/2008 to 31/03/09	46,439				2,036		48,475	10,905	59,380
Assistant Chief Constable 1	09/06/2008 to 31/03/09	76,134				1,153		77,287	15,317	92,604
Assistant Chief Constable 2	01/04/2008 to 08/06/08	19,220						19,220	5,402	24,622
Assistant Chief Constable 2	25/10/2008 to 31/03/09	36,035	9,641			3,068		48,744	10,646	59,390
Police staff										
Director of Human Resources		88,137	8,795			4,660		101,592	15,415	117,007
Director of Finance & Administration		84,300				5,506		89,806	13,091	102,897
Officers of the Authority										
Treasurer *										
Chief Executive & Monitoring Officer		79,450				680		80,130	12,070	92,200

* The Treasurer's services were provided via a third party. During the year, payments amounting to £56,845 were made to the third party for the Treasurer's services.

2009/10 Senior Employees' Remuneration

Post title	Notes	Salaries, fees or allowances £	Performance related pay £	Expenses chargeable to UK tax £	Compensation for loss of office £	Other benefits receivable in the role £	Other payments under Police Regulations 2003 £	Total remuneration excluding pension contributions 2009/10 £	Employer's pension contribution £	Total remuneration including pension contributions 2008/09 £
Police officers										
Chief Constable 2		129,062				6,868		135,930	30,363	166,293
Deputy Chief Constable 3		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.

8. Related Party Transactions

The Authority is required to disclose details of any material transactions with bodies or individuals who have the potential to control or influence the Authority and those who could potentially be controlled or influenced by the Authority. There are 9 County Council Members of the Police Authority, 7 of whom since June 2009 are members of the ruling group. The Authority maintains a Register of Members Interests. In addition, matters involving the County Council are considered by the Authority and the Members are expected to declare an interest. The Authority has business relationships with Central Government and with Local Authorities. The table below sets out material transactions between related parties and the Police Authority.

	Income £000	Expenditure £000
Central Government - Revenue Grants	86,793	-
Central Government - Capital Grants	1,208	-
Boston Borough Council	3,321	-
East Lindsey District Council	8,152	-
Lincoln City Council	4,510	-
North Kesteven District Council	6,256	-
South Holland District Council	4,870	-
South Kesteven District Council	7,940	-
West Lindsey District Council	5,256	-
Lincolnshire County Council Pension Fund	-	3,587
Lincolnshire County Council	1,727	-

9. Members' Allowances and Expenses

During 2009/10 payments were made to Members of the Police Authority amounting to £145,477 (2008/09: £114,025) in respect of allowances and £30,251 (2008/09: £31,503) 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.

10. Audit Costs

In 2009/10 the following fees related to external audit were incurred and paid to the Audit Commission.

	2008/09 £000	2009/10 £000
Fee for External Audit Service	73	68
Fee for Certification of Grant Claims	-	-
Total	73	68

11. Operating Leases

The Authority leases the following properties on a short-term lease, which have been accounted for as an operating lease. The Authority has no Finance Leases.

	Annual Payment 2008/09 £000	Annual Payment 2009/10 £000
Offices in Lincoln	52	52
Occupational Health Unit Offices in Lincoln	17	17
Offices in Gainsborough	1	1
Offices located elsewhere	12	8
Photocopiers	23	23
Bicycles (Cycle to Work Scheme)	7	37
Total	112	138

The Authority was committed at 31st March 2010 to making payments of £116,000 under operating leases for land and buildings in 2010/11.

	£000
Leases expiring in 2010/11	47
Leases expiring in 2011/12 to 2014/15	57
Leases expiring after 2014/15	12

The Authority acts as a lessor in respect of space on radio masts. The gross value of assets utilised cannot be identified as they form part of the structure in the Authority's use. Income receivable from the use of the masts in 2009/10 was £109,618.

The Authority holds an operating lease for premises in Newark on behalf of the East Midlands Police Authorities Joint Committee. The rental paid in 2009/10 was £43,000. A further commitment of £43,000 for 2010/11 exists.

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.

12. Movement in Intangible and Operational Fixed Assets 2009/10

Note that all intangible assets are purchased software licences.

	Intangible Assets £000	Land & Buildings £000	Vehicles, Plant, Furniture, Equipment £000	Total £000
Cost / Value				
Brought Forward	255	25,416	27,039	52,710
Additions	5	1,346	4,441	5,792
Not Value Added	-	(1,346)	-	(1,346)
Disposals	-	-	(44)	(44)
Revaluations	-	230	30	260
Impairments	-	(1,200)	(112)	(1,312)
Carried Forward	260	24,445	31,354	56,059
Accumulated Depreciation				
Brought Forward	(166)	(961)	(17,847)	(18,974)
Depreciation	(44)	(443)	(3,735)	(4,222)
Disposals	-	-	-	-
Carried Forward	(210)	(1,404)	(21,582)	(23,196)
Net Book Value 31st March 2010	50	23,041	9,772	32,863
Net Book Value 31st March 2009	89	24,455	9,192	33,736

13. Movement in Non-Operational Fixed Assets 2009/10

	Assets held for disposal £000	Investment Properties £000	Total Non Operational Assets £000
Cost/Value			
Brought Forward	2,078	1,190	3,268
Disposals	(141)	-	(141)
Revaluations	50	(65)	(15)
Impairments	(116)	(400)	(516)
Carried Forward	1,871	725	2,596
Accumulated Depreciation			
Brought Forward	(48)	-	(48)
Depreciation	(23)	-	(23)
Carried Forward	(71)	-	(71)
Net Book Value 31st March 2010	1,800	725	2,525
Net Book Value 31st March 2009	2,030	1,190	3,220

14. Valuation of Fixed Assets

Fixed Assets have been revalued on the basis described in the Statement of Accounting Policies and in accordance with the principles of the Accounting Code of Practice. Land and Buildings were valued by a desktop exercise as at the 31st March 2010 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 Land and Buildings. In accordance with the required accounting practice these revaluations have been written back to the Revaluation Reserve or Income & Expenditure Account respectively. The Authority has no Public Finance Initiative (PFI) arrangements.

15. Depreciation

In accordance with Financial Reporting Standard 15 "Tangible Fixed Assets", the Authority is required to depreciate all of its assets. The following table details the depreciation methods, which the Authority employs.

Asset Type	Method of Depreciation	Asset Life Years
Buildings	Straight Line	20 - 50
Furniture and Equipment	Straight Line	15
Specialised Equipment	Straight Line	5
Vehicles	Straight Line	3
Intangible Assets	Straight Line	5

16. Capital Expenditure

The main items of capital expenditure during the year were:

	£000
Vehicles Total Spend (incl EMSOU)	1,341
Mobile Data/Video	1,206
Estates Capital Projects	915
Crime & Intelligence System	559
Lincolnshire Road Safety Partnership Cameras	317
Information and Communication Technology (incl. EMSOU)	236
Management of Police Information	141
Impact Police National Database	34

17. 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 2010 totalled £1.0 million leaving further payments of £0.7 million during 2010/11.

18. Capital Expenditure and Financing

The financing of capital expenditure is shown through the movements on the Prudential Code indicator called the Capital Financing Requirement. These movements may be summarised as follows:

	2008/09 £000	2009/10 £000
Opening Capital Financing requirement	16,222	17,752
Capital Investment		
Operational Assets	5,665	5,792
Sources of Finance		
Capital Receipts	-	(83)
Government Grants and other contributions	(2,444)	(2,705)
Revenue Provision (including MRP)	(1,691)	(1,944)
Closing Capital Financing Requirement	17,752	18,812
Explanation of Movements in Year		
Increase in underlying need to borrow (Supported by Government Financial Assistance)	647	647
Increase in underlying need to borrow (Unsupported by Government Financial Assistance)	883	413
Increase in Capital Financing Requirement	1,530	1,060

19. Major Fixed Assets

An analysis of major fixed assets is:

	31st March 2009 (Numbers)	31st March 2010 (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	12	11
Vehicles	408	431
Police dog training establishment	1	1
Divisional HQ awaiting disposal	1	1

20. Stocks

An analysis of stock holdings is given below:

	1st April 2009 £000	31st March 2010 £000
Uniform & Equipment	255	268
Diesel	85	92
Vending & Catering	6	5
Fleet Maintenance	21	22
Other	12	6
Total	379	393

21. Debtors and Payments in Advance

An analysis of Debtors is given below:

	1st April 2009 £000	31st March 2010 £000
Amounts falling due in one year		
Government Departments	3,611	2,889
Payments in Advance	955	800
Other Debtors	3,151	3,692
Sub Total Debtors	7,717	7,381
Less: Provision for Bad Debt		
Lincolnshire Police Authority	(26)	(50)
Collection Fund Account	(402)	(414)
Total Debtors	7,289	6,917

22. Short Term Investments

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 below include investment interest capitalised of £280k in 2008/09 and £10k in 2009/10.

	1st April 2009 £000	31st March 2010 £000
Amounts falling due in one year	18,681	11,560

23. Creditors and Receipts in Advance

An analysis of creditors is given below. The decrease in creditors for supplies and services relates to a balance of £6m that was held at the end of 2008/09 for the mobile data project, which Lincolnshire Police held on behalf of other forces in the East Midlands region. This has been used during the 2009/10 year.

	1st April 2009 £000	31st March 2010 £000
Creditors for Supplies and Services	(10,078)	(4,051)
Accruals of Pay	(2,804)	(2,740)
Receipts in Advance	(1,905)	(1,261)
Other Creditors	(588)	(652)
Sub Total Creditors	(15,375)	(8,704)
Long-term loans repayable within one year	(1,604)	(1,890)
Total Creditors	(16,979)	(10,594)

24. Cash

The cash figure represents a total amount of £0.228 million in hand. The actual cash position at the bank and held as petty cash was a balance of £0.407 million. The balance to the total amount is made up of unrepresented cheques and the confiscation account at 31st March 2010.

	1st April 2009 £000	31st March 2010 £000
Bank Balance	410	375
Unrepresented Items	(24)	(174)
Confiscation Account	(53)	(5)
Imprest Account Balances	28	32
Total Cash Balance	361	228

25. Long Term Borrowing

Borrowing in 2009/10 amounted to £2.45 million which was used to finance capital expenditure, with £1.25 million repayable over 5 years and £1.20 million over 25 years. After making normal repayments of principal totalling £1.390 million and a decrease in loan interest accrual of £0.013million, this increased the Police Authority's borrowing from £18.112 million to £19.159 million in the year.

Note that in accordance with LAAP 81, the figures below include loan interest capitalised of £214k in 2008/09 and £202k in 2009/10.

	Range of Interest Rates Payable %	1st April 2009 £000	31st March 2010 £000
Transferred Debt - Lincolnshire CC PWLB	Variable 1.82-8.25	(572) (17,540)	(520) (18,639)
		(18,112)	(19,159)

	1st April 2009 £000	31st March 2010 £000
Short term loans	(1,604)	(1,890)
Long term loans	(16,508)	(17,269)
	(18,112)	(19,159)
Less Transferred to Creditors (Repayable in 2010/11)	1,604	1,890
	(16,508)	(17,269)

A full analysis of loans by maturity is shown in note 45 under 'liquidity risk exposure'.

26. Confiscation Account

The Police Authority also administers a confiscation account. This represents cash confiscated from police suspects and subsequently either repaid to the individual or distributed to charity. The balance on the account at 31st March 2010 was £5,275. This has not been included in the Police Authority Balance sheet, as it does not represent monies owned by the Police Authority.

27. Revenue Provision

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.

	Balance at 1st April 2009 £000	Income & Expenditure Account 2009/10 £000	Used 2009/10 £000	Balance at 31st March 2010 £000
Major Incidents	(295)	(334)	295	(334)
Legal Services	(443)	(389)	443	(389)
Ill Health Pension	(134)	(155)	134	(155)
Total	(872)	(878)	872	(878)

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 2010	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 2010/11	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 2010	Appeals are possible within the process of ill health retirements.	None.

28. Summary of Movements in Reserves

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

	Note	Balance at 1st April 2009 £000	Net movement in the year £000	Balance at 31st March 2010 £000	Purpose of the Reserve
Revaluation Reserve	32	1,092	91	1,183	Store of gains on revaluation of fixed assets not yet realised through sales
Capital Adjustment Account	34	12,992	(3,440)	9,552	Store of capital resources set aside to meet past expenditure
Earmarked Reserves	30	5,360	(663)	4,697	Resources set aside from the current year to meet the costs of specific projects.
General Fund	29	2,907	914	3,821	Resources available to meet unforeseen events.
Usable Capital Receipts	31	-	93	93	Receipts not spent
Collection Fund Adjustment Account	33	205	(144)	61	Surplus or deficit on the council tax collection funds held by district councils.
Pension Reserve	5	(603,309)	(319,151)	(922,460)	Balancing account to allow inclusion of Pensions Liability in the balance sheet
Total		(580,753)	(322,300)	(903,053)	

29. General Fund

The following transactions took place during the year:

	General Fund £000
Balance at 1st April 2009	2,907
Contribution from Income & Expenditure Account	914
Used 2009/10	-
Balance at 31st March 2010	3,821

30. Earmarked Reserves

The following transactions took place during the year:

	Balance at 1st April 2009 £000	Income & Expenditure Account 2009/10 £000	Used 2009/10 £000	Balance at 31st March 2010 £000
Major Incidents	1,789	-	(189)	1,600
Airwaves	-	-	-	-
Insurance	764	54	(455)	363
Protective Services	140	-	(83)	57
Community safety	111	-	(111)	-
IFRS	-	20	-	20
Carry Forward	-	-	-	-
Seconded Officers Ill Health	15	-	(15)	-
Specific Time Limited Posts	1,594	80	(591)	1,083
Business Change Fund	296	586	(296)	586
Crime and Intelligence	246	-	(121)	125
Bank Holiday Reserve	211	-	-	211
Police Authority Reserve	40	-	-	40
Mobile Data reserve	27	-	-	27
ANPR South Division	-	75	-	75
Case & Custody Carry Forward	-	60	-	60
PRIDE	-	90	-	90
POCA Earmarked	-	77	-	77
Employee Welfare Reserve	-	36	-	36
Funded Fleet Vehicles	-	72	-	72
Uniforms Project	-	30	-	30
Operations Fusion & Nova	-	15	-	15
Subtotal	5,233	1,195	(1,861)	4,567
EMSOU	127	3	-	130
Total	5,360	1,198	(1,861)	4,697

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

31. Movements in Realised Capital Resources

Usable Capital Receipts are the proceeds from the sale of capital assets, which are used to fund future capital expenditure. Usable capital grants are monies provided principally by the Home Office to be utilised on capital expenditure.

	Usable Capital Receipts £000	Usable Capital Grants £000	Total £000
Amounts receivable in 2009/10	(176)	(1,570)	(1,746)
Amounts Repaid	-	-	-
Amounts applied to finance new capital investments in 2009/10	83	2,705	2,788
Total Increase / (Decrease) in Realised Capital Resources	(93)	1,135	1,042
Balance Brought forward at 1st April 2009	-	(1,631)	(1,631)
Balance Carried Forward at 31st March 2010	(93)	(496)	(589)

32. Revaluation Reserve

The Revaluation Reserve records the accumulated gains on the fixed 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.

	Land & Buildings £000	Vehicles, Plant, Furniture, Equipment £000	Assets held for disposal £000	Total £000
Balance Brought forward at 1st April 2009	522	8	562	1,092
Revaluation of Fixed Assets in 2009/10	230	30	(15)	245
Write out of Balance on Cliffe Road	-	-	(96)	(96)
Increase in Unrealised Capital Resources in 2009/10	752	38	451	1,241
Depreciation on Revalued Assets	(35)	-	(23)	(58)
Balance Carried Forward at 31st March 2010	717	38	428	1,183

33. Collection Fund Adjustment Account

The composition of the Collection Fund Adjustment Account is shown below:

	2008/09 £000s	2009/10 £000s
Brought forward fund balance	374	205
In year balances:	(169)	(144)
Closing fund balance	205	61
Represented by:		
Council tax arrears	1,637	1,686
Impairment for doubtful debts	(402)	(414)
Council tax overpayments and prepayments	(610)	(628)
Creditors, billing authorities	(420)	(583)
Collection fund (surplus) / deficit	205	61

34. Movements in Amounts Set Aside to Finance Capital Investment

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

The Government Grants Deferred Account is maintained as a requirement of the accounting code of practice. For assets that have been partly financed by a government grant a transfer should be made from the Government Grants Deferred Account to match the depreciation charged in the Income & Expenditure Account. The amount transferred should be at the same rate as the depreciation provided for the asset. The Account holds the unamortised balance as deferred income.

	Capital Adjustment Account £000	Government Grants Deferred £000
Usable Receipts Applied	(83)	-
Capital Receipts set aside in 2009/10	-	-
Revenue Resources set aside in 2009/10		
- capital expenditure financed from revenue	(557)	
- loan repayments	(1,390)	
- other revenue items	2,169	
Total Revenue Resources set aside in 2009/10	222	-
Grants applied to capital investment in 2009/10		(2,705)
Depreciation funded by Government Grants		1,983
Movements on Government Grants Deferred	-	(722)
Impairment of fixed assets in 2009/10	1,828	
Capital spend not adding to the value of Assets	1,346	
Value of assets sold, disposed or decommissioned	185	
Depreciation on revalued assets	(58)	
Movements in the Unrealised Value of Assets	3,301	-
Total movement on reserve in 2009/10	3,440	(722)
Balance Brought forward at 1st April 2009	(12,992)	(5,120)
Balance Carried Forward at 31st March 2010	(9,552)	(5,842)

35. 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 5 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 5 staff would be around £401k, but there is no certainty that any of the staff will retire.

36. Cash Flow Movements in Cash and Cash equivalents

	Opening Balance at 1st April 2009 £000	Movement £000	Closing Balance at 31st March 2010 £000
Total Cash Balances	361	(133)	228

37. Reconciliation of Revenue Activities and Cash Flow

2008/09			2009/10	
£000	£000		£000	£000
(31,562)		Deficit for Year on Income and Expenditure Account	(33,358)	
32,705		Additional Amounts required to be credited to the Income and Expenditure Account	34,272	
	1,143	Surplus / (Deficit) for the year		914
(918)		Uses of Reserves		
2,619		Appropriations from Reserves	(1,861)	
(1,293)		Appropriations to Reserves	1,198	
872		Appropriations from Provisions	(872)	
	1,280	Appropriations to Provisions	878	(657)
	205	Collection Fund Adjustment Account		(144)
		Non cash transactions		
971		Direct Revenue Funding of Capital Expenditure	557	
532		External Repayment of Debt	1,404	
	1,503			1,961
(85)		Movement in the other current assets:		
(1,059)		Reduction or (increase) in stocks	(14)	
(708)		Reduction or (increase) in debtors	372	
	(1,852)	(Reduction) or Increase in creditors	(1,138)	(780)
847		Interest Payable	742	
(955)		Interest Received	(202)	
	(108)			540
	2,171	Reconciled to Revenue Activities		1,834

38. Cash Flow Movement in Other Current Assets

Movement 2008/09 £000	Balance at 31st March 2009 £000		Movement 2009/10 £000	Balance at 31st March 2010 £000
85	379	Stocks	14	393
1,059	7,289	Current Debtors	(372)	6,917
709	(9,243)	Creditor (excluding loan debt and capital creditors)	1,138	(8,105)

39. Analysis of Other Government Grants

2008/09 £000		2009/10 £000
38,077	Police Grant	39,402
2,057	Rural Issues Grant	2,057
2,189	Crime Fighting Fund Grant	2,189
2,719	Neighbourhood Policing Grant	2,789
1,835	Other Home Office Grants	1,869
46,877		48,306

40. Management of Liquid Reserves

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

2008/09 £000	Changes in Short Term Investments	2009/10 £000
12,345	Balance Sheet opening balance	18,681
6,336	Transactions during the year reported in the Cash Flow Statement	(7,121)
18,681	Balance Sheet closing balance	11,560

41. Joint Arrangements

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 £57k to DAAT in 2009/10.

EMSOU

The East Midlands Special Operations Unit (EMSOU) is responsible for undertaking special operations across Leicestershire, Nottinghamshire, Derbyshire, Lincolnshire and Northamptonshire. Leicestershire acts as the lead Authority. The following table shows the total balance sheet for the Joint Arrangement together with the balances attributable to Lincolnshire. The transactions relating to Lincolnshire's 12.6% share of revenue expenditure have been included in the Income & Expenditure Account. The Balance Sheet and Cash Flow also incorporate Lincolnshire's share of EMSOU transactions.

Lincolnshire Share of EMSOU Balance Sheet as at 31st March 2010

Final Accounts 2008/09 £000		EMSOU 31st March 2010 £000
	Net Fixed Assets	
156	Vehicles and equipment	124
156	Total Long Term Assets	124
	Current Assets	
174	Cash	265
114	Debtors	12
-	Paid in Advance	0
	Current Liabilities	
(148)	Creditors	(137)
(13)	Receipts in advance	(10)
127	Net Current Assets	130
283	Net Assets	254
(63)	Grants and Contributions deferred	(36)
220	Total Assets less Liabilities	218
	Represented by:	
	EMSOU reserves	38
93	Capital Adjustment Account	88
127	Earmarked Reserves	92
220	Total net worth	218

Lincolnshire Share of EMSOU Income & Expenditure Account

Lincolnshire Police Authority's contribution to EMSOU was £319,308 in 2009/10 (£262,500 in 2008/09).

EMSOU 2008/09 £000		EMSOU 2009/10 £000
284	Employee expenses	357
76	Premises	98
37	Transport	42
199	Supplies and Services	170
12	Agency and contracted services	22
35	Capital Charges	36
134	Revenue expenditure funded from capital resources	4
777	Gross Operating Expenditure	729
(75)	Other Income	(58)
0	Revenue funding of capital expenditure	-
703	Amount to be met from partners	670
	Financed by:	
(265)	Contributions from partners	(391)
(258)	External Grants	(278)
179	(Surplus) / deficit for the year	2

Sexual Assault Referral Centre: opening in 2010/11

Opening in April 2010, Spring Lodge is a newly refurbished building in Lincoln providing support for victims of sexual assault. It is a partnership between Lincolnshire Police and Lincolnshire Partnership NHS Foundation Trust.

42. Borrowing and Investments

The borrowing and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	31st March 2010		
	Long term £000	Less than one year £000	Total £000
Financial Liabilities at amortised cost - PWLB	16,801	1,838	18,639
Financial Liabilities at amortised cost - Deferred Liabilities	468	52	520
Financial Liabilities at fair value through Income & Expenditure			-
Total Borrowings	17,269	1,890	19,159
Loans and Receivables - Temporary Investments		11,560	11,560
Available for sale financial assets			-
Unquoted equity investments at cost			-
Total Investments	-	11,560	11,560

	31st March 2009		
	Long term £000	Less than one year £000	Total £000
Financial Liabilities at amortised cost - PWLB	15,988	1,552	17,540
Financial Liabilities at amortised cost - Deferred Liabilities	520	52	572
Financial Liabilities at fair value through Income & Expenditure	-	-	-
Total Borrowings	16,508	1,604	18,112
Loans and Receivables - Temporary Investments	-	18,680	18,680
Available for sale financial assets	-	-	-
Unquoted equity investments at cost	-	-	-
Total Investments	-	18,680	18,680

Financial Liabilities is borrowing with the Public Works Loan Board (PWLB) and Deferred Liabilities. Total PWLB outstanding at 31st March 2010 is £18.438m. The table also includes capitalisation of interest payable of £201k (as per LAAP 73). In 2009/10 long term loans of £2.45m have been raised with the PWLB with the advances incurring an interest rate of 3.08%.

Total Deferred Liabilities outstanding at 31st March 2010 is £0.520m. 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 2009/10.

Loans and receivables is surplus cash that the Police Authority invests in short-term deposits and temporary investments with a range of banks and financial institutions.

43. Gains and losses from Financial Assets and Liabilities

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

	2009/10			
	Financial Liabilities measured at amortised cost	Financial Assets, Loans and Receivables	Financial Assets available for sale assets	Total
	£000	£000	£000	£000
Interest	(754)			(754)
Losses on derecognition				-
Impairment Losses				-
Interest Payable and similar charges	(754)	-	-	(754)
Interest Income		149		149
Gains on derecognition				-
Interest and Investment Income	-	149	-	149
Gains / (Losses) on revaluation				-
Amounts recycled to the Income and Expenditure account after impairment				-
Surplus arising on revaluation of financial asset				-
Net gain / (loss) for the year	(754)	149	-	(605)

	2008/09			
	Financial Liabilities measured at amortised cost	Financial Assets, Loans and Receivables	Financial Assets available for sale assets	Total
	£000	£000	£000	£000
Interest	(871)			(871)
Losses on derecognition				-
Impairment Losses				-
Interest Payable and similar charges	(871)	-	-	(871)
Interest Income		923		923
Gains on derecognition				-
Interest and Investment Income	-	923	-	923
Gains / (Losses) on revaluation				-
Amounts recycled to the Income and Expenditure account after impairment				-
Surplus arising on revaluation of financial asset				-
Net gain / (loss) for the year	(871)	923	-	52

44. Fair Value of Assets and Liabilities carried at Amortised Cost

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 2010
- 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

The fair values calculated are as follows

	31st March 2010	
	Carrying Value £000	Fair Value £000
Financial Liabilities at amortised cost - PWLB	18,639	19,570
Financial Liabilities at amortised cost - Deferred Liabilities	520	520
Loans and Receivables - Temporary Investments	11,560	11,560

	31st March 2009	
	Carrying Value £000	Fair Value £000
Financial Liabilities at amortised cost - PWLB	17,540	19,478
Financial Liabilities at amortised cost - Deferred Liabilities	572	572
Loans and Receivables - Temporary Investments	18,680	18,680

Financial Liabilities

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, creditors 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 value has been assessed as being same as the carrying value due to the investments being short term.

The table above excludes other Financial Assets such as debtors, the carrying amount (the invoiced or billed amount) as shown in the Balance Sheet is assumed to approximate to fair value.

45. Risk Exposure

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.

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:

2009/10 long term borrowing	PWLB	Deferred	Total
	£000	Liabilities £000	£000
Less than one 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.

46. Prior period adjustments

The 2009/10 Statement of Accounts includes four changes that required restatement of the 2008/09 prior year figures.

EMSOU share

As described in Note 41, EMSOU is a joint arrangement with the four other East Midlands police forces. Our share of the assets and liabilities was 12.5% in 2008/09 but has increased to 12.6% in 2009/10, leading to small adjustments to the 2008/09 accounts in order to keep them comparable to the 2009/10 figures.

Actuarial report corrections

The size of pension liabilities for the FRS17 police officer pension disclosures means that they are rounded to the nearest £100k in the actuarial report. Roundings from previous years have now accumulated to a level which affected the totals unless the 2008/09 figures were restated. Hence, the liabilities for the police officer pension scheme for 2008/09 have been reduced by £100k.

Accounting adjustment, revalued assets

In 2008/09 accounts, depreciation on revalued assets was mistakenly charged to Income & Expenditure Account, reversed in the Statement of Movement on the General Fund and included in the Statement of Total Recognised Gains and Losses. This transaction for £5k has now been deleted from these areas of the restated 2008/09 accounts.

Accounting for Council Tax

Up to 2008/09, the SORP required that the council tax income included in the Income & Expenditure Account should reflect the amount to be paid from the billing Authority's collection fund to Lincolnshire Police as precept under regulations.

In the 2009/10 accounts, the SORP required application of the 'Principal v. Agent' concept from FRS5, Note G. The issue is that the person who should recognise income is the one who is exposed to the risks and rewards of that income. Consequently, it is no longer the amount paid over under statute which is recognised as income, but the increases or decreases recorded in the collection funds of billing authorities.

Income & Expenditure Account (restated)

	2008/09					
	Published Accounts £000	EMSOU percentage change £000	Actuarial report correction £000	Accounting adjustment, revalued assets £000	Council Tax Adjustment £000	Restated Accounts £000
Net Cost of Services	105,865	2	-	5	-	105,872
Net Operating Expenditure	142,859	2	-	5	-	142,866
General government grants	(41,038)	-	-	-	-	(41,038)
Non Domestic Rates Redistribution	(21,270)	-	-	-	-	(21,270)
Council Tax	(38,329)	-	-	-	169	(38,160)
Home Office grant payable towards the cost of retirement benefits	(10,836)	-	-	-	-	(10,836)
Surplus (-) / Deficit	31,386	2	0	5	169	31,562

Statement of Movement on the General Fund Balance (restated)

	2008/09					
	Published Accounts £000	EMSOU percentage change £000	Actuarial report correction £000	Accounting adjustment, revalued assets £000	Council Tax Adjustment £000	Restated Accounts £000
Surplus (-) / Deficit on the I&E Account	31,386	2	-	5	169	31,562
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(32,529)	(2)	0	(5)	(169)	(32,705)
Increase (-) / Decrease in General Fund Balance	(1,143)	-	-	-	-	(1,143)
General Fund balance brought	(1,764)	-	-	-	-	(1,764)
General Fund balance carried forward	(2,907)	-	-	-	-	(2,907)

Statement of Total Recognised Gains and Losses (restated)

	2008/09					
	Published Accounts £000	EMSOU percentage change £000	Actuarial report correction £000	Accounting adjustment, revalued assets £000	Council Tax Adjustment £000	Restated Accounts £000
Surplus (-) / Deficit on the I&E Account	(31,386)	(2)	-	(5)	(169)	(31,562)
Surplus (-) / Deficit arising on revaluation of fixed assets	(1,349)	-	-	5	-	(1,344)
Actuarial gains (-) / losses on pension fund assets and liabilities	(32,744)	-	100	-	-	(32,644)
Total gain (-) / loss	(65,479)	(2)	100	0	(169)	(65,550)

Balance Sheet (restated)

	2008/09					
	Published Accounts £000	EMSOU percentage change £000	Actuarial report correction £000	Accounting adjustment, revalued assets £000	Council Tax Adjustment £000	Restated Accounts £000
Intangible Fixed Assets	89	-	-	-	-	89
Total Tangible Fixed Assets	36,866	1	-	-	-	36,867
Total Fixed Assets	36,955	1	-	-	-	36,956
Current Assets	25,472	3	-	-	1,235	26,710
Total Assets	62,427	4	-	-	1,235	63,666
Current Liabilities	(15,947)	(2)	-	-	(1,030)	(16,979)
Total Assets less Current Liabilities	46,480	2	-	-	205	46,687
Long Term Liabilities	(627,540)	-	100	-	-	(627,440)
Total Assets less Liabilities	(581,060)	2	100	-	205	(580,753)
Total Net Worth	(581,060)	2	100	-	205	(580,753)

47. Post Balance Sheet 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.

Following the General Election on 6th May 2010, a new coalition Government was formed. The new Government has indicated that it plans to reduce public expenditure significantly. During May 2010, the Authority was notified of a £1m reduction in central government grant for 2010/11 and has taken action to revise its budget in the light of this announcement. The emergency budget announced by the Government on 22nd June 2010, indicated that the Government would be implementing a reduction in spending across Central Government Departments of 25% over 4 years. The implications for Lincolnshire Police Authority will not be clear until detailed information is provided in the Autumn. Additionally, a two year public sector pay freeze was announced this will have implications for the assumptions used in the FRS17 calculation, given the magnitude of the overall disclosure for pensions; it is not intended to recalculate these at this stage.

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

Lincolnshire Police Authority

Police Officer Pensions - Home Office Memorandum Account

2009 / 10

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

2008/09 £000	Fund account	2009/10 £000
	Contributions receivable	
	from employer:	
10,113	Normal	10,116
451	Early retirements	1,593
53	Reimbursement of unabated pensions of '30+' police officers	32
353	Recovery from Humberside Police Authority	318
	From members:	
4,408	Contributions	4,519
286	Individual transfers in from other schemes	264
15,664		16,842
	Benefits payable	
20,347	Pensions	22,042
5,778	Commutations	7,641
61	Lump sum death benefits	-
53	Unabated pension of '30+' police officers	32
	Payments to and on account of leavers	
4	Refunds of contributions	10
257	Individual transfers out	741
-	Equivalent premium	-
26,500		30,466
10,836	Sub-total for the year before transfer from Lincolnshire Police Authority of amount equal to the deficit	13,624
(10,836)	Additional funding payable by Lincolnshire Police Authority to meet deficit for the year	(13,624)
-	Net Amount payable/(receivable) by Lincolnshire Police Authority	-

2008/09 £000	Net Asset Statement as at 31st March 2009	2009/10 £000
	Net Current Assets and Liabilities	
-	Pension benefits paid in advance	-
-	Receivable from Humberside Police Authority	18
-	Creditors to Lincolnshire Police Authority	(18)
-	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 the Statement of Accounting policies on pages 17 to 28.
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 £1,458,130 is shown in Lincolnshire Police Authority accounts as due from the Home Office.

Independent auditor's report to Members of Lincolnshire Police Authority

Opinion on the financial statements

I have audited the accounting statements, the police pension fund accounting statements and related notes of Lincolnshire Police Authority for the year ended 31 March 2010 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, Statement of Movement on the General Fund Balance, Balance Sheet, Statement of Total Recognised Gains and Losses, Cash Flow Statement, and the related notes. The police pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. The accounting statements and police pension fund accounting statements have been prepared under the accounting policies set out within them.

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 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

Respective responsibilities of the Treasurer and auditors

The Treasurer's responsibilities for preparing the accounting statements, including the police pension fund accounting statements, in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities.

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

I report to you my opinion as to whether the accounting statements, the police pension fund accounting statements and related notes give a true and fair view, in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of:

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

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June

2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the accounting statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

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

Basis of audit opinion

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

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

Opinion

In my opinion:

- The accounting statements and related notes give a true and fair view, in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended; and
- The police pension fund accounting statements give a true and fair view, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial transactions of the police pension fund during the year ended 31 March 2010 and the amount and disposition of the fund's assets and liabilities as at 31 March 2010, other than liabilities to pay pensions and other benefits after the end of the scheme year.

Conclusion on 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 regularly to review the adequacy and effectiveness of these arrangements.

Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority 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 in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for police authorities published in May 2008 and updated in October 2009. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. 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.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for police authorities specified by the Audit Commission and published in May 2008 and updated in October 2009, and the supporting guidance, I am satisfied that, in all significant respects, Lincolnshire Police Authority made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010.

Certificate

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

Sue Sunderland, District Auditor

Officer of the Audit Commission

Littlemoor House, Littlemoor, Eckington, S21 4EF

Date 28th September 2010

Glossary of Terms

'30+' police officers

Police officers may opt to receive the lump sum from their pension after 30 years and continue 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.

Balances

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

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.

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.

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

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 fixed assets caused by either a consumption of economic benefits or a general fall in prices.

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

Fixed 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.

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 fixed 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 fixed asset's value by an equal amount for each year of that asset's life.

Virement

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