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Keeping our communities safe

COMMITTEE: GRAMPIAN JOINT POLICE BOARD

DATE: 12 November 2010

TITLE OF REPORT: Annual Statement of Accounts 2009-10

REPORT NUMBER

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1. PURPOSE OF REPORT

To present to the Board for its consideration, a copy of the audited and signed set of Annual Statement of Accounts for the financial year 2009-10.

2. RECOMMENDATION(S)

Members are asked to note the contents of the report.

3. FINANCIAL IMPLICATIONS

-

4. SERVICE & COMMUNITY IMPACT

-

5. OTHER IMPLICATIONS

-

6. REPORT

The Annual Statement of Accounts is normally presented to the Stewardship Sub-Committee after the completion of the statutory audit. The external auditors will issue an audit certificate, but also present a comprehensive report setting out their findings of the audit. Thereafter, the Annual Statement of Accounts, complete with the audit certificate, is presented to the Board.

However, due to a delay in holding a meeting of the Stewardship Sub-Committee and the need to present the Accounts to the Board timeously, it was considered appropriate that the Annual Statement of Accounts for 2009-10 be presented directly to the Board, along with the External Auditors Report.

The Annual Statement of Accounts has been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2009 – A Statement of Recommended Practice' (SORP). This is issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Joint Committee. The SORP is supported by a number of detailed accounting recommendations, which have evolved as best practice over many years. The provisions of the SORP are updated to reflect professional or statutory developments.

The Explanatory Foreword (pages 3 to 11) provides an overview of the Force's financial position, and assists in the interpretation of the accounting statements. It also includes a commentary on the major influences affecting the Force's income and expenditure, as well as the cash flow. This report includes extracts from the Explanatory Foreword.

The principal financial statements included within the Annual Statement of Accounts are:

Statement of Responsibilities for the Statement of Accounts - sets out the respective responsibilities of the Board and Treasurer for the accounts.

Statement on the System of Internal Financial Control - sets out the framework within which financial control is managed and reviewed and the main components of the system, including the arrangements for internal audit.

Income and Expenditure Account - summarises the resources that have been generated and consumed in providing services and managing the Force during the year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

Statement of Movement on the General Fund Balance - is a reconciling statement summarising the differences between the out-turn on the Income and Expenditure Account and the General Fund Balance.

Statement of Recognised Gains and Losses - shows all the gains and losses of the Board for the year and the aggregate decrease/(increase) in net worth.

Balance Sheet - sets out the overall financial position of the Force as at 31 March 2010.

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

Given that the Force is required to adhere to professional accounting rules set down within the SORP for the preparation of year end accounts, there is divergence between the figures appearing in the Income and Expenditure Account compared to the budget monitoring reports normally submitted to the Board throughout the year. Although the Income and Expenditure Account (page 18) reports a deficit of £29.100m for the year, this is comparable to the budgeted position after excluding significant additional items amounting to £29.666m. These items are required to be included in the Board's Financial Statements to comply with accounting practices and conventions in respect to Financial Reporting Standards on pension and capital costs, as well as Police Officer injury awards. These adjustments are reflected in the Statement of the Movement on the General Fund Balance (page 19).

In effect, there was a net underspend of £566,000, which remains unchanged from the Draft Accounts. This balance will be transferred to the General Fund. A further adjustment is required to take account of the payments relating to Pension Commutation Lump Sums, in order to make the final out-turn figures comparable with the approved budget. Whilst the Force cannot make a provision for these future costs under the SORP, it does earmark an equivalent amount within the General Fund. This essentially sets aside an element of the General Fund that would cover the full amount payable to Police Officers as Pension Commutation Lump Sums, should they retire. With the introduction of the new Police Pension Account on 1 April 2010, any balance on the earmarked element of the General Fund will be transferred accordingly.

In budget terms, after earmarking for the future costs of Pension Commutation Lump Sums, the adjusted underspend amounted to £42,000. This small saving of £42,000 against a net revenue expenditure budget of £110.301m, represents an overall budget variance of less than 0.1%. This compares to the revenue out-turn figures that are regularly reported to the Board.

The breakdown of the variances across the different expenditure headings is set out within the Explanatory Foreword (pages 5 to 7) of the Annual Statement of Accounts. The details remain unchanged from that presented within the Draft Accounts.

As with many other public bodies, the Force is required to prepare its Annual Statement of Accounts for the current financial year applying the accounting policies and rules included within International Financial Reporting Standards. As a result of these changes, the Force is required to restate the Annual Statement of Accounts for 2008-09 and 2009-10 in order to quantify closing balances and provide comparable figures. The process involves the application of a number of complex technical accounting rules, particularly in relation to staff costs, leases and capital funding. An abridged version of the restated Annual Statement of Accounts for 2009-10 will be presented to the Stewardship Sub-Committee, setting out the key changes and any resultant impact upon the General Fund.

7. REPORT AUTHOR DETAILS

Gary Craig, Deputy Director of Corporate Services
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8. BACKGROUND PAPERS

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Chief Constable	Treasurer
3 November 2010	3 November 2010

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GRAMPIAN JOINT POLICE BOARD

ANNUAL STATEMENT OF ACCOUNTS
2009-10

GRAMPIAN JOINT POLICE BOARD
STATEMENT OF ACCOUNTS 2009-10

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GRAMPIAN JOINT POLICE BOARD

MEMBERS AND OFFICIALS 2009-10

CONVENOR

Councillor M. Greig, Aberdeen City Council

VICE CONVENORS

Councillor A J C Cullinane, Aberdeenshire Council
Councillor R H Shepherd, Moray Council

ABERDEENSHIRE COUNCIL

Appointed Members:
Councillor J A Mair
Councillor F Hood (to 02/10/09)
Councillor C R McKail
Councillor J Webster
Councillor A Hendry
Councillor M Cullen (from 02/10/09 to 11/12/09)
Councillor A Howie (from 11/12/09)

MORAY COUNCIL

Appointed Members:
Councillor E McGillivray
Councillor D G Ross

ABERDEEN CITY COUNCIL

Appointed Members:
Councillor K Stewart
Councillor G Penny
Councillor J Dunbar
Councillor J Farquharson
Councillor G Graham (to 06/11/09)
Councillor N Collie (from 06/11/09)

OFFICIALS

Chief Constable	-	Colin McKerracher, Grampian Police
Clerk	-	Jane G MacEachran, Aberdeen City Council
Treasurer	-	Susan E. Cooper, Aberdeen City Council

Susan E. Cooper resigned from the Board after 31 March 2010, and was replaced by Barry Jenkins.

EXPLANATORY FOREWORD BY THE TREASURER

INTRODUCTION

Grampian Joint Police Board (thereafter referred to as the Board) was created by a Statutory Instrument in 1995, known as 'The Grampian Combined Police Area Amalgamation Scheme Order 1995' and came into operation on 1 April 1996, to administer the policing provision for the new local government areas of Aberdeen City, Aberdeenshire and Moray. The Statutory Instrument makes provision with respect to the Members and Officers of the Board and its procedures, powers and duties. As part of these duties, the Board is required to publish an Annual Statement of Accounts, the object of which is to demonstrate publicly the proper stewardship of its financial affairs.

Grampian Police (thereafter referred to as the Force) is also required to prepare an Annual Report on the activities of the Force during the year and copies can be obtained from Police Headquarters, Queen Street, Aberdeen.

This foreword provides an explanation of the Board's overall financial position, along with a summary of the financial out-turn for the year ended 31 March 2010. It is also assists in interpreting the core financial statements included within the accounts.

The Annual Statement of Accounts has been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2009 – A Statement of Recommended Practice' (SORP). This is issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Joint Committee. The SORP is supported by a number of detailed accounting recommendations, which have evolved as best practice over many years. The provisions of the SORP are updated to reflect professional or statutory developments.

The SORP sets out the accounting concepts and principles, which underpin the Statement of Accounts. The overriding requirement of the SORP remains that the Statement of Accounts present "a True and Fair View" of the financial position and transactions of the Force.

The financial statements and their purpose are noted below.

Statement of Responsibilities for the Statement of Accounts - sets out the respective responsibilities of the Board and Treasurer for the accounts.

Statement on the System of Internal Financial Control - sets out the framework within which financial control is managed and reviewed and the main components of the system, including the arrangements for internal audit.

Income and Expenditure Account - summarises the resources that have been generated and consumed in providing services and managing the Force during the year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

Statement of Movement on the General Fund Balance - is a reconciling statement summarising the differences between the out-turn on the Income and Expenditure Account and the General Fund Balance.

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Balance Sheet - sets out the overall financial position of the Force as at 31 March 2010.

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

2009-10 REVENUE OUT-TURN

Although the Income and Expenditure Account (page 18) for the year ended 31 March 2010, identifies a deficit of £29.100 million(m) this is only comparable to the budgeted position after excluding significant additional items amounting to £29.666m. These items are required to be included in the Board's Statement of Accounts to ensure compliance with accounting practices and conventions in respect to Financial Reporting Standards on pension and capital costs. These adjustments are reflected in the Statement of Movement on the General Fund Balance (page 19).

In effect, there is net underspend of £566,000, which will be transferred to the General Fund. A further adjustment is required to take account of the payments relating to Pension Commutation Lump Sums, in order to make the final out-turn figures comparable with the approved budget. Whilst the Force cannot make a provision for these future costs under the SORP, it does earmark an equivalent amount within the General Fund. This essentially sets aside an element of the General Fund that would cover the full amount payable to Police Officers as Pension Commutation Lump Sums, should they retire.

In budget terms, after earmarking for the future costs of Pension Commutation Lump Sums, the adjusted underspend amounted to £42,000. This small saving of £42,000 against a net revenue expenditure budget of £110.301m, represents an overall budget variance of less than 0.1%.

In approving the revenue budget for the financial year 2009-10, the Board agreed to an initial budget overspend of £390,500. This came about as a result of the funding shortfall for Police Officer pensions. Previously, the Scottish Government had provided full funding for Police Officer pension costs year on year, however within the 2007 Spending Review the funding allocated to Forces fell short of the projected costs. For Grampian Police this amounted to £781,000 for 2009-10 (£1.143m in 2008-09). The Board agreed that the Constituent Authorities would provide half of the funding, whilst the Force should accommodate the remaining shortfall of £390,500 through savings. As a result, the Board required the Force to reduce this potential budget overspend during the year, as well as absorb other spending commitments and pressures as far as possible.

On 1 April 2009 the Force was involved in a major incident, with the crash of a helicopter in the North Sea. The investigation (referred to as Operation Crimond) was particularly complex given the location of the incident and the resultant fatalities. It was one of the largest investigations involving fatalities in Scotland in recent times, with the related expenditure exceeding £1m. The operation was a significant budget pressure, on top of the required budget savings of £390,500. A request was submitted by the Force to the Scottish Government seeking some additional funding, however this was rejected.

During the year the Force managed to identify savings and reduce budgets to ensure that the other spending commitments such as the accelerated rise in Police Officer numbers, the increase in retired Police Officer pension costs, increases in utility charges and the reduced savings arising from a fall in Police Staff turnover, were all accommodated within the approved level of funding.

The information presented in the following table shows in summary, the approved budget for 2009-10 and actual expenditure incurred to 31 March 2010, which is presented to the Board for monitoring purposes. The expenditure figures have not been adjusted to reflect accounting entries associated with pensions or fixed assets (capital expenditure or financing), and therefore differ from those appearing in the Notes to the Accounts.

Expenditure Type	Approved Budget £000's	Spend to 31 March 2010 £000's
Employees (excluding Police Officer Pensions)	86,024	86,212
Police Officer Pensions	20,917	19,557
Property	3,923	4,371
Transport	2,386	2,290
Supplies and Services	8,005	7,861
Payments to Agencies and Other Bodies	1,080	1,005
Capital Financed from Current Revenue	-	-
Contingency	6	-
Income	(12,040)	(12,579)
Total Net Expenditure	110,301	108,717
SG/LA Funding	(110,301)	(109,283)
Total Underspend	-	(566)
Adjustment for Pension Commutations	-	524
Operational Underspend	-	(42)

In terms of expenditure against individual budget heads, the following provides a summary of some of the contributing factors resulting in budget variances.

Employees

Police Officers

One of the key objectives for the Force during 2009-10, was to continue to increase Police Officer numbers, in order to expand operational capacity. By the end of March 2010, Police Officer numbers had risen to an unprecedented 1,600, which was an increase of 43 from the total at the start of the year (1,557). However, the rise in the total number of Police Officers was quicker than that which had been assumed for budgetary purposes, and resulted in an additional budget pressure.

During the year there was a marked reduction in the number of Police Officers leaving or retiring from the Force. During 2009-10, 52 Police Officers (3% of the total) left or retired compared to 89 (5.8%) in the previous financial year. Resources were transferred from other budgets to fund the additional spend, along with revisions being made to the recruitment profile during the latter part of the financial year. At the end of March 2010, there were 21 Police Officers who were eligible to retire, but remained in Force.

Police Staff

In the latter part of 2009-10, the Force implemented a second early retiral/voluntary redundancy scheme for Police Staff, similar to the one that was successfully run in 2008-09. It was anticipated that significant backdated pay costs would result from the implementation of the Total Remuneration Project (Job Evaluation), and as a consequence a provision had been built up in previous financial years. The actual expenditure amounted to approximately £72,000, such that the remaining provision was used to fund the bulk of the early retiral/voluntary redundancy scheme costs.

Overtime

As part of the drive to find savings and reduce costs over the longer term, there is an on-going review of the expenditure on overtime and the associated working practices. Whilst there was a considerable rise in overtime costs at the start of the financial year due to Operation Crimond, there has been an overall reduction in the total spend compared to the approved budget (savings of £268,000 (7%) for Police Officers and £67,000 (20%) for Police Staff), as changes have been implemented. Whilst the intention is to maintain this level of savings over the longer term, there is always the risk that major incidents may adversely affect these more efficient working practices and result in increased levels of spend.

Property

The Force has recently joined national contracts for energy supplies in order to benefit from reduced tariffs. However, with the conclusion of old contracts, there has been an increase in costs with the receipt of backdated charges, coupled with a rise in unit prices and overall usage. Work is on-going to reduce the utility costs through the adoption of new technology and changes in working practices with a view to reducing the Force's carbon footprint.

Supplies and Services

Within the 2009-10 Supplies and Services budget, there was an allocation of £314,000 for the training costs associated with the introduction of a new national Safety Camera system. Whilst the Force led on the purchase of the system, this was done on behalf of the Scottish Government (Safety Camera Programme Office). Given that they have taken ownership of the asset and taken responsibility for funding the associated training costs, the budget remained unspent, and contributed to the overall underspend against Supplies and Services.

The Force also allocated a budget to cover the purchase of ICT related supplies and services by the Scottish Police Services Authority (SPSA). This expenditure is fully funded, with cash being drawn down by the Force from the Scottish Government, once the recharges from SPSA have been settled. The total spend by SPSA on ICT supplies and services for the Force in 2009-10, amounted to £1.877m, and this exceeded the approved budget of £1.750m. However, the Force will be able to recover the full the cost from the Scottish Government, with any outstanding balance being reimbursed in the early part of 2010-11.

Payments to Agencies and Other Bodies

The Force benefits from involvement in shared projects with other Scottish Police Forces. The costs associated with these projects are incurred by Lead Forces and then recharged to all other Forces at the end of each financial year. The total amount recharged was approximately £100,000 less than had been anticipated, and was principally due to slippage on some large national Police ICT projects.

Income

As noted in the paragraph headed Supplies and Services, there were specific budgets allocated for the ICT related goods and services purchased on the Force's behalf by SPSA and for the training of Police Staff on the new Safety Camera system. Both of these elements had corresponding funding lines, equal to their respective expenditure budgets.

The increased level of spend by SPSA during 2009-10, means that the funding line will also exceed the budgeted total by a corresponding amount. The balance of the amount due has been agreed with SPSA, and will be drawn down from the Scottish Government during the early part of 2010-11.

With regard to the new Safety Camera system, the cash receipt of £314,000 could not be recognised as income, and resulted in a budget variance against the respective funding line.

At the start of the financial year it had been assumed that the Scottish Government would allow Forces to accrue the income associated with the "pooled risk" for the Police Officer Lump Sum Commutation Payments. However, the Scottish Government has recently agreed to a different process, whereby Forces will neither accrue the income, nor provide for a corresponding amount within the earmarked element of the General Fund. This has resulted in a reduction in Scottish Government grant funding by £0.856m, and a corresponding reduction in the earmarked element of the General Fund (from £3.361m to £2.505m).

Scottish Police Services Authority (SPSA)

On 1 April 2008, all Scottish Police Forces transferred their ICT services to the SPSA following on from the transfer of Forensic Services on 1 April 2007. Thereafter, all of the Joint Police Boards across Scotland signed an Agency Agreement with SPSA, which allowed SPSA to purchase ICT goods and services directly from suppliers, on behalf of the Force. This came into effect on 1 July 2009.

The role of the SPSA up to 30 June 2009 was to purchase the ICT goods and services on behalf of the Force. With the introduction of the Agency Agreement, that role changed, to include the payment to suppliers.

Under the new arrangement, the SPSA will pay the suppliers, and thereafter recover an equivalent sum from the Force. The Force will draw down that sum from the Scottish Government.

An adjustment is made at the year end to reflect expenditure, which has been pre-paid or requires to be accrued by both SPSA and the Force. The total revenue spend by SPSA on ICT goods and services during 2009-10, which was grant funded amounted to £1.877m. The total capital expenditure for ICT assets amounted to £0.246m.

Police Pensions

As in previous financial years, the Force has followed the relevant accounting guidance pertaining to Police Officer pensions. The Financial Reporting Standard (number 17) requires the Force to include an estimate of the pension cost (sums that will be paid out in future years), for all of the Police Officers employed by Grampian Police during the financial year 2009-10. These projected costs are linked to the respective Police Officers' future pension entitlement, and thus have to be estimated by an independent actuary.

In order that these notional costs do not impact upon the General Fund, the normal accounting process allows for these costs to be reversed out via the Statement of Movement on the General Fund Balance. However, last year Audit Scotland noted that the legislation did not allow estimated pension costs for the New Police Pension Scheme included within the Income and Expenditure Account in accordance with FRS17, to be reversed out of the Statement of Movement on the General Fund Balance as a reconciling item.

As a result, the Scottish Government introduced a change to the legislation under the Amendment to Local Government Pension Reserve Fund (Scotland) Regulations 2003. The legislation now allows for all relevant pension costs to be charged to the Income and Expenditure Account and then reversed out through the Statement of Movement on the General Fund Balance. The pension costs charged to the General Fund equate to the cash payments to retired Police Officers.

In the lead up to the introduction of the new Police Officer Pension Account (to be implemented during 2010-11), a review was undertaken of the different elements making up Police Officer pensions. In previous years, liabilities associated with injury awards (payable to retired Police Officers injured through the course of their employment) were included within the overall FRS17 pension liability.

Further to the matter being considered by Forces, the Local Authority (Scotland) Accounts Advisory Committee, Audit Scotland and the Scottish Government, it was agreed that this liability should not be linked to pensions and thus should be treated separately. As a result, the Scottish Government introduced new statutory guidance applicable to the Local Government in Scotland Act 2003, in order to ensure that the change to the accounting process did not impact upon the General Fund. This includes the introduction of a new Employee Statutory Adjustment Account, which appears on the

Force's Balance Sheet. The balance on this account equates to the Police Officer Injury Award liability at the year end.

An adjustment was made to the 2008-09 Statement of Accounts to reflect this change. The balance on the Employee Statutory Adjustment Account as at 31 March 2010 amounted to £35.638m (£22.313m 2008-09).

GENERAL FUND

The closing balance on the General Fund, has increased from £3.514m (2008-09) to £4.080m. However, within this balance, there is an earmarked reserve of £2.505m to provide for Pension Commutation Lump Sums, payable to Police Officers who retire from the Force. This is within the 5% threshold of carry forward limits for reserves in comparison to total funding received, which is imposed as a statutory limit.

The remaining element of the General Fund, which has not been earmarked, amounts to £1.575m. The Board previously agreed a minimum threshold for this element of the General Fund, such that it should exceed 1% of total funding. This will ensure that there are resources available to meet significant unplanned operational needs, especially in light of the nature and types of risks faced by the Force. The carry forward total of £1.575m is in line with the Board's policy.

2009-10 CAPITAL PLAN

Capital expenditure is determined by the Board, based upon the Scottish Government capital grant, capital receipts, Prudential borrowing if required, and revenue funding.

The Force's approved Capital Plan is updated during the financial year as the Board consider appropriate. At 31 March 2010 the Force's Capital Plan had a budget of £2.242m for 2009-10. The actual spend amounted to £2.270m. The total capital spend can be split into two different elements. The on-going programme of replacement/improvement of capital assets (including buildings, ICT equipment and vehicles) and those individual projects where capital investment is required. The total budget for these different categories in 2009-10 was £1.339m and £0.903m respectively.

The expenditure of £2.270m was funded by way of a £1.911m capital grant, supplementary grants and other contributions amounting to £357,000 and £2,000 of capital receipts. The balance of capital receipts at the start of 2009-10 was £2.961m. The Force generated £0.913m of receipts from the disposal of land and buildings (£0.752m), as well as vehicles (£161,000). With the use of £2,000 of receipts in year, the balance at 31 March 2010 amounted to £3.872m, and this will be carried forward into 2010-11.

The Force (acting on behalf of all Scottish Forces) was previously awarded a grant from the Efficient Government Fund totalling £5.378m, towards the capital cost of implementing the National Platform Project. Grampian Police is acting as the Lead Force for this project, which will result in all Forces accessing shared performance management information. The total spend in 2009-10 was £256,000, although this included £30,000 of additional spend by SPSA which was not budgeted for and could not be financed from the remaining balance on the Efficient Government Fund. Instead, an equivalent amount was drawn down from the national top-sliced Police capital budget.

In total the Project has spent £3.966m of the £5.378m grant, leaving a balance of £1.412m to be carried forward into 2010-11.

NATIONAL SHARED ASSETS

The accounting treatment for spend and associated funding on national capital projects (including the National Platform Project) recently changed. Each Scottish Police Force now includes a share of these national assets on their respective balance sheet, based upon its share of the associated benefits and risks. This process has been agreed by all Scottish Police Forces and Audit Scotland. These adjustments are required to be made in order to meet with particular accounting standards, however it is important to note that under the SORP, none of these changes will impact upon the Force's General Fund.

There are currently five national ICT projects being classified as shared assets , namely the Infrastructure Project, Command and Control, Vulnerable Persons Database, Information Management Systems and the National Platform Project. Grampian Police includes 9.82% of the total cost of these national assets on the balance sheet, in line with the national funding allocations. There are both tangible and intangible fixed assets, whose values are written down in accordance with the Force's accounting policies, once the assets become operational. The total net book value of the national shared assets as at 31 March 2010, was £0.979m.

NET PENSION AND INJURY AWARD LIABILITY

The application of FRS17 means that the Force is required to recognise the cost of retirement benefits and include these within the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge to the General Fund should equate to the cash payable during the financial year. Consequently, the accounting transactions pertaining to FRS17 are reversed through the Statement of the Movement on the General Fund Balance. The Force is also required to show the net liability that exists at the year end.

The Force's total net pension liability was £702.149m at 31 March 2010. This was made up of £27.370m for Police Staff and £674.779m for Police Officers. The Police Officers' pension scheme is unfunded and therefore is a significant future liability for the Force. However, the Force receives funding year on year specifically to cover the anticipated annual Police Officer pension costs (net of Police Officer contributions).

This is the first year that the liability associated with Police Officer Injury Awards, has been disclosed separately. The total liability at 31 March 2010 was £35.638m, which compares to the balance for the previous financial year, of £22.313m. The marked difference is due to the assumptions used for the actuarial valuation and the application of a revised discount rate in 2009-10, rather than any significant change to the number of Police Officers receiving payment. Details of the various rates applied are set out within the Notes to the Accounts.

The current pension valuations under FRS 17 lead to the creation of a charge to the Net Operating Expenditure within the Income and Expenditure Account of £29.229m, however as noted above this is offset by a corresponding entry in the Statement of Movement on the General Fund Balance.

The application of the technical accounting rules has had no impact on the underlying basis for meeting the Board's current and on-going pension liabilities. These will be met out of the Board's funding from Government Grants and contributions from constituent authorities under the Amalgamation Scheme 1995. Accordingly, it has been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

ACKNOWLEDGEMENT

I would like to take this opportunity to thank and acknowledge the considerable assistance and support of the Force's Finance Team in the production of the Financial Statements within the tight timescales.

Barry Jenkins, CPFA
Treasurer
30 August 2010

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Board's Responsibilities

The Board is required:

- To make arrangements for the proper administration of its financial affairs and to secure that one of its Officers has the responsibility for such administration of those affairs. For this Board that Officer is the Treasurer, who is the Head of Finance for Aberdeen City Council; and
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

The Treasurer's Responsibilities:

The Treasurer is responsible for the preparation of the Board's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the SORP). The Statement of Accounts presents a True and Fair View of the financial position of the Board at the accounting date and its income and expenditure for the year ended 31 March 2010.

In preparing the Statement of Accounts, the Treasurer has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgments and estimates that were reasonable and prudent;
- Complied with the SORP;
- Kept proper accounting records which were up to date; and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Barry Jenkins, CPFA
Treasurer
30 August 2010

STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

This statement is given in respect of the Statement of Accounts for Grampian Joint Police Board. I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources concerned.

The Force is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded, properly accounted for and used economically.

Internal Control

The system of internal financial control can provide only reasonable and not absolute assurance that:

- Assets are safeguarded;
- Transactions are authorised and properly recorded; and
- That material errors or irregularities are either prevented or would be detected within a timely period.

The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures and processes (including segregation of duties), management supervision and a system of delegation and accountability. Development and maintenance of the system is undertaken by the managers within the Force. In particular, the system includes:

- Comprehensive budgeting systems;
- Regular reviews of periodic and annual financial reports which indicate financial performance against the forecasts;
- Setting targets to measure financial and other performance;
- The preparation of regular financial reports which indicate actual expenditure and income against the forecasts;
- Clearly defined capital expenditure guidelines; and
- As appropriate, formal project management disciplines.

It is the responsibility of the Force's senior management to establish an appropriate and sound system of internal control and to monitor the continuing effectiveness of that system.

The 2009 SORP promotes the introduction of an Annual Governance Statement, with the intention of broadening the review of internal control beyond the system of financial control. The Annual Governance Statement should consider all significant corporate systems, processes and controls, spanning the whole range of the Force's activities, including in particular those designed to ensure that:

- Policies are implemented in practice;
- High quality services are delivered efficiently and effectively;
- Values and ethical standards are met;
- Laws and regulations are complied with;
- Required processes are adhered to;
- Performance statements and other published information are accurate and reliable; and
- Human, financial and other resources are managed efficiently and effectively.

Whilst the inclusion of such a statement is not yet a statutory requirement within Scotland, it is a matter of interest for the Force and one that will be supported by the internal reviews and assessments that are on-going.

Internal Audit Arrangements

Since January 2008 the Force has contracted the services of Deloitte LLP to provide an Internal Audit Service. A programme of work (referred to as the Audit Plan) has been approved by the Stewardship Sub-Committee, although this is subject to regular review and updated where necessary. Whilst the plan includes a periodic review of all key financial processes, there is also a requirement to assess the adequacy of other non financial procedures, systems and controls.

The Force receives an overall assessment of the internal control system based on the internal audit work undertaken in the period. The Internal Auditor cannot be expected to give total assurance that control weaknesses or irregularities do not exist. The Internal Auditor undertakes work as part of the agreed Audit Plan to:

- Assess the adequacy and effectiveness of the internal controls in relation to key processes.
- Assess adherence to Force policies, strategies, objectives and any statutory requirements where appropriate.
- Assess the means of safeguarding assets and, as appropriate, verifying their existence.

In accordance with the principles of Corporate Governance, the Internal Auditor reports on all the above issues with independence and impartiality to the Stewardship Sub-Committee of the Joint Police Board on a regular basis.

The Force revised the Financial Regulations during 2007-08 and the Clerk to the Board is currently updating the Standing Orders.

Basis of Opinion

My evaluation of the effectiveness of the system of internal financial control is informed by a number of sources:

- The work of the Force Finance Team and other managers within the Force;
- The work of the Internal Audit Service as described above;
- The External Auditors in their annual audit letter and other reports to the Stewardship Sub-Committee;
- The work of any other review agencies (e.g. HMICS); and
- My knowledge of the Force's governance, risk management and performance monitoring arrangements.

Opinion

It is my opinion based on the above that the Force had in place a sound system of internal controls for the year to 31 March 2010. There is also an appropriate mechanism in place to identify any area of weakness and to take corrective action through implementation of recommended actions from reports issued by Internal and External Audit and other review agencies.

Barry Jenkins, CPFA
Treasurer
30 August 2010

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GRAMPIAN JOINT POLICE BOARD AND THE ACCOUNTS COMMISSION FOR SCOTLAND

We certify that we have audited the statement of accounts of Grampian Joint Police Board for the year ended 31 March 2010 under Part VII of the Local Government (Scotland) Act 1973. The statement of accounts comprise the Income and Expenditure Account, Statement of Movement on the General Fund Balance, Statement of Total Recognised Gains and Losses, Balance Sheet and Cash Flow Statement, and the related notes and the Statement of Accounting Policies. These statement of accounts have been prepared under the accounting policies set out within them.

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 123 of the Code of Audit Practice approved by the Accounts Commission for Scotland, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the Treasurer and Auditors

The Treasurer's responsibilities for preparing the statement of accounts in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009 - A Statement of Recommended Practice (the 2009 SORP) are set out in the Statement of Responsibilities for the annual statement of accounts.

Our responsibility is to audit the statement of accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland.

We report our opinion as to whether the statement of accounts give a true and fair view, in accordance with relevant legal and regulatory requirements and the 2009 SORP, and have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

In addition, we report to you if, in our opinion, the Board has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We review whether the Statement on the System of Internal Financial Control reflects compliance with the SORP, and we report if, in our opinion, it does not. We are not required to consider whether this statement covers all risk and controls, or form an opinion on the effectiveness of the Board's corporate governance procedures or its risk and control procedures.

We read the other information published with the statement of accounts, and consider whether it is consistent with the audited statement of accounts. This other information comprises only the Explanatory Foreword. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the statement of accounts. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with Part VII of the Local Government (Scotland) Act 1973 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board as required by the Code of Audit Practice approved by the Accounts Commission. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the statement of accounts. It also includes an assessment of the significant estimates and judgements made by the Treasurer in the preparation of the statement of accounts, and of whether the accounting policies are most appropriate to the Board's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the statement of accounts

- give a true and fair view, in accordance with relevant legal and regulatory requirements and the 2009 SORP, of the financial position of Grampian Joint Police Board as at 31 March 2010 and the income and expenditure of Grampian Joint Police Board for the year then ended; and
- have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

Henderson Loggie

Henderson Loggie
Chartered Accountants
48 Queens Road
Aberdeen
AB15 4YE

30 August 2010

BEST VALUE ACCOUNTING CODE OF PRACTICE
INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2010

2008-09 Net Expenditure £000's		2009-10 Gross Expenditure £000's	2009-10 Gross Income £000's	2009-10 Net Expenditure £000's	Notes
	EXPENDITURE				
46,457	Crime Management	48,819	(3,326)	45,493	
8,265	Traffic Management	9,303	(1,207)	8,096	
387	Public Order	1,693	(1,243)	450	
31,562	Community Safety	33,366	(2,500)	30,866	
8,640	Call Management	8,823	(380)	8,443	
770	Corporate and Democratic Core	741	-	741	
(561)	Non Distributed Cost	773	-	773	
15,186	Net Police Pension Cost	15,124	(5,948)	9,176	
110,706	**Net Cost of Continuing Services**	**118,642**	**(14,604)**	**104,038**	
(298)	Profit on Disposal of Fixed Assets			(198)	
823	Interest Payable and Similar Charges			825	
(450)	Interest and Investment Income			(70)	
34,610	Pensions Interest Cost and Expected Return on Pensions Asset			33,666	6
1,719	Injury Awards Interest Cost and Expected Return on Injury Awards Asset			1,599	5
147,110	**Net Operating Expenditure**			**139,860**	
(58,465)	Police Grant			(59,881)	10/11
(50,281)	Requisitions received from Constituent Authorities			(50,879)	12
38,364	**Deficit for the Year**			**29,100**	

Where there is a number shown in the 'Notes' column, there is a further explanation in the Notes to the Accounts from page 32.

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

The Income and Expenditure Account shows the Board's actual financial performance for the year, measured in terms of the resources consumed and generated over the last 12 months. However, the Board is required to consider funding elements of expenditure on a different accounting basis, including capital investment which is accounted for as it is financed, rather than when the fixed assets are consumed, and retirement benefits that are charged as amounts which become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the Board's spending against the funds provided 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 out-turn on the Income and Expenditure Account and the General Fund Balance.

2008-09 £000's		2009-10 £000's	Notes
38,364	Deficit for the year on the Income and Expenditure Account	29,100	
(38,290)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(29,666)	35
74	Decrease/(Increase) in General Fund Balance for the Year	(566)	
(3,588)	General Fund Balance brought forward	(3,514)	
(3,514)	General Fund Balance carried forward	(4,080)	

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MARCH 2010

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

2008-09 £000's		2009-10 £000's
38,364	Deficit for the year on the Income and Expenditure Account	29,100
(4,013)	Surplus arising on revaluation of fixed assets	0
(141,356)	Actuarial (gains)/losses on pension fund assets and liabilities	212,099
(107,005)	Total recognised losses/(gains) for the year	**241,199**

BALANCE SHEET

As at 31 March 2009 £000's	As at 31 March 2009 £000's		As at 31 March 2010 £000's	As at 31 March 2010 £000's	Notes
		FIXED ASSETS			
	475	**Intangible Assets**		373	16
		Tangible Fixed Assets			17
		Operational Assets			
29,677		Land and Buildings	29,594		
4,629		Vehicles, Plant and Equipment	3,880		
	34,306			33,474	
		Non-operational Assets			
720		Investment Properties	720		
5,588		Surplus Land and Buildings	4,997		
1,313		Assets under Construction	1,376		
	7,621			7,093	
	42,402	**Total Fixed Assets**		40,940	
	8	**Long-term Debtors**		5	18
		Current Assets			
146		Stock in Hand	224		19
5,380		Debtors	5,295		20
10,130		Short Term Investments	14,700		22
1,514		Cash and Bank	47		
17,170			20,266		
		Less: Current Liabilities			
(321)		Short Term Borrowings	(321)		
(9,594)		Creditors	(11,002)		21
(873)		Provisions	(410)		23
-		Bank Overdraft	(341)		25
(10,788)			(12,074)		
	6,382	**Net Current Assets**		8,192	
	48,792	**TOTAL ASSETS LESS CURRENT LIABILITIES**		49,137	
		Less: Long Term Liabilities			
(474,146)		Net Pension Liability	(702,149)		6
(22,313)		Injury Awards Liability	(35,638)		5
(7,142)		Government Grants Deferred	(7,680)		26
(13)		Capital Contributions Deferred Account	(12)		27
(8,445)		Long Term Borrowings	(8,124)		22
	(512,059)			(753,603)	
	(463,267)	**TOTAL NET LIABILITIES**		(704,466)	

BALANCE SHEET (Cont'd)

As at 31 March 2009 £000's	£000's		As at 31 March 2010 £000's	£000's	Notes
		Financed by:			
	4,013	Revaluation Reserve		3,569	28
	22,704	Capital Adjustment Account		21,800	29
	2,961	Usable Capital Receipts Reserve		3,872	30
	(474,146)	Pension Reserve		(702,149)	6
	(22,313)	Employee Statutory Adjustment Account		(35,638)	5
	3,514	General Fund		4,080	32
	(463,267)	**TOTAL NET WORTH**		**(704,466)**	

Barry Jenkins, CPFA
Treasurer
30 August 2010

The unaudited accounts were issued on 21 June 2010 and the audited accounts were authorised for issue on 30 August 2010.

CASH FLOW STATEMENT

This statement provides details of the movements of cash arising from transactions with third parties, for both revenue and capital payments.

		2009		2010	
		£000's	£000's	£000's	£000's
Revenue Activities	**Cash Outflows**				
	Cash paid to and on behalf of employees	102,140		106,328	
	Other Operating Cash Payments	17,531	119,671	14,834	121,162
	Cash Inflows				
	Requisitions	(50,281)		(50,879)	
	Grants Received	(57,774)		(60,310)	
	Pension Contributions	(5,553)		(5,948)	
	Other Operating Cash Receipts	(5,865)	(119,473)	(7,459)	(124,596)
	Net Cash Outflow/(Inflow) from Revenue Activities (Note 34)		**198**		**(3,434)**
Servicing of Finance	**Cash Outflows**				
	Interest Paid		825		825
	Cash Inflows				
	Interest Received		(643)		(123)
	Net Servicing of Capital		**182**		**702**
Capital Activities	**Cash Outflows**				
	Purchase of Fixed Assets		3,956		2,785
	Cash Inflows				
	Sale of Fixed Assets	(603)		(913)	
	Capital Grant received from Scottish Government	(3,201)		(2,215)	
	Capital contributed from other sources	(112)	(3,916)	(8)	(3,136)
	Net Capital Activities		**40**		**(351)**
	NET CASH OUTFLOW/(INFLOW) BEFORE FINANCING		**420**		**(3,083)**
Management of Liquid Resources	Net (Decrease)/Increase in Short Term Deposits		(2,850)		4,570
Financing	**Cash Outflows**				
	Repayments of Amounts Borrowed		-		321
	(INCREASE)/DECREASE IN CASH		**(2,430)**		**1,808**

STATEMENT OF ACCOUNTING POLICIES

1. General Principles

The Statement of Accounts summarises the Board's transactions for the financial year 2009-10 and its position as at 31 March 2010. They have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom - A Statement of Recommended Practice 2009 (SORP). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

Accounting policies are the principles, bases, conventions, rules and practices applied by the Board that specify how the effects of transactions and other events are to be reflected in its financial statements through recognising, selecting measurement bases for, and presenting assets, liabilities, gains, losses and changes in reserves.

The Board has adopted accounting policies with the intention that the Statement of Accounts reflect a True and Fair View of the financial performance and position of the Force.

2. Accruals of Income and Expenditure

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

- Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as stocks on the balance sheet.
- Fees, charges, rent and other income are accounted for in the period to which they relate, i.e. any payments received in advance are included as a liability within the Balance Sheet.
- Works are charged as expenditure when they are completed, before which they are carried as work in progress on the Balance Sheet.
- Interest payable and receivable on borrowings is accounted for in the year to which it relates, on a basis that reflects the overall effect of the loan or investment.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Income and expenditure are credited and debited to the relevant revenue account, unless they properly represent capital receipts or capital expenditure.

- The full cost of employees is charged to the Income and Expenditure Account of the period within which the employees worked. An accrual is made for wages earned but unpaid at the year-end.

3. Value Added Tax (VAT)

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

4. Provisions

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

Provisions are charged to the Income and Expenditure Account when the Board 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 – where 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 and expenditure account.

5. Grants and Contributions (Revenue)

Whether paid on account, by instalments or in arrears, all grants and third party contributions are recognised as income at the date that the Board satisfies the conditions of entitlement to the grant/contribution and there is reasonable assurance that the monies will be received. Revenue grants are matched in revenue accounts with the service expenditure to which they relate.

6. Intangible Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Board, is capitalised when it will bring benefits to the Board for more than one financial year. The balance is amortised to the Income and Expenditure Account over the economic life of the asset to reflect the pattern of consumption of benefits.

7. Tangible Fixed Assets

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

Recognition

Expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis at cost, where the benefits extend beyond one year.

Measurement

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the balance sheet using the following measurement bases:

- Investment properties and assets surplus to requirements – lower of net current replacement cost or net realisable value.
- Land and buildings, vehicles, plant and equipment - lower of net current replacement cost or net realisable value in existing use.

Net current replacement cost is assessed as:

- non-specialised operational properties - existing use value.
- specialised operational properties - depreciated replacement cost.
- investment properties and surplus assets – market value.

Assets included in the balance sheet at current value are revalued where there have been material changes in the value, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to income and expenditure account.

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

Impairment

The values of each category of assets and of material individual assets that are not being depreciated 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 and expenditure account.
- Otherwise – written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Where an impairment loss is charged to the Income and 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.

Deminimus Levels

Expenditure is capitalised where the value of the fixed asset exceeds the deminimus level of £6,000.

Disposals

When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the income and expenditure account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account. The balance of receipts is required to be credited to the Usable Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Board's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the Statement of Movement on the General Fund Balance.

Depreciation

Depreciation is provided for on all assets with a determinable finite life (except for investment properties), by allocating the value of the asset in the balance sheet over the periods expected to benefit from their use.

Where an asset has major components with different estimated useful lives, these are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

- Freehold Land is an asset with infinite life and has not therefore been depreciated.
- Buildings are depreciated on a reducing balance basis over their estimated useful lives of 30 years from the date of completion.
- Vehicles are depreciated on a straight line basis over their estimated useful lives as follows with residual value of approximately 10% of cost:

Beat and Traffic Vehicles	3 years
Incident Vehicles	10 years

- Other fixed assets are depreciated on a straight-line basis over their estimated useful lives as follows:

Computers and software	3-5 years
Plant and equipment	5 -10 years

Grants and Contributions

Where grants and contributions received, are attributable to the purchase or creation of fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account for government grants and Capital Contributions Deferred Account for capital receipts from other sources. The balance on these deferred accounts should be released to services on the same basis, in terms of method and period, as the depreciation charged on the asset financed by the grant or contribution.

8. Operating Leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the Income and 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 Force acts as a lessor, then rental income will be credited to the Income and Expenditure Account on a straight-line basis over the term of the lease.

9. Financial Instruments

Financial assets and financial liabilities are recognised on the Force's balance sheet when the Force becomes a party to the contractual provisions of the instrument.

Financial Assets

The Force measures financial assets on initial recognition at fair value, and determines the classification of such assets at initial recognition and on any subsequent reclassification event.

Where there is no active market for a financial asset, fair value is determined using valuation techniques including recent commercial transactions and discounted cash flows. Otherwise financial assets are carried at amortised cost.

Financial assets are classified into one of two primary categories:

Loans Funds

Loans invested with Aberdeen City Council are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. The investments are carried on the balance sheet at nominal value, accrued interest is treated as income in the Income and Expenditure Account, and added to the value of the investments.

Receivables

These are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. Such assets are carried at amortised cost. Gains and losses are recognised in the Income and Expenditure Account to the extent that receivables are impaired.

The most significant financial assets under this category are trade receivables and bank deposits.

Trade receivables are measured at fair value, i.e. original invoice amount, less an allowance for uncollectable amounts. Appropriate allowances for estimated irrecoverable amounts are recognised in the Income and Expenditure Account when there is objective evidence that the asset is impaired.

Bank deposits are included within cash and cash equivalents. Cash and cash equivalents as defined for the cash flow statement comprise cash in hand, cash held at bank with immediate access, other short-term investments and bank deposits with maturities of three months or less from the date of inception and bank overdrafts.

<u>Financial Liabilities</u>

Borrowings from Public Works Loan Board (PWLB)

Borrowings are included on the balance sheet at amortised cost, based on the effective interest rate method. However, the transaction costs are insignificant for most of our PWLB's loan. Therefore, the nominal interest rate equals the calculated effective interest rate. The borrowings are carried on the balance sheet at nominal value, accrued interest is charged to the Income and Expenditure Account, and added to the value of the borrowings.

10. Stocks

Stocks are included in the balance sheet at the lower of cost and net realisable value.

11. Local Authority Contributions

Three local authorities namely Aberdeen City Council, Aberdeenshire Council and Moray Council contribute to the net expenditure of the Force after all other costs, income and other funding (including Scottish Government funded Police Grant) have been taken into account. The contributions are requisitioned at the beginning of the financial year and payment is made in 12 monthly instalments.

12. Pensions

The Force participates in two different Pension Schemes which provide benefits for employees. Both schemes provide members with defined benefits related to pay and service. The schemes are as follows.

- Police Pension Scheme is un-funded and therefore net pension payments are charged to the General Fund in the year in which payment is made.
- The cost of providing pensions for Force Support staff, participating in the Local Government Pension Scheme is charged to the General Fund in accordance with the statutory requirements of the scheme administered by Aberdeen City Council.

The amount chargeable to the General Fund for providing pensions for employees is the amount payable for the year in accordance with the statutory requirements governing the particular pension schemes. Where this amount differs from the amount charged to the Income and Expenditure Account for the year, the difference should be taken to the Pensions Reserve. The adjustment to the General Fund should be shown as a reconciling item in the Statement of Movement on the General Fund Balance.

The attributable assets (if any) of each scheme should be measured at their fair value at the balance sheet date. Pension Scheme assets include current assets as well as investments. Any liabilities such as accrued expenses should be deducted. The attributable scheme liabilities should be measured on an actuarial basis using the projected unit method. The scheme liabilities comprise of any benefits promised under the formal terms of the scheme, and any constructive obligations for further benefits where a public statement or past practice by the employer has created a valid expectation in the employees that such benefits will be granted.

Any unpaid contributions to the scheme are presented in the balance sheet as a creditor due within one year.

The change in the defined benefit asset or liability (other than that arising from contributions to the scheme) is analysed into the following components:

i) Periodic costs:

- Current service cost;
- Interest cost;
- Expected return on assets; and
- Actuarial gains and losses.

ii) Non-periodic costs:

- Past service costs; and
- Gains and losses on settlements and curtailments.

The current service cost is included within Net Cost of Services. The Net of the Interest Cost and the Expected Return on Assets is included within Net Operating Expenditure. Actuarial gains and losses arising from a new valuation and from updating the latest actuarial valuation to reflect conditions at the balance sheet date is recognised in the Statement of Total Recognised Gains and Losses for the period.

Past service costs are recognised in Net Cost of Services on a straight-line basis over the period in which the increases in benefit vest. To the extent that the benefits vest immediately, the past service cost is recognised immediately.

Losses arising on a settlement or curtailment now allowed for in the actuarial assumptions are measured at the date on which the Board becomes demonstrably committed to the transaction and recognised in Net Cost of Services at that date. Gains arising on a settlement or curtailment not allowed for in the actuarial assumptions are measured at the date on which all parties whose consent is required are irrevocably committed to the transaction and recognised in Net Cost of Services at that date.

A similar approach is taken when accounting for Injury Awards (payable to Police Officers who have been injured in the course of their employment and have subsequently retired from the Force). As these are not considered to be pension costs, they are disclosed separately within the respective accounting statements. This includes a separate liability on the face of the balance sheet. A corresponding entry is posted to the balance sheet within the Employee Statutory Adjustment Account.

13. Redemption of Debt

Grampian Joint Police Board maintains a Loans Fund administered by Aberdeen City Council under powers contained in the Local Government (Scotland) Act 1975. All loans raised by the Board are administered by the Council.

14. Reserves

Amounts set aside for purposes falling outwith the definition of provisions are considered as reserves. The purpose and nature of reserves held by the Board are disclosed in the notes to the balance sheet.

15. Going Concern

The net liability arising from the respective Pension Schemes demonstrates the Force's commitment to pay retirement benefits in the long term. As a consequence, there is a significant impact on the net worth of the Force as recorded in the balance sheet which shows a net liability. Statutory arrangements for the funding of the deficit means that the financial position of the Board remains assured. On the basis of this funding arrangement, the Board considers it appropriate that the Statement of Accounts should follow the going concern basis of accounting.

NOTES TO ACCOUNTS

1. PRIOR YEAR ADJUSTMENT

With the introduction of the changes to accounting practices for Injury Awards (payable to former Police Officers), the comparative balances for 2008-09 have been re-stated. The accounting entries relating to the annual costs and the liability at the year end have been disclosed separately.

The resultant changes are noted below.

Income and Expenditure Account

	Published Accounts 2009 £000's	Prior Year Adjustment £000's	Restated Accounts 2009 £000's
Pensions Interest Cost and Expected Return on Pensions Assets	36,329	(1,719)	34,610
Injury Awards Interest Cost and Expected Return on Injury Awards Assets	0	1,719	1,719

Balance Sheet

	Published Accounts 2009 £000's	Prior Year Adjustment £000's	Restated Accounts 2009 £000's
Long Term Liabilities			
Net Pension Liability	(496,459)	22,313	(474,146)
Injury Awards Liability	0	(22,313)	(22,313)
Financed By:			
Pension Reserve	496,459	(22,313)	474,146
Employee Statutory Adjustment Account	0	22,313	22,313

2. BEST VALUE ACCOUNTING CODE OF PRACTICE – INCOME AND EXPENDITURE ACCOUNT

An exercise was carried out during 2007-08 to review levels of activity across the Force. This was previously carried out in September 2003. These percentages are used to allocate expenditure across the different activities, in accordance with the requirements of the Best Value Accounting Code of Practice.

Activity	**2009-10 %**
Crime Management	47.86
Traffic Management	9.12
Public Order	1.66
Community Safety	32.71
Call Management	8.65
	100.00

3. SUMMARY OF INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2010

	2009 £000's	2010 £000's	Notes
EMPLOYEE COSTS	102,901	99,733	3a
OPERATING COSTS			
Property Costs	4,550	4,371	3b
Transport and Plant Costs	2,458	2,290	3c
Supplies and Services Costs	8,166	7,861	3d
Payments to Agencies and other Bodies	896	1,005	3f
Depreciation on Fixed Assets	3,571	3,382	
Impairment Loss on Fixed Assets	2,401	-	
GROSS OPERATING EXPENDITURE	**124,943**	**118,642**	
INCOME	(14,237)	(14,604)	3g
NET COST OF SERVICES	**110,706**	**104,038**	
Profit on disposal of Fixed Assets	(298)	(198)	
Interest Payable and Similar Charges	823	825	
Interest and Investment Income	(450)	(70)	
Pension Interest Cost/Expected Return on Pension Assets	34,610	33,666	
Injury Awards Interest Cost/Expected Return on Assets	1,719	1,599	
NET EXPENDITURE TO BE MET FROM GRANTS AND TAXATION	**147,110**	**139,860**	
GOVERNMENT GRANT	(58,465)	(59,881)	
NET EXPENDITURE	**88,645**	**79,979**	
Requisitions received from Constituent Authorities	(50,281)	(50,879)	
DEFICIT FOR THE YEAR	**38,364**	**29,100**	

3a) EMPLOYEE COSTS

	2009 £000's	2010 £000's
Police Officers	82,832	78,536
Police Staff	19,852	21,118
Recruitment Costs	217	79
	102,901	99,733

3b) PROPERTY COSTS

	2009 £000's	2010 £000's
Rent and Rates	2,041	2,065
Insurances	20	16
Repairs and Maintenance	1,229	855
Heating, Lighting and Cleaning	1,260	1,435
	4,550	4,371

3c) TRANSPORT AND PLANT COSTS

	2009 £000's	2010 £000's
Repairs and Maintenance	292	283
Petrol and Diesel Fuel	815	742
Licences and Insurances	303	305
Car Leasing, Hire and Allowances	326	353
Other Travelling Expenses	722	607
	2,458	2,290

3d) SUPPLIES AND SERVICES COSTS

	2009 £000's	2010 £000's	
Operational Equipment and Materials	686	632	
Operational Supplies and Services	2,297	2,715	
Uniforms and Clothing	484	250	
Computer Maintenance and Software	962	1,094	
Computer Networks and Telephony	1,520	1,084	
Radio Communications	15	8	
Catering	189	180	
Conferences and Subsistence	693	524	
Printing, Stationery and Postages	554	532	
Insurances	363	365	
Advertising	65	54	
Other Administration Costs	338	423	3e
	8,166	7,861	

3e) OTHER ADMINISTRATION COSTS

Other Administration Costs include:

	2009 £000's	2010 £000's	
Audit Fees - External Audit	43	44	14
- Internal Audit	81	20	
Property Valuations	13	0	
Bad Debts Written Off and Change in Bad Debts' Provision	(35)	8	
Legal Expenses and Charges	42	198	
Subscriptions and Affiliation Fees	68	71	
Members Special Responsibility Allowances	26	23	
Hospitality	61	10	
Bank Charges	4	3	
Disposal of Confidential Waste	11	13	
Enterprise in Education/Good Citizenship Programme	18	12	
Prince's Trust	3	0	
Scotland Excel Services	2	0	
Good Samaritan Award	1	0	
Diced Cap Audit Fee and Awards	0	3	
Performing Rights Society	0	18	
	338	423	3d

3f) AGENCY ARRANGEMENTS

Under various statutory powers, the Board may agree to work with other Boards, Local Authorities and Government Bodies, to progress various schemes. The main items of Agency income and expenditure were as follows:

	2009 £000's	2010 £000's
Agency Expenditure		
(Included in Payments to Agencies and Other Bodies)		
Other	523	734
Payments under service level agreements	373	271
	896	1,005
Agency Income (Included in Other Income)		
Staff Secondments - Central Services	2,350	2,292
	2,350	2,292

3g) INCOME

	2009 £000's	2010 £000's	
Pension Contributions	(5,553)	(5,948)	
Recharges for Services	(1,324)	(1,160)	
Rents	(681)	(845)	
Sales, Fees and Charges	(420)	(424)	
Partnership Income	(1,060)	(1,017)	
Secondee Recoveries	(2,350)	(2,292)	3f
Other Grant Funding	(683)	(823)	
Amortisation of Capital Grants Income	(2,166)	(2,095)	
	(14,237)	(14,604)	

4. TRANSFER OF FUNCTIONS TO SCOTTISH POLICE SERVICE AUTHORITY (SPSA)

The SPSA was fully brought into operation on 1 April 2007, when it acquired full statutory powers, duties and functions. In the first instance, the Forensic Service passed from the Force to SPSA, and from 1 April 2007 the SPSA became responsible for providing related services to all Scottish Police Forces. On 1 April 2008 the ICT function transferred from Forces to SPSA and thereafter all ICT development, provision, maintenance and support was carried out by SPSA.

All of the Forces agreed to a budget transfer in line with the amounts of spend being incurred. Whilst the costs associated with the provision of Forensic services are borne by SPSA directly with no recharge to the Force, a different approach has been adopted for the purchase of ICT goods and services. Prior to the introduction of the Agency Agreement, SPSA purchased goods and services for each Force, with the suppliers invoicing the Force directly. The Agency Agreement allows SPSA to now purchase the ICT goods and services but also pay the supplier and recover the corresponding amounts from the Force. Thereafter, the Force will draw down an equivalent amount from the Scottish Government.

There is no expenditure relating to Forensic Services included within the Force's 2009-10 Statement of Accounts. The ICT revenue costs incurred during 2009-10 in conjunction with SPSA and funded from the Scottish Government, amounted to £1.911m (2008-09: £2.136m). This includes elements of spend associated with the running costs of SPSA. The total capital spend amounted to £0.246m (2008-09: £0.228m). The ICT revenue and capital expenditure appears in the 2009-10 Statement of Accounts.

5. INJURY AWARDS

Further to a review of Police Officer pensions, it was decided that the liability associated with Injury Awards (paid to former Police Officers), should be treated separately. In previous financial years, the FRS17 calculations included amounts relating to Injury Awards.

The following transactions are included within the Income and Expenditure Account and Statement of Movement in the General Fund Balance:

	Injury Awards Scheme 2008-09 £000's	Injury Awards Scheme 2009-10 £000's
Income And Expenditure Account		
Net Cost of Services:		
Current service cost	1,124	793
Past Service/Curtailment/Settlement (Gain)/Loss	-	-
Net Operating Expenditure		
• interest cost	1,719	1,599
• expected return on assets in the scheme	-	-
Net Charge to the Income and Expenditure Account	**2,843**	**2,392**
Statement of Movement in the General Fund Balance		
• reversal of net charges made for retirement benefits in accordance with FRS17	(2,843)	(2,392)
Actual amount charged against the General Fund Balance for pensions in the year:		
• employers' contributions payable to the scheme	-	-
• retirement benefits payable to pensioners	436	378
Difference between FRS17 pension adjustments and Employers Contributions per Actuary	**(2,407)**	**(2,014)**

Liabilities in Relation to Injury Awards

Reconciliation of present value of the scheme liabilities:

	Unfunded liabilities: Injury Awards Scheme 2008-09 £000's	2009-10 £000's
1 April	27,844	22,313
Current service cost	1,124	793
Past service costs	-	-
Curtailments	-	-
Settlements	-	-
Interest cost	1,719	1,599
Actuarial gains and losses	(7,938)	11,311
Contributions by scheme participants	-	-
Benefits paid	(436)	(378)
31 March	22,313	35,638

Scheme history

	2007-08 £000's	2008-09 £000's	2009-10 £000's
Present value of liabilities:			
• Injury Awards Scheme	(27,844)	(22,313)	(35,638)

The liabilities show the underlying commitments that the Force has in the long run to pay the future injury awards.

Basis for Estimating Assets and Liabilities

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

The main assumptions used in their calculations include:

	Injury Awards Scheme	
	2008-09	2009-10
	%	%
Longevity at 65 for current pensioners		
Men	25.9	26.0
Women	28.8	28.9
Longevity at 65 for future pensioners		
Men	27.0	27.0
Women	29.8	29.9
Rate of inflation	3.30	3.5
Rate of increase in salaries	5.05	5.25
Rate of increase in pensions	3.30	3.5
Rate for discounting scheme liabilities	7.10	5.7

6. EMPLOYEE BENEFITS

Participation in Pensions Schemes

The Force provides two pension schemes:

- The Local Government Pension Scheme (LGPS) for Police Staff, administered by Aberdeen City Council – this is a funded scheme, meaning that the Force and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

- The Police Pension Scheme for Police Officers – this is an unfunded scheme, meaning that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

Transactions Relating to Retirement Benefits

Under the rules of the Financial Reporting Standard number 17, the Force recognises 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 that is required to be made against the Police Grant is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year:

	Local Government Pension Scheme		Police Pension Scheme	
	2008-09 £000's	2009-10 £000's	2008-09 £000's	2009-10 £000's
Income And Expenditure Account				
Net Cost of Services:				
Current service cost	2,442	1,796	14,062	8,382
Past Service/Curtailment/Settlement (Gain)/Loss	(560)	773	-	-
Net Operating Expenditure				
• interest cost	3,430	3,343	34,016	32,337
• expected return on assets in the scheme	(2,836)	(2,014)	-	-
Net Charge to the Income and Expenditure Account	2,476	3,898	48,078	40,719
Statement of Movement in the General Fund Balance				
• reversal of net charges made for retirement benefits in accordance with FRS17	(2,476)	(3,898)	(48,078)	(40,719)
Actual amount charged against the General Fund Balance for pensions in the year:				
• employers' contributions payable to the scheme	2,992	3,313	-	-
• retirement benefits payable to pensioners	-	-	14,281	14,089
Difference between FRS17 pension adjustments and Employers Contributions per Actuary	516	(585)	(33,797)	(26,630)

Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities:

	Funded liabilities: Local Government Pension Scheme		Unfunded liabilities: Police Pension Scheme	
	2008-09 £000's	2009-10 £000's	2008-09 £000's	2009-10 £000's
1 April	57,089	45,766	557,742	458,299
Current service cost	2,442	1,796	14,062	8,382
Past service costs	548	15	-	-
Curtailments	339	758	-	-
Settlements	(2,512)	-	-	-
Interest cost	3,430	3,343	34,016	32,337
Actuarial gains and losses	(16,417)	21,104	(133,240)	189,850
Contributions by scheme participants	857	925	-	-
Benefits paid	(10)	(91)	(14,281)	(14,089)
31 March	45,766	73,616	458,299	674,779

Reconciliation of fair value of the scheme assets:

	Local Government Pension Scheme 2008-09 £000's	Local Government Pension Scheme 2009-10 £000's
1 April	40,547	29,919
Expected rate of return	2,836	2,014
Curtailments/Settlements	(1,064)	-
Actuarial gains and losses	(16,239)	10,166
Employer contributions	2,992	3,313
Contributions by scheme participants	857	925
Benefits paid	(10)	(91)
31 March	29,919	46,246

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 financial year 2009-10 was £12.180m (2008-09: £8.521m).

Scheme history

	2005-06 £000's	2006-07 £000's	2007-08 £000's	2008-09 £000's	2009-10 £000's
Present value of liabilities:					
• Local Government Pension Scheme	(50,448)	(53,418)	(57,088)	(45,766)	(73,616)
• Police Pension Scheme	(516,480)	(512,019)	(557,741)	(458,299)	(674,779)
Fair value of assets in the Local Government Pension Scheme					
Surplus/(deficit) in the scheme:					
• Local Government Pension Scheme	34,402	40,399	40,448	29,919	46,246
• Police Pension Scheme	-	-	-	-	
Total	(532,526)	(525,038)	(574,381)	(474,146)	(702,149)

The liabilities show the underlying commitments that the Force has in the long run to pay retirement benefits. The total liability of £748.395m has a substantial impact on the net worth of the Force as recorded in the Balance Sheet, less assets of £46.246m, resulting in a negative overall balance of £702.149m.

However, statutory arrangements for funding the deficit means that the financial position of the Board 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 cover police pensions when the pensions are due for payment.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, and an estimate of the pensions that will be payable in future years dependent on assumptions about the mortality rates, salary levels, etc. Both the Police Scheme and Local Government Pension Fund liabilities have been assessed by Mercer Limited, an independent firm of actuaries, with estimates for the Aberdeen City Council Pension Fund being based on the latest valuation of the scheme as at 31 March 2010. The last full actuarial valuation was determined as at 31 March 2008.

The main assumptions used in their calculations include;

	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	7.5	7.5	-	-
Government Bonds	4.0	4.5	-	-
Other Bonds	6.0	5.2	-	-
Property	6.5	6.5	-	-
Cash/Current Assets	0.5	0.5	-	-
Longevity at 65 for current pensioners				
Men	22.0	22.1	25.9	26.0
Women	24.0	24.1	28.8	28.9
Longevity at 65 for future pensioners				
Men	23.1	23.1	27.0	27.0
Women	25.0	25.0	29.8	29.9
Rate of inflation	3.30	3.5	3.30	3.5
Rate of increase in salaries	5.05	5.25	5.05	5.25
Rate of increase in pensions	3.30	3.5	3.30	3.5
Rate for discounting scheme liabilities	7.10	5.7	7.10	5.7
Take-up of options to convert annual pension into retirement grant	50	50	Nil	Nil

The pension liabilities are expressed in present value terms rather than the cash amount that will eventually be paid out in order to allow for the 'time value of money'. This is undertaken by discounting these future cash amounts by use of a corporate bond rate. The corporate bond rate used for the valuation as at 31 March 2010 (5.7%) is lower than that used at 31 March 2009 (7.1%) and this has contributed to the significant increase in the estimated current value of the pension liability.

The Police Pension Scheme has no assets to cover its liabilities. Assets in the Aberdeen City Council Pension Fund are valued at fair value, principally market value for investments, totalling £1,966m for the Fund as a whole at 31 March 2010 (£1,506m at 31 March 2009).

The Fund is made up of the following assets:

	31 Mar 2009 % of fund	31 Mar 2010 % of fund
Equities	67.0	74.0
Government Bonds	2.0	4.5
Other Bonds	9.0	4.5
Property	7.0	9.0
Cash/Current Assets	10.0	3.0
Other	5.0	5.0
	100.0	**100.0**

Actuarial (Gains) and Losses

The actuarial (gains)/losses identified as movements on the Pension Reserve can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at the year end:

Police Staff

	2005-06		2006-07		2007-08		2008-09		2009-10	
	£m	%	£m	%	£m	%	£m	%	£m	%
Differences between the expected and actual return on assets	(5.65)	16.4	(0.02)	0.0	3.80	9.4	16.10	54.0	10.17	22.0
Differences between actuarial assumptions about liabilities and actual experience	8.76	17.4	0.00	0.0	0.00	0.0	2.10	4.6	(21.10)	28.7
	3.11		**(0.02)**		**3.80**		**18.20**		**(10.93)**	

Police Officers

	2005-06		2006-07		2007-08		2008-09		2009-10	
	£m	%	£m	%	£m	%	£m	%	£m	%
Differences between actuarial assumptions about liabilities and actual experience	(42.03)	8.0	0.00	0.0	(1.50)	0.3	0.00	0.00	0.00	0.00
	(42.03)		**0.00**		**(1.50)**		**0.00**		**0.00**	

7. EXPENDITURE ON PUBLICITY

The Board is required to keep a separate account of expenditure on publicity. During the year the Force incurred £74,816 on publicity material, analysed as follows:

	2009 £000's	2010 £000's
Staff Recruitment	111	**21**
General Publicity	65	**54**
	176	**75**

8. MEMBERS' ALLOWANCES

The table below shows the amounts that were paid to Members of the Board. This includes the recharge from the Constituent Authorities for the recovery of salary costs for the Convenor and Vice Convenor of the Board.

	2009				2010			
	£000's Salaries	£000's Allowances	£000's Expenses	£000's Total	£000's Salaries	£000's Allowances	£000's Expenses	£000's Total
Aberdeen City Council	15	-	-	15	16	-	-	16
Aberdeenshire Council	10	1	-	11	6	-	-	6
Moray Council	-	-	-	-	-	-	1	1
	25	1	-	26	22	-	1	23

9. REMUNERATION OF SENIOR STAFF

The table below indicates the numbers of Grampian Police employees receiving remuneration (excluding pension contributions) greater than £50,000 in bands of £10,000. Remuneration includes all sums paid to or receivable by an employee and sums due by way of expenses, allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than cash. This information is detailed in the table below.

Remuneration Band	2009 Number of Employees	2010 Number of Employees
£50,000 - £59,999	146	**157**
£60,000 - £69,999	10	**13**
£70,000 - £79,999	9	**13**
£80,000 - £89,999	6	**8**
£90,000 - £99,999	1	**2**
£100,000 - £109,999	1	**2**
£110,000 - £119,999	-	**1**
£120,000 - £129,999	1	**2**
£130,000 - £139,999	1	**1**
£200,000 - £209,999	-	**2**
	175	**201**

There were a number of individuals who were made redundant by the Force during 2009-10. The figures above include amounts paid directly to the individuals, as well as the sums paid into the Local Government Pension Scheme for the benefit derived from Compensatory Added Years. These sums equate to a discounted total of the future enhanced pension payments, that would be paid to those individuals as part of their redundancy package.

10. GOVERNMENT GRANT – POLICE

The Force receives core funding from the Scottish Government, referred to as Police Grant. The Force also receives funding towards external loan charges (including an amount for principal loan repayments, as well as interest charges). The amount receivable from the Scottish Government equates to 51% of the total agreed funding allocation.

	2009 £000's	2010 £000's
Police Specific Grant	51,024	**51,858**
Loan Charges	754	**754**
	51,778	**52,612**

11. GOVERNMENT GRANT – OTHER

Additional Government Grant Funding was received as follows:

	2009 £000's	2010 £000's
Port Policing	152	156
Counter Terrorism Advisor	100	126
Grampian Resilience, Strategic Co-ordinator & Training Post	72	154
SPSA ICT Costs	2,145	1,911
RHWI Pilot	7	69
Additional Police Officers	1,521	2,524
Pension Contribution Lump Sums	2,322	-
Pension Pressure	-	783
Pension Commutation Factor	-	800
Whole Approach	-	55
Counter Terrorism Additional Staff	255	629
Police Custody Security Officers	96	44
Adult Support and Protection	3	18
Prevent Seminar	6	-
Mobile Phone Sim Card Reader	5	-
Operation Senate	3	-
	6,687	7,269

12. CONSTITUENT AUTHORITY FUNDING

The charge upon the three Constituent Authorities is agreed by the Board prior to the start of the financial year. As a result of the funding shortfall for Police Officer Pensions in 2009-10, the Board agreed to requisition the constituent authorities for an amount that was greater than that received through Revenue Support Grant allocations.

The requisitions detailed below provide for revenue grant funding and support for loan charges.

	2009 £000's	2010 £000's
Aberdeen City Council	23,965	24,253
Aberdeenshire Council	18,114	18,326
Moray Council	8,202	8,300
	50,281	50,879

13. OPERATING LEASES

The total operating lease payments for the use of third party assets was as follows:

	2009 £000's	2010 £000's
Land and Buildings	678	743
Vehicles	55	64
	733	807

The Board has commitments to make the following future minimum lease payments under non-cancellable operating leases.

	2009			2010		
	Land and Buildings £000's	Vehicles £000's	Total £000's	Land and Buildings £000's	Vehicles £000's	Total £000's
- Not later than 1 year	694	87	781	819	65	884
- Later than 1 year but not later than 5 years	1,741	20	1,761	2,295	76	2,371
- Beyond 5 years	3,846	-	3,846	5,750	-	5,750
	6,281	107	6,388	8,864	141	9,005

The Force currently owns 14 properties that are rented to third parties through operating leases. Some of the properties are partially leased. The total carrying value of these rented properties on the Balance Sheet as at 31 March 2010, was £0.409m (2009: £0.423m). During the financial year 2009-10, the aggregate rentals receivable in relation to operating leases was as follows:

	2009 £000's	2010 £000's
Land and Buildings	280	281

14. EXTERNAL AUDIT FEES

	2009 £000's	2010 £000's
Agreed Audit Fee	36	37
Notified fixed charge element for the year	7	7
	43	44

15. SHARED ASSETS

There are a number of national ICT systems, which are currently in development. The accounting treatment for spend and associated funding on national projects (treated as fixed assets) has recently changed. Each Scottish Police Force is required to include a share of the written down cost on their respective balance sheet. Grampian Police's share of these national assets was calculated on the basis of the funding allocation for Police Grant (which equates to 9.82% of the total). Consequently, an adjustment has been made to the Force's balance sheet to reflect the carrying value of the national shared asset.

The following tables provide a breakdown of the carrying value for each of the national assets on the Force's balance sheet.

a) Intangible Fixed Assets

	National Infrastructure System	National Command & Control System	Vulnerable Persons System	Information Management System	National Platform	Total
	£000's	£000's	£000's	£000's	£000's	£000's
COST						
As at 1 April 2009	75	-	-	-	-	75
Additions	-	-	-	-	-	-
Transfer from/(to)Forces	12	-	-	-	-	12
As at 31 March 2010	87	-	-	-	-	87
AMORTISATION						
As at 1 April 2009	15	-	-	-	-	15
Amortisation	19	-	-	-	-	19
Transfer from/(to)Forces	-	-	-	-	-	-
As at 31 March 2010	34	-	-	-	-	34
NET BOOK VALUE						
As at 31 March 2009	60	-	-	-	-	60
As at 31 March 2010	53	-	-	-	-	53

b) Tangible Fixed Assets

	National Infrastructure System	National Command & Control System	Vulnerable Persons System	Information Management System	National Platform	Total
	£000's	£000's	£000's	£000's	£000's	£000's
COST						
As at 1 April 2009	413	-	-	-	367	780
Additions	-	-	-	-	256	256
Transfer from /(to)Forces	56	233	18	28	(231)	104
As at 31 March 2010	469	233	18	28	392	1,140
DEPRECIATION						
As at 1 April 2009	110	-	-	-	-	110
Depreciation	104	-	-	-	-	104
Transfer from /(to)Forces	-	-	-	-	-	-
As at 31 March 2010	214	-	-	-	-	214
NET BOOK VALUE						
As at 31 March 2009	303	-	-	-	367	670
As at 31 March 2010	255	233	18	28	392	926

16. INTANGIBLE ASSETS

The table below shows the movement in the carrying value of intangible fixed assets.

	Software and Licences £000's
Cost	
Balance at 1 April 2009	819
Transfer Between Asset Categories	72
Transfer Between Forces	12
Additions	63
Disposals	(20)
Balance at 31 March 2010	946
Accumulated Amortisation	
Balance at 1 April 2009	344
Amortisation for Year	249
Disposals	(20)
Balance at 31 March 2010	573
Net Book Value at 31 March 2009	475
Net Book Value at 31 March 2010	**373**

17. TANGIBLE FIXED ASSETS

a) Fixed assets owned by the Force

	2009 Number	2010 Number
Operational Assets		
Properties	42	**40**
Vehicles	307	**304**
Garage	1	**1**
Non-Operational Assets		
Leased Police Stations	3	**3**
Vacant Police Stations	2	**3**
Leased Houses	24	**24**
Police Houses	14	**11**
Radio Masts/Sites	8	**8**
Vehicles	66	**41**

b) Movement on Tangible Fixed Assets

	Operational Assets		Non-Operational Assets			
	Operational Land & Buildings £000's	Vehicles, Plant & Equipment £000's	Investment Properties £000's	Surplus Land & Buildings £000's	Assets Under Construction £000's	Total £000's
COST OR VALUATION						
As at 1 April 2009	29,693	13,357	720	5,588	1,313	50,671
Transfer Between Categories	(100)	829	-	145	(946)	(72)
Transfer Between Forces	-	56	-	-	48	104
Additions	904	588	-	10	961	2,463
Disposals	-	(3,647)	-	(613)	-	(4,260)
As at 31 March 2010	30,497	11,183	720	5,130	1,376	48,906
Representing:						
- Cost	956	11,183	-	202	1,376	13,717
- Valuation as at 31 March 2010	29,541	-	720	4,928	-	35,189
	30,497	11,183	720	5,130	1,376	48,906
DEPRECIATION						
As at 1 April 2009	16	8,728	-	-	-	8,744
Transfer Between Categories	(1)	-	-	1	-	-
Transfer Between Forces	-	-	-	-	-	-
Depreciation	888	2,107	-	138	-	3,133
Disposals	-	(3,532)	-	(6)	-	(3,538)
As at 31 March 2010	903	7,303	-	133	-	8,339
Net Book Value at 31 March 2009	29,677	4,629	720	5,588	1,313	41,927
Net Book Value at 31 March 2010	29,594	3,880	720	4,997	1,376	40,567

An independent professional valuation of all of the property owned by the Force, was carried out by Atisreal Ltd (Chartered Surveyors). All of the respective properties were valued as at 31 March 2009, and in accordance with the RICS Valuation Standards, as well as the requirements of the SORP.

The valuation of each property was compared to its net book value at 31 March 2009. Where the valuation was lower than the carrying value then an impairment loss was written off against the Income and Expenditure Account. Where the revaluation was higher than the carrying value, the surplus was added to the balance sheet reserves.

c) Capital Expenditure Summary

The summary below shows the capital spend incurred by the Force on acquisition and creation of capital assets during 2009-10, and how it was financed. Capital expenditure is not charged directly against the Income and Expenditure Account. Instead an element of the cost is charged by way of depreciation or amortisation, in accordance with the Force's Accounting Polices.

Capital Expenditure during Year	2009 £000's	2010 £000's
Building works	805	**914**
Plant and Equipment	773	**351**
Vehicles	1,268	**942**
Software and Licences	717	**319**
	3,563	**2,526**
Financed as follows:		
Annual Capital Grant	2,472	**1,911**
SPSA Grant – Scottish Government	228	**246**
Specific Grant – Scottish Government	27	**4**
Capital Funding – Other Sources	112	**137**
Capital Receipts from Sales of Fixed Assets	-	**2**
Capital Expenditure Funded from Current Revenue (CFCR)	251	**-**
Efficient Government Fund – Scottish Government	473	**226**
	3,563	**2,526**

18. LONG TERM DEBTORS

	2009 £000's	2010 £000's
Balance at 31 March	12	8
Amount due within 1 year (Note 20)	(4)	(3)
Amount due more than 1 year	8	5

The balance on Long Term Debtors represents a prepayment of a 10 year lease at Oldmeldrum Academy, which commenced during 2003-04. This prepaid leasing charge will be written off over 10 years on a straight line basis, to the Income and Expenditure Account.

19. STOCK IN HAND

	2009 £000's	2010 £000's
Cleaning and Medical Supplies	4	2
Stationery	6	6
Uniforms	110	189
Vehicle Parts	26	27
	146	224

20. DEBTORS

The Debtors figure at 31 March 2010, is made up as follows:

	2009 £000's	2010 £000's
Trade Debtors	2,363	1,594
Less: Provision for Bad Debts	(33)	(30)
Net Trade Debtors - Revenue	2,330	1,564
Net Trade Debtors - Capital	-	301
Prepayments - General	273	999
- Rental (Note 18)	4	3
Loan Interest Receivable	84	31
Taxation	570	440
Government Grant Receivable	2,116	1,951
Other Debtors	3	6
	5,380	5,295

21. CREDITORS

a) The Creditors figure at 31 March 2010 is made up as follows:

	2009 £000's	2010 £000's
Trade Creditors - Revenue	3,315	**4,820**
Trade Creditors - Capital	1,927	**1,668**
Other Creditors	2,130	**1,996**
Taxation	1,987	**2,020**
Loan Interest	217	**217**
Grant	18	**281**
	9,594	**11,002**

b) Other Creditors are represented by the following accruals:

	2009 £000's	2010 £000's
Time Off In Lieu (TOIL)	124	**101**
Overtime	285	**172**
Superannuation (Police Staff)	600	**339**
Special Priority Payments (Police)	236	**250**
Back-dated Lump Sum Commutations	822	**-**
Early Retirements/Voluntary Redundancies	-	**1,083**
Travel and Subsistence	29	**30**
Special Constables Award	29	**21**
Miscellaneous Creditors	5	**-**
	2,130	**1,996**

22. FINANCIAL INSTRUMENTS

The Force has adopted the disclosure requirements that were introduced within the 2007 SORP. The current SORP continues to adopt the UK accounting standards for financial instruments, namely FRS25, 26 and 29.

The changes were designed to present a higher quality of information pertaining to financial instruments, in line with the private sector. In order to help identify, quantify and inform on the exposure to and management of risk, 'fair value' disclosure requirements have been adopted.

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both financial assets and liabilities such as trade receivables and trade payables and the most complex ones such as derivatives and embedded derivatives. Typical financial instruments include financial liabilities (trade payables and other payables; borrowings and financial guarantees); and financial assets (bank deposits; trade receivables; loans receivable; other receivables and advances as well as investments).

The financial instruments will be valued initially at their fair value and thereafter will be carried on the balance sheet at their amortised cost. The fair value is the amount for which an asset could be exchanged.

The borrowings and investments included in the Balance Sheet (page 21) are made up of the following categories of financial instruments:

	Long term		Short term	
	As at 31 Mar '09 £000's	**As at 31 Mar '10 £000's**	**As at 31 Mar '09 £000's**	**As at 31 Mar '10 £000's**
Borrowings -				
Financial liabilities at amortised cost	(8,445)	(8,124)	(9,915)	(11,664)
Total Borrowings	**(8,445)**	**(8,124)**	**(9,915)**	**(11,664)**
Investments -				
Loans and receivables	8	5	15,510	19,995
Total Investments	**8**	**5**	**15,510**	**19,995**

Further to the initial valuation, the financial instruments are considered over the longer term, in particular the application of a constant effective interest rate over the life of the asset or liability.

The amortised cost is a method of determining the carrying amount on the Balance Sheet and periodic charges or credits to the Income and Expenditure Account of a financial instrument from the expected cash flows. Ignoring impairment, the carrying amount at any point in time of a financial instrument carried at amortised cost, is the carrying amount on initial recognition plus the interest taken to the Income and Expenditure Account less the cash paid or received (both interest and principal). The interest expense or income is calculated using the effective interest rate method.

Where financial assets and liabilities are not being carried on the balance sheet at their fair value, the 2009 SORP requires disclosure of their fair value.

Fair Value of Assets and Liabilities Carried at Amortised Cost

The fair value of each class of financial asset and liability, which are carried in the balance sheet at amortised cost, is disclosed overleaf.

Methods and Assumptions in Valuation Technique

The fair value of an instrument is determined by calculating the Net Present Value (NPV) of future cash flows, which provides an estimate of the value of payments in the future, in today's terms.

The discount rate used in the NPV calculation is the rate applicable in the market on the date of valuation for an instrument with the same structure, terms and remaining duration.

The calculations were performed after making the following assumptions:

- For PWLB debt, the premature repayment rate is used to calculate the discounted value on the premise that there is no opportunity to exit the loan other than to accept the repayment terms offered by PWLB.
- For other market debt and investments the discount rate used is the rate available for an instrument with the same terms from a comparable lender.
- Interpolation techniques have been used between available rates where the exact maturity period was not available.
- No early repayment or impairment is recognised.
- Fair values have been calculated for all major financial instruments in the portfolio.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

Fair Value of Assets Carried at Amortised Cost

Where possible, the Force invests surplus cash balances within Aberdeen City Council's Loans Fund, in order to maximise the return. These investments are short term, and allow instant access to balances held, but the notional amount will not reduce below that invested. The key risk for the Force is that returns on such investments may be minimal. Consequently, the fair value equates to the carrying value of the investments held on the balance sheet at 31 March 2010.

The Force normally holds small value balances within bank accounts, such that the amounts included within the balance sheet equates to the fair value.

	As at 31 Mar 2009		As at 31 Mar 2010	
	Carrying Amount £000's	Fair Value £000's	Carrying Amount £000's	Fair Value £000's
Deposits with bank	1,514	1,514	47	47
Debtors	5,380	5,380	5,295	5,295
Short Term Investment	10,130	10,130	14,700	14,700
Financial Assets	**17,024**	**17,024**	**20,042**	**20,042**

Fair Value of Liabilities Carried at Amortised Cost

The Force has a number of long term loans with the Public Works Loans Board (PWLB). A formal valuation has been carried out to determine the fair value of the respective loans. Each loan has a fixed interest rate with a set date for redemption. The relatively high interest rate charged against each loan in comparison to current rates, means that the fair value exceeds the balance sheet value of the liability.

The fair value for creditors' balances at the year end, equates to the actual amounts outstanding. Whilst the Force does not overdraw on its bank account, an adjustment is made to reflect transactions, which have taken place prior to the year end.

A loan of £321,362 is due to be repaid to PWLB on 31 March 2011. The loan has been reclassified in 2009-10, as a short term creditor (due within less than one year) and the balance transferred from long term loans accordingly.

	As at 31 Mar 2009		**As at 31 Mar 2010**	
	Carrying Amount £000's	**Fair Value £000's**	**Carrying Amount £000's**	**Fair Value £000's**
Creditors	(9,915)	(9,941)	(11,323)	(11,325)
Bank Overdraft	-	-	(341)	(341)
PWLB Loan – maturity	(8,445)	(12,918)	(8,124)	(11,859)
Financial Liabilities	**(18,360)**	**(22,859)**	**(19,788)**	**(23,525)**

Nature and Extent of Risks Arising from Financial Instruments

The Force's activities expose it to a variety of financial risks, which principally include:

- Credit Risk – the possibility that other parties might fail to pay amounts due to the Force.
- Liquidity Risk – the possibility that the Force might not have funds available to meet its commitments.
- Market Risk – the possibility that financial loss might arise as a result of changes in such measures as interest rate movements.

The Force currently contracts Aberdeen City Council to provide treasury management services by way of a Service Level Agreement. Consequently, the Force adopts the approach taken by Aberdeen City Council in dealing with treasury management policy and related matters. The Council complies with the CIPFA Prudential Code, and has adopted the CIPFA Treasury Management in the Public Services Code of Practice. The Council maintains written principles for overall risk management, as well as policies covering specific areas including interest rate risk, credit risk, and the investment of surplus cash.

Credit Risk

Whilst the greatest proportion of the Force's financial instruments are held in relatively risk free forms, namely small value bank deposits in a mainstream bank and short term investments held within Aberdeen City Council's loans fund, the invoicing of trade debtors poses the greatest risk of non payment.

The total debtor balance is made up of a number of elements, which are disclosed in Note 20. The total trade debtors balance at 31 March 2010 amounted to £1.585m.

	Amount as at 31 Mar 2010 £000's (A)	Historical experience of default % (B)	Historical experience adjusted for market conditions as at 31 Mar 2010 % (C)	Estimated maximum exposure to default and uncollectability £000's (A X C)	Estimated maximum exposure at 31 Mar 2009 £000's
Deposits with bank	76	0.00%	0.00%	-	-
Short Term Investment	14,700	0.00%	0.00%	-	-
Debtors*	4,323	0.69%	0.69%	30	33
Total	**19,099**			30	33

* Debtors include all amounts due to the Force but excludes prepayments.

The Force does not generally allow credit for customers, and £0.695m of the £1.585m trade debtors' balance is past its due date of payment. The remaining element relates to invoices sent to customers after 31 March 2010. The past due amount can be analysed by age as follows:

	As at 31 Mar 2009 £000's	As at 31 Mar 2010 £000's
Less than three months	308	649
Three to six months	19	1
Six months to one year	7	40
More than one year	14	5
Total	**348**	**695**

Liquidity Risk

The Force manages its cash flow through the Treasury Management Function of Aberdeen City Council. The Council ensures that the Board has sufficient liquidity to cover all of its payment obligations. This includes monitoring the surplus cash funds to ensure sufficient liquidity is available for the Board's day to day cash flow needs. Given the level of short term investments held by the Force in relation to outstanding liabilities, there is negligible risk that the Force would be unable to meet financial commitments with the financial instruments in place.

The Force previously has borrowed from the Public Works Loans Board (PWLB) to finance capital expenditure. The current balance of loans still outstanding amounts to £8.445m (2009: £8.776m), with an interest payment of £0.217m (2009: £0.217m) also due. All the loans have fixed interest rates, and are repayable upon set maturity dates. A loan of value £0.321m will be repaid prior to 31 March 2011, and therefore has been treated as a short term liability.

The Force currently receives annual support from the Scottish Government and Constituent Authorities to repay interest charges and a proportion of the principal loan debt.

The maturity analysis of the carrying amount of the Force's long term borrowings is as follows:

	2009 £000's	2010 £000's
Less than one year	321	321
Between one and two years	321	-
Between two and five years	386	1,350
More than five years	7,738	6,774
	8,766	**8,445**

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

The Force does not have investments with a maturity date beyond one year.

Market Risk

Interest rate risk

The Force is exposed to potential changes in interest rate movements. Whilst all of the PWLB loans are at a fixed rate, the return on investments held in Aberdeen City Council's loans fund is based upon a variable rate. Movements in interest rates can have a number of effects including changes to the level of income generated from investments and adjustments to the fair value of the fixed interest rate long term loans (disclosure details only).

The low interest rates continue to impact upon the level of income generated from investments. The interest rate applied by Aberdeen City Council to the Force's short term investments at 31 March 2010, was 0.5% (equivalent to the base rate).

The following table illustrates the consequences of 1% rise in the interest rate, providing a form of sensitivity analysis and the impact of any changes on the Income and Expenditure Account.

	£000's
Increase in interest payable on variable rate borrowings	-
Increase in interest receivable on variable rate investments	138
Impact on Income and Expenditure Account	**138**

Price Risk

The Force does not invest in equity shares.

Foreign Exchange Risk

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

23. PROVISIONS

	Balance as at 31 Mar '09 £000's	In-year Adjustments 2009-10 £000's	Balance as at 31 Mar '10 £000's
Police Staff Pay Costs	873	(873)	-
Early Retirements/ Voluntary Redundancies	-	410	410
Total	873	(463)	410

In previous financial years, the Force had built up a provision to cover the potential back-dated pay costs associated with the implementation of the Total Remuneration Project. The project involved the development of a new Police Staff pay and grading structure and was implemented in February 2010. The backdated costs amounted to £72,000, such that the remaining balance of the provision was written back to the Income and Expenditure Account.

The Force has set aside a new provision of £410,000 to cover the anticipated costs associated with the most recent voluntary redundancy/early retirement scheme for Police Staff.

24. CONTINGENT LIABILITIES

A recent Lands Tribunal decision involving Tayside Police identified a potential liability, which may have implications for the Force. It relates to the disposal of Police houses and the potential for purchasers to seek a discount against the sale price.

The outcome has been subject to legal review and the Board recently agreed to leave the longstanding policy on Police house disposals unchanged. If the Force was to be legally challenged on this issue, then there could be a potential cost of £0.5m. As yet no claims have been raised, and the Force believes that there is strong legal justification for maintaining the current policy. It would be anticipated that any legal challenge would be strongly contested by the Force.

25. BANK BALANCES

The actual balance on the Force's bank account is adjusted at the year end, to take account of cheques and BACS payments that have been issued but have not been presented or drawn from the account. The bank account is managed on a daily basis to ensure that best use is made of available funds.

26. GOVERNMENT GRANTS DEFERRED ACCOUNT

This account represents the amount of Capital Grant received from the Scottish Government during the financial year. The balance on this deferred account is released to the Income and Expenditure Account on the same basis, in terms of method and period, as the depreciation charged on the asset financed by the grant or contribution.

	2009 £000's	2010 £000's
Balance at 1 April	8,983	**7,142**
Capital Grant received in year	3,302	**2,516**
Amount written off in year	(2,135)	**(2,086)**
Unamortised Grant written off for assets disposed of in year	-	**(7)**
National Performance Platform Transfer	(3,372)	**(231)**
Shared Asset Transfer from Other Forces	364	**346**
Balance at 31 March	7,142	**7,680**

27. CAPITAL CONTRIBUTIONS DEFERRED ACCOUNT

This account represents the amount of capital income received from other sources for purchase of the vehicles and equipment. The balance on this deferred account is released to the Income and Expenditure Account on the same basis, in terms of method and period, as the depreciation charged on the asset financed by the grant or contribution.

	2009 £000's	2010 £000's
Balance at 1 April	34	13
Capital Funding Contributed from Other Sources	10	8
Account Written off During Year	(31)	(9)
Balance at 31 March	13	12

28. REVALUATION RESERVE

A new Revaluation Reserve was introduced as a requirement of the 2007 SORP, and replaced the Fixed Asset Restatement Account. The balance on the Fixed Asset Restatement Account was transferred to the Capital Adjustment Account. There was a nil balance on the Revaluation Reserve as at 1 April 2007.

Further to the revaluation of properties at 31 March 2009, the following adjustments have been made to the Revaluation Reserve during 2009-10, to reflect:

- the difference between current value depreciation and historical cost depreciation; and
- revaluation gains for the properties disposed of during the year, that were previously recognised in the Statement of Total Recognised Gains and Losses.

	2009 £000's	2010 £000's
Balance at 1 April	-	4,013
Revaluation surplus in year	4,013	-
Amount written off in line with depreciation	-	(107)
Amount written off from property disposals in year	-	(337)
Balance at 31 March	4,013	3,569

29. CAPITAL ADJUSTMENT ACCOUNT

The Capital Adjustment Account was introduced as a requirement of the 2007 SORP. The account is credited with amounts set aside to finance capital expenditure and absorbs the timing differences between the financing of capital expenditure and the associated accounting charges for depreciation and impairment losses.

	2009 £000's	2010 £000's
Balance at 1 April	25,864	**22,704**
Net Book Value of Fixed Assets Disposed of	(260)	**(722)**
Un-amortised Grant written off for assets disposed of in year	-	**7**
Government Grants amortised in year	2,135	**2,086**
Capital Contributions amortised in year	31	**9**
Capital Receipts Applied	-	**2**
CFCR	251	**-**
Amortisation of Intangible Fixed Assets	(185)	**(249)**
Depreciation of Tangible Fixed Assets	(3,386)	**(3,133)**
Impairment of Tangible Fixed Assets	(2,401)	**-**
Loans Fund Principal Repayments	655	**652**
Revaluation Reserve written off	-	**444**
Balance at 31 March	22,704	**21,800**

30. USABLE CAPITAL RECEIPTS RESERVE

This reserve is credited with net proceeds from the disposal of fixed assets, and debited when these receipts are applied. The balance on this reserve is available to fund capital expenditure in future years.

	2009 £000's	2010 £000's
Balance at 1 April	2,403	**2,961**
Net Proceeds from Disposal of Fixed Assets	558	**913**
Capital Receipts Applied	-	**(2)**
Balance at 31 March	2,961	**3,872**

31. EVENTS AFTER THE BALANCE SHEET DATE

There were no events that occurred between 1 April 2010 and 21 June 2010 that would have an impact on the 2009-10 financial statements. The latter date is when the accounts were authorised for issue by the Treasurer to the Board.

32. GENERAL FUND BALANCE

Previously, a separate pension provision was made for Pension Commutation Lump Sums, for officers who were eligible to retire but continue to be employed by the Force. However, with the implementation of FRS 17, such provisions were no longer allowed. An earmarked reserve was subsequently created for Pension Commutation Lump Sums, but it is included within the General Fund balance, which is in line with statutory guidance.

The closing balance on the General Fund, has increased from £3.514m (2008-09) to £4.080m. This is well within the 5% threshold of carry forward limits for reserves in comparison to total funding received, which is imposed as a statutory limit. Within this balance, there is an earmarked reserve of £2.505m (2008-09: £1.981m) to provide for Pension Commutation Lump Sums.

The remaining element of the General Fund, which has not been earmarked, amounts to £1.575m (2008-09: £1.533m). The Board previously agreed a minimum threshold for this element of the General Fund, such that it should exceed 1% of total funding, to ensure that there were resources available to meet any significant unplanned operational need especially in light of the nature and types of risks faced by the organisation. The carry forward total of £1.575m is in line with the Board's policy.

33. CAPITAL COMMITMENTS

The following totals, show the level of committed capital expenditure at the year end. This includes those capital projects where the Board has a contractual obligation to incur further spend in subsequent financial years.

	2009 £000's	2010 £000's
Amounts contracted for, but not provided for the accounts	581	546

34. EURO

The Board has not incurred any costs relating to the introduction of the Euro in the current financial year and there are no commitments for future changes.

35. NOTES TO THE STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

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

2009 £000's		2010 £000's	
	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year		
(185)	Amortisation of intangible fixed assets	(249)	
(5,787)	Depreciation and impairment of fixed assets	(3,133)	
2,166	Capital grants deferred amortisation	2,095	
298	Net (loss)/profit on sale of fixed assets	198	
(50,554)	Net charges made for retirement benefits in accordance with FRS 17	(44,617)	
(2,843)	Net charges made for injury awards in accordance with FRS 17	(2,392)	
(56,905)			(48,098)
	Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year		
655	Loans fund principal repayments	652	
251	Capital expenditure charged in-year to the General Fund Balance	-	
17,273	Employer's contributions payable to the Pension Fund and retirement benefits payable direct to retired staff	17,402	
436	Employer's contributions payable to the Injury Awards Fund and benefits payable direct to staff	378	
18,615			18,432
	Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year		
-	Voluntary revenue provision for Capital financing	-	
-	Net transfer to or from earmarked reserves	-	
-			-
(38,290)	Net additional amount required to be credited to the General Fund Balance for the year		(29,666)

36. NOTES TO THE CASH FLOW STATEMENT

a) Reconciliation of Deficit for the year on the Income and Expenditure Account to Net Cash Inflow from Revenue Activities

	2009 Total £000's	2010 Total £000's
Deficit for the year on the Income and Expenditure Account	38,364	**29,100**
Net additional amount required by statute and non-statutory proper practises to be debited or credited to the General Fund Balance for the year (refer to Note 35)	(38,290)	**(29,666)**
Decrease/(Increase) in General Fund Balance for the year	74	**(566)**
Loans Pool Principal and Interest repayments	(1,480)	**(1,477)**
Interest Received	643	**124**
Change in Capital Debtors	44	**(301)**
Change in Capital Creditors	(393)	**(259)**
CFCR	(251)	**-**
Sub-total	(1,363)	**(2,479)**
Adjust For Movements in Working Capital :-		
(Decrease)/Increase in Stocks	(20)	**78**
Increase/(Decrease) in Debtors	1,147	**(88)**
Decrease/(Increase) in Creditors	1,052	**(1,408)**
(Increase)/Decrease in Provisions	(618)	**463**
Net Cash Flow from Revenue Activities	198	**(3,434)**

b) *Reconciliation to Net Debt*

	2009 Movement £000's	2010 Movement £000's
Decrease/Increase) in Cash in the Period	(2,430)	**1,808**
Decrease in Debt and Lease Financing	-	**(321)**
(Increase)/Decrease in Liquid Resources	2,850	**(4,570)**
Movement in Net Debt in Period	420	**(3,083)**
Net Debt at 1 April	(3,298)	**(2,878)**
Net Debt at 31 March	(2,878)	**(5,961)**

Analysis of Net Debt

	1 Apr 2009 £000's	Cashflow £000's	31 Mar 2010 £000's
Cash in Hand	(26)	(21)	**(47)**
Bank	(1,488)	1,829	**341**
Debt due after 1 year	8,445	(321)	**8,124**
Debt due within 1 year	321	-	**321**
Current Asset Investments	(10,130)	(4,570)	**(14,700)**
Total	(2,878)	(3,083)	**(5,961)**

c) ***Reconciliation of relevant movements within the Financing and Management of Liquid Resources***

	Balance at 31 Mar 2009 £000's	Balance at 31 Mar 2010 £000's	2009 Movement £000's	2010 Movement £000's
Management of Liquid Resources				
Short Term Investments	10,130	**14,700**	(2,850)	**4,570**
Management of Financing				
PWLB Loans	8,766	**8,455**	-	**(321)**

d) ***Analysis of Government Grants***

	2009 £000's	2010 £000's
Police Grant – (Core Funding)	51,891	**51,956**
Police Grant - Other	5,883	**8,354**
Total Government Grants per Cash Flow Statement	57,774	**60,310**

37. NON-ADJUSTING POST BALANCE SHEET EVENTS

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. It is estimated that this change will reduce the value of an average employer's FRS17 liabilities in the Fund by around 6-8%.