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Keeping our communities safe

GRAMPIAN JOINT POLICE BOARD

ANNUAL STATEMENT OF ACCOUNTS

2010-11

GRAMPIAN JOINT POLICE BOARD
STATEMENT OF ACCOUNTS 2010-11

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GRAMPIAN JOINT POLICE BOARD

MEMBERS AND OFFICIALS 2010-11

CONVENER

Councillor M. Greig, Aberdeen City Council

VICE CONVENERS

Councillor A J C Cullinane, Aberdeenshire Council (Resigned August 2010)

Councillor A Hendry, Aberdeenshire Council (Elected as Vice Convener November 2010)

Councillor R H Shepherd, Moray Council

ABERDEENSHIRE COUNCIL

Appointed Members:

Councillor J A Mair

Councillor M Cullen (Resigned August 2010)

Councillor H Al-Kowarri (Appointed August 2010)

Councillor C R McKail

Councillor J Webster

Councillor A Hendry

Councillor A Howie (Resigned April 2011)

Councillor J Cox (Appointed April 2011)

MORAY COUNCIL

Appointed Members:

Councillor E McGillivray

Councillor D G Ross (Resigned April 2010)

Councillor L Bell (Appointed April 2010)

ABERDEEN CITY COUNCIL

Appointed Members:

Councillor K Stewart

Councillor G Penny

Councillor J Dunbar

Councillor J Farquharson

Councillor N Collie

OFFICIALS

Chief Constable - Colin McKerracher, Grampian Police

Clerk - Jane G MacEachran, Aberdeen City Council

Treasurer - Barry Jenkins, Aberdeen City Council

EXPLANATORY FOREWORD BY THE TREASURER

INTRODUCTION

Grampian Joint Police Board (hereafter 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 (hereafter 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 2011. It also assists in interpreting the core financial statements included within the accounts.

This is the first year that the Force has presented its Statement of Accounts applying the rules and conventions under International Financial Reporting Standards (IFRS). Certain income statement and balance sheet items, previously reported in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2009 – A Statement of Recommended Practice' (SORP), have been re-classified to comply with the format for reporting under IFRS. In addition to this, certain other balances have been re-stated by applying the new accounting policies adopted under IFRS from 1 April 2009. A description of the key differences are set out within note 5.

The Chartered Institute of Public Finance and Accountancy (CIPFA)/ Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Local Authority Code Board has published the Code of Practice on Local Authority Accounting. This is based upon approved accounting standards issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee, except where they are inconsistent with specific statutory requirements.

The Code sets out the accounting concepts and principles, which underpin the Statement of Accounts. The Code requires that the financial statements are prepared in order to give a true and fair view of the financial position, financial performance and cash flows of the Force. A true and fair view requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the Code. Compliance with the Code is presumed to result in financial statements that achieve a true and fair view.

The financial statements and their purpose are noted below.

Statement of Responsibilities - 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.

Movement in Reserves Statement - shows the movement in the year on the different reserves held by the Force, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce the requirement for core grant funding) and other reserves. The (Surplus) or Deficit on the Provision of Services line shows the true economic cost of providing the Force's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund.

Comprehensive Income and Expenditure Statement - shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be met from core grant funding. Forces are allocated core grant funding to cover expenditure in accordance with regulations; this may be different from the accounting cost. The grant funding position is shown in the Movement in Reserves Statement.

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

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

REVENUE OUT-TURN 2010-11

Although the Comprehensive Income and Expenditure Statement (page 23) for the year ended 31 March 2011, identifies a surplus of £30.013 million(m), this is only comparable to the budgeted position after excluding significant additional items amounting to £30.419m. 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 International Financial Reporting Standards on notional employee, pension and capital costs. These adjustments are reflected in the Movement in Reserves Statement (page 22).

The Total Comprehensive Income and Expenditure Statement also includes a surplus of £9.165m relating to the revaluation of pension and injury benefit liabilities. This is referred to as Other Comprehensive Income and Expenditure, and previously would have been classified as balances appearing within the Statement of Total Recognised Gains and Losses (as per the SORP).

The Scottish Government introduced a new regime during 2010-11 for funding Police Officer pensions. From 1 April 2010 the cost of Police Officer pensions would be met by the Scottish Government, although Forces would be required to contribute towards any new early retirement costs arising during the financial year. The introduction of the new Police Pension Account (note 38) brought about changes to the accounting rules. The biggest change resulted in the Force no longer having to earmark an element of its General Fund at the year end. Previously, a balance would have been set aside within the Force's General Fund to cover the eventual cost of Police Officer pension lump sum commutations. These would be payable to Police Officers that were eligible to retire prior to the year end, but remained in Force.

However, the Force was required to transfer the entire balance that had been earmarked within the General Fund at 1 April 2010 into the new Police Pension Account. This amounted to £2.505m, although for accounting purposes, this contribution will appear as expenditure within the Movement in Reserves Statement. The remaining balance of the General Fund (that was not earmarked) at the start of 2010-11 amounted to £1.743m.

In terms of the budget monitoring and the impact upon the non earmarked element of the General Fund, the Force had an underspend of £2.148m. This represents an overall budget variance of 2% against a net revenue expenditure budget of £115.698m. The aim throughout 2010-11 was to maximise savings, in order to reduce the financial burden during 2011-12 and beyond, given that the Force like other public bodies, is anticipating reductions in funding during the period of the next Spending Review.

The information presented in the following table shows in summary, the approved budget for 2010-11 and actual expenditure incurred to 31 March 2011, which is presented to the Board for monitoring purposes. A detailed reconciliation between the figures appearing in the report below and those included in the Comprehensive Income and Expenditure Statement is set out in note 29.

Expenditure Type	Approved Budget £000	Spend to 31 March 2011 £000
Employees (excluding Police Officer Pensions)	90,470	88,901
Police Officer Pensions	14,340	14,361
Property	4,054	4,199
Transport	2,175	2,159
Supplies and Services	7,769	7,444
Payments to Agencies and Other Bodies	1,150	1,131
Statutory Financing Charges	1,410	1,410
Income	(5,670)	(5,968)
Total Net Expenditure	115,698	113,637
SG/LA Funding	(115,698)	(115,785)
Operational Underspend	0	(2,148)
Contribution to Police Pension Account		2,505
Transfer to General Fund		357

The table below shows the financial impact of the Force's activities on the General Fund. As noted above, the General Fund was split into two components, with one element being earmarked for Police Officer pension lump sum commutations. This balance has been cleared during 2010-11 by a contribution towards the costs incurred within the Police Pension Account. The remaining amount of the General Fund (balance of £1.743m as at 1 April 2010) has increased by the underspend of £2.148m, to £3.891m (balance as at 31 March 2011).

	£000
Non-earmarked element of the General Fund -	
Balance as at 1 April 2010	(1,743)
Budget underspend for 2010-11	(2,148)
Balance as at 31 March 2011	(3,891)
Earmarked element of the General Fund -	
Balance as at 1 April 2010	(2,505)
Contribution to Police Pension Account	2,505
Balance as at 31 March 2011	0
Total General Fund -	
Balance as at 1 April 2010	(4,248)
Budget underspend for 2010-11	(2,148)
Contribution to Pension Account	2,505
Balance as at 31 March 2011	(3,891)

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

Employee Costs

Although the Force had initially budgeted for maintaining Police Officer numbers at 1,600 throughout 2010-11, a decision was subsequently taken to reduce Police Officer numbers during the year to meet part of the budget reduction. It was agreed that the reduction would be implemented by revising the numbers of new recruits entering the Force during 2010-11.

The number of Police Officers employed by the Force at the end of March 2011 was 1,564. The savings generated within the Police Officer pay budget amounted to £1.204m, from the approved budget of £77.954m.

The number of Police Staff employed by the Force also reduced during 2010-11. The Force introduced a recruitment freeze for all but the most essential front line posts and deleted a number of vacant posts that had been budgeted for at the start of the financial year. The Force also implemented another early retirement/voluntary redundancy scheme for Police Staff at the latter end of the financial year. This was similar to schemes successfully run in previous financial years. The total cost of the scheme during 2010-11 was £2.4m, and was met from the savings generated from the Police Staff recruitment freeze.

The reduction in both Police Officer and Staff numbers is likely to have some impact upon Business Areas' operational and support capacity. Each new vacant position will be assessed by the Service Reconfiguration Programme Team, such that where it is deemed to be business critical, the Force will re-deploy or transfer Police Officers/Staff as appropriate.

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 incurred on overtime and the associated working practices. In total, the Force achieved a saving of £581,000 against the respective overtime budgets. The budget for the Central Overtime Reserve (funding set aside for critical or serious incidents) was not utilised as Business Areas across the Force were able to accommodate all of the overtime spend within their devolved budgets.

Property

The significant rise in fuel costs during the latter part of the financial year resulted in higher running costs for the property estate. It is likely that this budget pressure will continue into the new financial year and beyond. The Force continues to participate in a national contract for energy supplies, whereby the increases in the costs are lessened through collaboration and economies of scale. Some of the price increase was offset by the implementation of a carbon management plan, which sets out the steps for reducing energy consumption. This includes the adoption of new technology and changes in working practices with a view to reducing the Force's carbon footprint.

Supplies and Services

The Force made savings of £325,000 against the overall Supplies and Services budget. This included reducing the level of spend incurred on training and attending conferences, which resulted in a saving of approximately £90,000. The Force in conjunction with the Scottish Police Services Authority (SPSA) reviewed a number of telephony contracts, which resulted in savings and refunds of cash from suppliers at the year end, amounting to £90,000. The Force has also been reducing costs across a range of expenditure types, by procuring goods and services through new local and national contracts.

Income

The Force generated additional income of approximately £300,000 over and beyond the budgeted total of £5.670m. The budget for secondment income was reduced during the year to reflect the decreasing number of Force secondees, however the amount recharged to other organisations was slightly higher than expected and resulted in a budget surplus of £82,000. The Force also benefited from some additional grant funding for a number of specific projects, and this generated a further £92,000 of income. The rental income generated from property owned by the Force also increased during the year. For example the Force was able to recover some of the increased running costs associated with the radio masts from the lessees. The amount receivable (adjusting for amounts paid in advance by the lessees) exceeded the budgeted total by approximately £75,000.

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.

Under the new arrangement, SPSA pay the suppliers, and thereafter recover an equivalent sum from the Force. The Force will then 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 2010-11, which was grant funded amounted to £1.812m. The total capital expenditure for ICT assets amounted to £0.230m.

General Fund

The Scottish Government recently agreed to revise the carry forward limits associated with revenue underspends in any given financial year, as well as maximum balances on the General Fund. In any given year, the Force is permitted to carry forward up to 4% of its core funding (a rise of 1%), and can now hold balances on its General Fund up to 8% of its core funding (a rise of 3%).

Although the closing balance on the General Fund decreased by £357,000, reducing from £4.248m to £3.891m, the opening balance brought forward from 2009-10 included £2.505m which had been earmarked to provide for Pension Commutation Lump Sums, payable to Police Officers who retire from the Force. With the transfer of this balance into the Police Pension Account, this left the remaining balance of £1.743m. This increased to £3.891m by the end of 2010-11, principally due to the savings plans instigated by the Force. The total balance on the General Fund is within the 8% threshold of carry forward limits for reserves.

Whilst it is necessary to 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 balance on the General Fund can also be used to fund any immediate budget shortfalls. If as expected, core funding continues to reduce in future years, it is likely that in the short to medium term the Force will need to consider the best way to meet any budget shortfall using reserves, efficiencies through service reconfiguration or reductions in service provision.

Capital Plan

Capital expenditure is determined by the Board, based upon the 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 considers appropriate. At 31 March 2011 the Force's Capital Plan included a budget for the year of £3.027m. The actual spend amounted to £2.838m, which was broadly in line with earlier projections. 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 individual projects where capital investment is required. The total budget for these different categories in 2010-11 was £1.270m and £1.757m respectively.

The expenditure of £2.838m was funded by way of a £2.473m capital grant, supplementary grants and other contributions amounting to £314,000 and £51,000 of capital receipts. The balance of capital receipts at the start of 2010-11 was £3.872m. The Force generated £0.180m of receipts from the sale of vehicles and with the use of £51,000 of receipts in year, the balance at 31 March 2011 amounted to £4.001m. This balance of receipts will be carried forward into 2011-12.

The Force has a balance of long term debt, which is being reduced with the repayment of fixed term loans. The portfolio of loan debt originates from 1995, 1996 and 1997. All of the loans have fixed interest rates ranging from 7% to 11%. The cost of redemption is particularly high given the interest rates, however the portfolio of loan debt is subject to regular review to assess whether or not re-financing of the loans would bring about some cost savings. The Force has not undertaken any Prudential borrowing, and the current Capital Plan does not include any expenditure that would require Prudential borrowing during the next 3 financial years.

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 provide all Forces accessing shared performance management information. The total spend in 2010-11 was £7,000. In total the Project has spent £3.973m of the £5.378m grant, leaving a balance of £1.405m to be carried forward into 2011-12.

NATIONAL SHARED ASSETS

The accounting treatment for spend and associated funding on national capital projects (including the National Platform Project) changed during the financial year 2008-09. 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 adhere to particular accounting standards, however it is important to note that under the Code, 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 2011, was £1.1m.

PENSION AND INJURY AWARD LIABILITIES

The application of IAS19 (Employee Benefits) means that the Force is required to recognise the cost of post employment benefits and include these within the Comprehensive Income and Expenditure Statement 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 paid into the Police Pension Account or the Pension Fund (Police Staff) during the financial year. Consequently, the accounting transactions pertaining to IAS19 are reversed through the Movement in Reserves Statement. The Force is also required to show the net liability that exists at the year end.

The Force's total net pension liability was £680.188m at 31 March 2011. This was made up of £25.388m for Police Staff and £654.800m 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 second year that the liability associated with Police Officer Injury Awards, has been disclosed separately. The total liability at 31 March 2011 was £28.404m, which compares to the balance for the previous financial year, of £35.638m. The marked difference is due to the assumptions used for the actuarial valuation, rather than any significant change to the number of retired Police Officers receiving payment. Details of

the various rates applied are set out within the Notes to the Accounts.

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.



Barry Jenkins, CPFA
Treasurer
31 August 2011

STATEMENT OF RESPONSIBILITIES

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
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

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 Code).

In preparing this 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 Code;
- 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
31 August 2011

STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

This statement is given in respect of the Statement of Accounts for the Force. 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 system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, that 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 (including segregation of duties), management supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within the Force. In particular, the system includes:

- comprehensive budgeting system;
- 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 against the forecasts and
- clearly defined capital expenditure guidelines.

The Code of Practice promotes the inclusion of an Annual Governance Statement in the Statement of Accounts instead of a Statement on the System of Internal Financial Control. The intention is to broaden 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;
- adherence to Force policies, strategies, objectives and any statutory requirements where appropriate and
- 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.

My review of the effectiveness of the system of internal financial control is informed by:

- the work of managers within the Force
- the work of the internal auditors as described above, and
- the external auditors in their annual audit letter and other reports.



Councillor A Hendry
Chairperson of the Stewardship Sub Committee
31 August 2011



Barry Jenkins, CPFA
Treasurer
31 August 2011

REMUNERATION REPORT

The Force is required to produce a Remuneration Report and include it within the Annual Accounts. This follows on from the requirements set out in the Local Authority Accounts (Scotland) Amendment Regulations 2011 (SSI No 2011/64), which have amended the Local Authority Accounts (Scotland) Regulations 1985 (SI No 1985/267). The Remuneration Report is a statement in its own right and is not a note to the Annual Accounts.

Remuneration Arrangements

The salaries of Chief Police Officers are set through national arrangements overseen by the Police Negotiating Board (PNB). The PNB circular 08/9 includes the salaries for the Chief Police Officers for the period 2008 to 2011. The remuneration for posts of Director and Deputy Director of Corporate Services is set by the Chief Constable, commensurate with other national positions.

Members of the Force Executive may increase their remuneration through performance related pay. Key objectives are set by the Board and assessed using the Force's system of Performance Development Review. The appraisal process is overseen by the Board.

Remuneration of Chief Police Officers and Senior Employees of the Force

The following table provides details of the remuneration paid to the members of the Force Executive.

	2010-11	2010-11	2009-10	2009-10
	Salary, fees and allowances	Non-cash expenses & benefits in kind	Total Remuneration 2010-11	Total remuneration 2009-10
	£000	£000	£000	£000
Chief Constable: Colin McKerracher	143	2	145	158
Deputy Chief Constable: John McNab	120	5	125	123
Assistant Chief Constable: Colin Menzies	116	3	119	102
Assistant Chief Constable: Albert Donald from 8 November 2009 to 23 June 2010	23	1	24	45
Assistant Chief Constable: Derek Penman from 21 June 2009 to 5 January 2011	84	2	86	76
Assistant Chief Constable: William Gordon from 5 January 2011	24	0	24	0
Director of Corporate Services: Karen Williams	86	0	86	88
Deputy Director of Corporate Services: Gary Craig	78	0	78	83
Total	674	13	687	675

There were sums paid relating to performance attainments during 2009-10, and these are included as part of the total pensionable pay for that year. Following bi-lateral discussions with the Scottish Government, performance related payments were suspended for 2010-11. The pension entitlements of Chief Police Officers and Senior Employees for the year to 31 March 2011 are shown in the table below, together with the contribution made by the Force to each Senior Employees' pension during the year.

	In year pension contributions			Accrued pension benefits	
	For year to 31 March 2011 £000	For year to 31 March 2010 £000		As at 31 March 2011 £000	Difference from 31 March 2010 £000
Chief Constable: Colin McKerracher	33	37	Pension	88	2
Deputy Chief Constable: John McNab	27	29	Pension	54	5
Assistant Chief Constable: Colin Menzies	26	24	Pension	64	8
Assistant Chief Constable: Albert Donald from 9 November 2009 to 23 June 2010	6	9	Pension	57	2
Assistant Chief Constable: Derek Penman from 21 June 2009 to 5 January 2011	19	19	Pension	54	6
Assistant Chief Constable: William Gordon from 5 January 2011	6	0	Pension	37	0
Director of Corporate Services: Karen Williams	16	16	Pension Lump Sum	12 27	2 1
Deputy Director of Corporate Services: Gary Craig	15	15	Pension Lump Sum	33 93	2 2
Total	148	149	Pension Lump Sum	399 120	27 3

Whilst there is no Pension Fund for Police Officers, the Force does provide for a equivalent notional charge for Police Officer pensions based upon the Police Pension Account (Scotland) Regulations 2010 (SSI 2010 No, 232). The Force contributes 24.7% of the Police Officers' pensionable pay. As the Police Pension Account only commenced from 1 April 2010, an equivalent figure has been applied to the pensionable pay costs for 2009-10 in order to provide for comparative figures.

Both the Director and Deputy Director of Corporate Services are members of the Local Government Pension Scheme. Their pension figures show the benefits that have accrued over a period of time and may include balances transferred from other pension funds linked to previous employment.

GENERAL DISCLOSURE BY PAY BAND

The table below indicates the numbers of Grampian Police employees receiving remuneration (excluding pension contributions) greater than £50,000 in bands of £5,000. Remuneration includes all sums actually paid to an employee and sums due by way of expenses, allowances (as far as those sums are chargeable to UK income tax) as well as the money value of any other benefits received other than cash

Remuneration Bands	Number of Employees	
	2009-10	2010-11
£50,000 - £54,999	122	82
£55,000 - £59,999	37	79
£60,000 - £64,999	8	5
£65,000 - £69,999	6	3
£70,000 - £74,999	8	6
£75,000 - £79,999	6	5
£80,000 - £84,999	4	8
£85,000 - £89,999	2	3
£90,000 - £94,999	1	2
£105,000 - £109,999	1	0
£115,000 - £119,999	0	1
£125,000 - £129,999	1	0
£135,000 - £135,999	0	1
£160,000 - £164,999	0	1
£210,000 - £214,999	1	0
Totals	197	196

MEMBERS ALLOWANCES

The Convener and Vice-convener of the Board are remunerated by the Council of which they are a council member.

The remuneration of councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007 (SSI No. 2007/183). The Regulations provide for the grading of councillors for the purposes of remuneration arrangements. These regulations set out the amounts a councillor may be paid for being a convener or vice-convener of a Joint Board. This is inclusive of any amount payable to them as either a councillor or senior councillor within the Constituent Authority.

The Board has an arrangement with each Council who remunerates the Convener and Vice-Convener to reimburse the Council for the additional costs of that councillor arising from them being a Convener or Vice-Convener of the Board. The disclosures made in this report are limited to the amounts paid to the Council by the Board for remuneration and does not reflect the full value of the remuneration that may be paid to the councillor.

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 Convener and Vice-Convener of the Board.

		2009-10			2010-11		
		Salaries	Allowances	Total	Salaries	Allowances	Total
		£000	£000	£000	£000	£000	£000
Aberdeen City Council	M Greig (Convener)	15	0	15	16	0	16
Aberdeenshire Council	A J C Cullinane (Vice-Convener)	10	1	11	3	0	3
Moray Council	R H Shepherd (Vice-Convener)	0	0	0	0	0	0
		25	1	26	19	0	19

All information disclosed in the tables in this Remuneration Report has been audited by Henderson Loggie. The other sections of the Remuneration Report were reviewed by Henderson Loggie to ensure that they were consistent with the financial statements.

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

We certify that we have audited the financial statements of Grampian Joint Police Board for the year ended 31 March 2011 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet, and Cash-Flow Statement, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2010-11 (the 2010-11 Code).

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 auditor

As explained more fully in the Statement of Responsibilities set out on page 12, the Treasurer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2010-11 Code of the state of the affairs of the Board as at 31 March 2011 and of the income and expenditure of the Board for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2010-11 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973 and the Local Government in Scotland Act 2003.

Opinion on other prescribed matters

In our opinion:

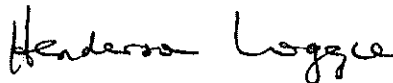
- the part of the remuneration report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 1985; and
- the information given in the Explanatory Foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We are required to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit; or
- the Statement on the System of Internal Financial Control does not comply with the 2010-11 Code or
- there has been a failure to achieve a prescribed financial objective.

We have nothing to report in respect of these matters.



Henderson Loggie
Chartered Accountants
Registered Auditors
48 Queens Road
Aberdeen
AB15 4YE

31 August 2011

MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Force.

	General Fund Balance	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Note
	£000	£000	£000	£000	£000	
Balance at 1 April 2009	(3,704)	(2,961)	(6,665)	463,881	457,216	
Movement in reserves during 2009-10						
(Surplus) or deficit on the provision of services	29,374	0	29,374	0	29,374	
Other Comprehensive Income and Expenditure	0	0	0	212,099	212,099	
Total Comprehensive Income and Expenditure	29,374	0	29,374	212,099	241,473	
Adjustments between accounting basis & funding basis under regulations	(29,918)	(911)	(30,829)	30,829	0	7
(Increase)/ Decrease in 2009-10	(544)	(911)	(1,455)	242,928	241,473	
Balance at 31 March 2010	(4,248)	(3,872)	(8,120)	706,809	698,689	
Movement in reserves during 2010-11						
(Surplus) or deficit on the provision of services	(20,848)	0	(20,848)	0	(20,848)	
Other Comprehensive Income and Expenditure	0	0	0	(9,165)	(9,165)	
Total Comprehensive Income and Expenditure	(20,848)	0	(20,848)	(9,165)	(30,013)	
Adjustments between accounting basis & funding basis under regulations	21,205	(129)	21,076	(21,076)	0	7
(Increase)/ Decrease in 2010-11	357	(129)	228	(30,241)	(30,013)	
Balance at 31 March 2011	(3,891)	(4,001)	(7,892)	676,568	668,676	

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the changes in the Force's financial resources over the year.

Gross Expenditure	2009-10			2010-11		Note	
	Gross Income	Net Expenditure		Gross Expenditure	Gross Income		Net Expenditure
£000	£000	£000		£000	£000	£000	
56,377	(8,775)	47,602	Crime Management	58,666	(11,870)	46,796	
10,743	(2,063)	8,680	Traffic Management	11,179	(2,602)	8,577	
1,955	(1,553)	402	Public Order	2,035	(1,597)	438	
38,531	(5,712)	32,819	Community Safety	40,096	(8,062)	32,034	
10,189	(1,193)	8,996	Call Management	10,603	(1,748)	8,855	
764	0	764	Corporate and democratic core	786	0	786	
773	0	773	Non distributed costs	0	(61,876)	(61,876)	
119,332	(19,296)	100,036	Cost of Services	123,365	(87,755)	35,610	
0	(185)	(185)	Other operating expenditure	0	(68)	(68)	8
38,248	(2,566)	35,682	Financing and investment income and expenditure	42,349	(377)	41,972	9
0	(106,159)	(106,159)	Non-specific grant income	0	(98,362)	(98,362)	10
		29,374	(Surplus) or Deficit on Provision of Services			(20,848)	
		200,788	Actuarial (gains)/losses on pension assets/liabilities			(1,525)	36
		11,311	Actuarial (gains)/losses on Police Officer injury award liabilities			(7,640)	37
		212,099	Other Comprehensive Income and Expenditure			(9,165)	
		241,473	Total Comprehensive Income and Expenditure			(30,013)	

BALANCE SHEET

This statement shows how the resources available to the Force are held in the form of assets and liabilities.

1 April 2009	31 March 2010		31 March 2011	
£000	£000		£000	Note
38,029	37,222	Property, plant & equipment	37,215	11
3,310	3,325	Investment property	3,325	12
475	373	Intangible assets	298	13
9	5	Long term debtors	1	
41,823	40,925	Long term assets	40,839	
610	129	Assets held for sale	162	20
146	224	Inventories	215	17
5,381	5,295	Short term debtors	5,253	18
11,644	14,406	Cash and cash equivalents	16,616	19
17,781	20,054	Current assets	22,246	
(321)	(321)	Short term borrowing	0	
(10,722)	(13,026)	Short term creditors	(13,624)	21
(873)	(410)	Provisions	(1,421)	22
(11,916)	(13,757)	Current liabilities	(15,045)	
(8,445)	(8,124)	Long term borrowing	(8,124)	16
(496,459)	(737,787)	Other long term liabilities	(708,592)	36&37
(504,904)	(745,911)	Long term liabilities	(716,716)	
(457,216)	(698,689)	Net liabilities	(668,676)	
(6,665)	(8,120)	Usable reserves	(7,892)	23
463,881	706,809	Unusable reserves	676,568	24
457,216	698,689	Total reserves	668,676	



Barry Jenkins, CPFA
Treasurer
31 August 2011

The unaudited accounts were issued on 10 June 2011 and the audited accounts were authorised for issue on 31 August 2011.

CASH FLOW STATEMENT

This statement shows how the movement in resources has been reflected in cash flows.

2009-10		2010-11	
£000		£000	Note
29,374	Net (surplus) or deficit on the provision of services	(20,848)	
	Adjustments to net surplus or deficit on the provision of services		
(34,959)	for non cash movements	14,805	25
	Adjustments for items in the net surplus or deficit on the provision		
<u>3,505</u>	of services that are for investing and financing activities	<u>3,763</u>	
(2,080)	Net cash flows from operating activities	(2,280)	26
(351)	Investing activities	375	27
<u>(331)</u>	Financing activities	<u>(305)</u>	28
<u>(2,762)</u>	Net (increase) in cash and cash equivalents	<u>(2,210)</u>	
	Cash and cash equivalents at the beginning of the reporting		
11,644	period	14,406	
<u>14,406</u>	Cash and cash equivalents at the end of the reporting period	<u>16,616</u>	

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

a) General Principles

The Statement of Accounts summarises the Board's transactions for the financial year 2010-11 and its position as at 31 March 2011. The Local Authority Accounts (Scotland) Regulations 1985 require the Board to prepare an Annual Statement of Accounts in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010-11 and the Best Value Accounting Code of Practice 2010-11, supported by International Financial Reporting Standards (IFRS).

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 accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

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.

b) 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.

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.

Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

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 Comprehensive Income and Expenditure Statement of the period within which the employees worked.

c) Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Force's cash management.

d) Changes in Accounting Policies and Estimates and Errors

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Force's financial position or financial performance. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

e) Charges to Revenue for Non-Current Assets

Services and support services are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service;
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off;
- amortisation of intangible fixed assets attributable to the service.

Whilst the Force is not required to raise additional funding to cover depreciation, impairment losses or amortisations, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to either an amount calculated on a prudent basis determined by the Force in accordance with statutory guidance, or principal loan repayments). Depreciation, impairment losses and amortisations are therefore replaced by a revenue provision in

the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

f) Employee Benefits

Benefits Payable During Employment

Short-term employee benefits, such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees, are recognised as an expense in the year in which employees render service to the Force. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end and that can be carried forward into the next financial year.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Board to terminate an individual's employment before the normal retirement date or an individual's decision to accept voluntary redundancy and are charged on an accruals basis to the Comprehensive Income and Expenditure Account when the Force is demonstrably committed to either terminating the employment of an individual or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions allow the General Fund balance to be charged with the amount payable by the Force to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

The Force participates in two different Pension Schemes that provide benefits for employees (retirement lump sums and pensions). Both are administered by the North East of Scotland Pension Fund.

These include:

- Police Pension Scheme for Police Officers which is an unfunded scheme,
- Local Government Pension Scheme for Police Staff.

Both schemes provide members with defined benefits related to pay and service. The Police Pension Scheme is unfunded with the respective revenue transactions being posted to the Police Pension Account.

Both Pension Schemes are accounted for as a defined benefits scheme:

The liabilities of the pension schemes attributable to the Force are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of earnings for current employees.

Liabilities are discounted to their value at current prices, applying a discount rate based on the indicative rate of return on high quality corporate bonds.

The assets (if any) of the pension fund attributable to the Force are included in the Balance Sheet at their fair value:

- quoted securities – current bid price;
- unquoted securities – professional estimate;
- unitised securities – current bid price;
- property – market value.

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

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

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

Discretionary Benefits

The Force also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to an employee is accrued in the year of the decision to make the award and accounted for using the same policies as are applied above.

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.

g) Events After the Reporting Period

Events after the reporting period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events;
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

h) Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Force's financial performance.

i) Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Force becomes a party to the contractual provisions of a financial instrument and initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Force has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Income and Expenditure Account in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Force has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

j) Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market;
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Force becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive

Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Force has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited/debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Force becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (eg, dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Force.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price;
- other instruments with fixed and determinable payments – discounted cash flow analysis;
- equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus/Deficit on Revaluation of Available-for-Sale. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain/loss for the asset accumulated in the Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive

Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains/losses previously recognised in the former Statement of Total Recognised Gains and Losses. Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

k) Foreign Currency Translation

Where the Force has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

l) Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Force when there is reasonable assurance that:

- the Force will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Force are not credited to the Comprehensive Income and Expenditure Account until conditions attaching to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants

Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied.

m) Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Force as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Force.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Force will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and restricted to that incurred during the development phase (research expenditure is not capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Force's goods or services.

Intangible assets are measured initially at cost. Amounts are not revalued, as the fair value of the assets held by the Force cannot be determined by reference to an active market. The depreciable amount of an intangible asset is amortised over its useful life and charged to the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are charged to the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

n) Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the weighted average costing formula.

o) Investment Properties

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value,

based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

p) Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Force in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Force recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure its incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Force and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Force accounts for its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

q) Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Force as Lessee

Finance leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's

inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Force are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

The Force is not required to raise additional funds to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense.

The Force as Lessor

Finance leases

Where the Force grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Force's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also 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), matched by a lease asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease liability (together with any premiums received), and

- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and will be required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are paid, the element for the charge for the acquisition of the interest in the property is used to write down the lease asset. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

Operating Leases

Where the Force grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg, there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

r) Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Force and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price;
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management;
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Force does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition will not increase the cash flows of the Force. In the latter case, the cost of the acquisition is the carrying amount of the asset given up by the Force.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- assets under construction – depreciated historical cost;
- all other assets – fair value, determined the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, 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 Comprehensive Income and Expenditure Statement where they arise from the reversal of an impairment loss previously charged to a service.

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

Assets are assessed at each year-end as to whether there is any indication that an

asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance up to the amount of the accumulated gains;
- where there is no balance in the Revaluation Reserve, the carrying amount of the asset is written down in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Disposals

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses. Depreciation is not charged on Assets Held for Sale.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement also 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 accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Force's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against the General Fund, as the cost

of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following basis -

- Buildings are depreciated on a reducing balance basis over their estimated useful lives of 30 years.
- Vehicles are depreciated on a straight line basis over their estimated useful lives as follows with residual value of approximately 10% of cost:

Incident Vehicles	10 years
Beat and Traffic Vehicles	3 years
- Other non-current 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

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components 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.

s) Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Force a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Force becomes aware of the obligation, and measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged against the provision carried on

the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the Comprehensive Income and Expenditure Statement.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the Comprehensive Income and Expenditure Statement if it is virtually certain that reimbursement will be received if the Force settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Force a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Force. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Force a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Force.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

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.

t) VAT

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

2. CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES

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

There is a level of uncertainty regarding the future structure and levels of funding for Scottish Police Forces. However, the Force has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Force may be impaired in some way through a need to reconfigure service provision.

The Board has a significant net liability associated with the future pension and injury award costs. However, 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.

3. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

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

The following items should be considered –

Property, Plant and Equipment

Assets are depreciated over useful lives that are dependent on assumptions about the level of maintenance. If the Force is unable to sustain the current level of spend on the assets, then there is a risk that the lives of the assets would be shortened.

The resultant changes would be that the level of depreciation charged would increase and the carrying values fall.

Pension and Injury Award Liabilities

The liability associated with the future payments of pensions and injury awards is calculated by an actuary applying a range of complex and varied assumptions.

Any changes to the assumptions could have a significant impact upon the net balance sheet liability and charges to the Comprehensive Income and Expenditure Statement given the relative values involved.

4. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Treasurer to the Board on 10 June 2011. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

5. TRANSITION TO IFRS

The Statement of Accounts for 2010-11 is the first to be prepared on an IFRS basis. Adoption of the IFRS based Code of Practice has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009-10.

The following tables explain the material differences between the amounts presented in the 2009-10 financial statements (applying the Statement of Recommended Practice) and the equivalent amounts presented in the 2010-11 financial statements (applying the IFRS based Code of Practice).

The first table shows the adjustments made to the opening 2009-10 balance sheet figures. The second table shows the adjustments made to the former Income and Expenditure Account for 2009-10 in order to present it as a comparative Comprehensive Income and Expenditure Statement. The third table sets out the adjustments to the balance sheet items at the end of 2009-10.

	SORP Bal as at 31 Mar 2009	IAS 20 Capital Grants Adjustments	IAS 20 Revenue Grant Adjustments	IAS 16 Donated Assets Restatement	IAS 40 IP Restatement	IFRS 5 AHS Restatement	IAS 19 Employee Benefits	IAS 7 Cash & Cash Equivalents	IFRS Bal as at 1 Apr 2009
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Balance Sheet as at 1 April 2009									
Property, Plant & Equipment	35,620			21	2,388				38,029
Investment Property	720				2,590				3,310
Intangible Assets	475				(4,978)				475
Surplus Land and Buildings	5,588					(610)			0
Long Term Debtors	9								9
Long Term Assets	42,412	0	0	21	0	(610)	0	0	41,823
Short Term Investments	10,130							(10,130)	0
Inventories	146								146
Short Term Debtors	5,381								5,381
Cash and Cash Equivalents	1,514							10,130	11,644
Assets Held For Sale	0					610			610
Current Assets	17,171	0	0	0	0	610	0	0	17,781
Cash and Cash Equivalents	0								0
Short Term Borrowing	(321)								(321)
Short Term Creditors	(9,594)		80				(1,208)		(10,722)
Provisions	(873)								(873)
Current Liabilities	(10,788)	0	80	0	0	0	(1,208)	0	(11,916)
Long Term Borrowing	(8,445)								(8,445)
Government Grants Deferred Account	(7,142)	7,142							0
Capital Contributions Deferred Account	(13)	13							0
Net Pension Liability	(474,146)								(474,146)
Injury Awards Liability	(22,313)								(22,313)
Long Term Liabilities	(512,059)	7,155	0	0	0	0	0	0	(504,904)
Net Liabilities	(463,264)	7,155	80	21	0	0	(1,208)	0	(457,216)

Usable Reserves									
General Fund	3,516	80				108			3,704
Capital Receipts Reserve	2,961								2,961
	6,477	0	80	0	0	108	0	0	6,665
Unusable Reserves									
Capital Adjustment Account	22,705	7,155	21	1,209	337				31,427
Revaluation Reserve	4,013			(1,209)	(337)				2,467
Pension Reserve	(474,146)								(474,146)
Employee Statutory Adjustment Account:									
- Injury Benefits	(22,313)								(22,313)
- Short Term Absences	0					(1,316)			(1,316)
	(469,741)	7,155	0	0	0	(1,316)	0	0	(463,881)
Total Reserves	(463,264)	7,155	80	0	0	(1,208)	0	0	(457,216)

IAS 7 – Statement of Cashflow
IAS 16 – Property Plant and Equipment (PPE)
IAS 19 – Employee benefits
IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance
IAS 40 – Investment Property (IP)
IFRS 5 – Non Current Assets Held for Sale and Discontinued Operations (AHS)

COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

	IAS 20	IAS 20	IAS 40	IAS 40	IAS 40	IAS 16	IAS 16	IAS 16	IAS 5	IAS 5	IAS 19	IAS 7	IFRS Balances at 31 Mar 2010
	Capital Grants Adjustments	Revenue Grant Adjustments	IP Acquired before 1 Apr 2009	IP Re-classified	Donated Assets Restatement	PPE Re-classified 1 Apr 2009	AHS Sold During 2009-10	AHS Sold During 2009-10	Employee Benefits	Cash & Cash Equivalents			£000's
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
SORP Bal as at 31 Mar 2010	96,770		272	(4)	14		(1)	(6)	896				100,036
Cost of Services	(198)							6					(185)
Other Operating Expenditure	36,020		(342)	4									35,682
Financing and Investment Income and Expenditure	(103,491)				(29)								(106,159)
Taxation and Non-Specific Grant Income	29,101	0	(70)	0	(15)	0	(1)	0	896	0			29,374
(Surplus) or Deficit on Provision of Services	200,788												200,788
Actuarial (Gains)/Losses on Pension Assets/Liabilities	11,311												11,311
Actuarial (Gains)/Losses on Police Injury Award Liabilities	212,099	0	0	0	0	0	0	0	0	0			212,099
Other Comprehensive Income and Expenditure	241,200	(537)	0	(70)	0	(15)	0	(1)	896	0			241,473
Total Comprehensive Income and Expenditure													

	IAS 20	IAS 20	IAS 40	IAS 40	IAS 40	IAS 16	IAS 16	IAS 16	IFRS 5	IFRS 5	IFRS 5	IAS 19	IAS 7	IFRS Bal as at 31 Mar 2010	IFRS Bal as at 1 Apr 2009
	Capital Grants Adjustments	Revenue Grant Adjustments	IP Acquired before 1 April 2009	IP Re-classified in 2009-10	Donated Assets Restatement	PPE Re-classified 1 Apr 2009	AHS Sold during 2009/10	AHS sold during 2009/10	Employee Benefits	Cash & Cash Equivalents				£000's	£000's
Balance Sheet as at 31 March 2010	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	37,222	38,029
Property, Plant & Equipment	34,850		2,389		36	(53)									
Investment Property	720		2,590	15										3,325	3,310
Intangible Assets	373													373	475
Surplus Land and Buildings	4,997		(4,907)	(15)	53	(128)								0	0
Long Term Debtors	5													5	9
Long Term Assets	40,945	0	72	0	36	0	(128)	0	0	0	0	0	0	40,925	41,823
Short Term Investments	14,700									(14,700)				0	0
Inventories	224													224	146
Short Term Debtors	5,295													5,295	5,381
Cash and Cash Equivalents	47									14,389				129	610
Assets Held For Sale	0								129					20,054	17,781
Current Assets	20,266	0	0	0	0	0	129	129	0	(341)	0	0	0	20,054	17,781
Cash and Cash Equivalents	(341)										341			0	0
Short Term Borrowing	(321)													(321)	(321)
Short Term Creditors	(11,002)	80							(2,104)					(13,026)	(10,722)
Provisions	(410)													(410)	(873)
Current Liabilities	(12,074)	0	0	0	0	0	0	0	0	341	0	0	0	(13,757)	(11,916)
Long Term Borrowing	(8,124)													(8,124)	(8,445)
Government Grants	(7,680)	7,680												0	0
Deferred Account	(12)													0	0
Capital Contributions															
Deferred Account	(702,149)													(702,149)	(474,146)
Net Pension Liability	(35,638)													(35,638)	(22,313)
Injury Awards Liability															
Long Term Liabilities	(753,603)	7,692	0	0	0	0	0	0	0	0	0	0	0	(745,911)	(504,904)

Grampian Joint Police Board Statement of Accounts 2010-11

Net Liabilities	(704,466)	7,692	80	72	0	36	0	1	0	(2,104)	0	(698,669)	(457,216)
Usable Reserves													
General Fund	4,080		80							88		4,248	3,704
Capital Receipts Reserve	3,872											3,872	2,961
	7,952	0	80	0	0	0	0	0	0	88	0	8,120	6,665
Unusables Reserves													
Capital Adjustment Account	21,800	7,692		1,242	2	36		1				30,773	31,427
Revaluation Reserve	3,569			(1,170)	(2)							2,397	2,467
Pension Reserve													
Employee Statutory Adjustment Account:	(702,149)											(702,149)	(474,146)
- Injury Benefits	(35,638)											(35,638)	(22,313)
- Short Term Absences	0									(2,192)		(2,192)	(1,316)
	(712,418)	7,692	0	72	0	36	0	1	0	(2,192)	0	(706,809)	(463,881)
Total Reserves	(704,466)	7,692	80	72	0	36	0	1	0	(2,104)	0	(698,669)	(457,216)

6. BEST VALUE ACCOUNTING CODE OF PRACTICE – COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT ACTIVITIES

An exercise was carried out during 2007-08 to review levels of activity across the Force. 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	%
Crime Management	47.86
Traffic Management	9.12
Public Order	1.66
Community Safety	32.71
Call Management	8.65
	<u>100.00</u>

7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments to the total Comprehensive Income and Expenditure Statement recognised by the Force in the year, in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Force to meet future capital and revenue expenditure.

	2010-11		
	Usable Reserves		
	General Fund Balance £000	Capital Receipts Reserve £000	Movement in Unusable Reserves £000
Adjustments involving the Capital Adjustment Account:			
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Account</i>			
Charges for depreciation and impairment of non current assets	(2,833)	0	2,833
Amortisation of intangible assets	(224)	0	224
Capital grants and contributions that have been applied to capital financing	3,069	0	(3,069)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Account	68	0	(68)
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i>			
Statutory provision for the financing of capital investment	626	0	(626)
Adjustments involving the Capital Receipts Reserve:			
Transfer of sale proceeds credited as part of the gains/loss on disposal to the Comprehensive Income and Expenditure Account	0	(180)	180
Use of the Capital Receipts Reserve to finance new capital expenditure	0	51	(51)
Adjustments involving the Pension Reserves:			
Reversal of items relating to post employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	1,505	0	(1,505)
Employer's pensions contributions and direct payments to pensioners payable in the year	18,931	0	(18,931)
Adjustment involving the Accumulating Compensated Absences Adjustment Account:			
Amount by which employee remuneration charged to the Comprehensive Income and Expenditure on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	469	0	(469)
Adjustments involving the Employee Statutory Mitigation Account:			
Statutory adjustments for Injury Benefits	(406)	0	406
Total Adjustments	21,205	(129)	(21,076)

	2009-10		
	Usable Reserves		
	General Fund Balance £000	Capital Receipts Reserve £000	Movement in Unusable Reserves £000
Adjustments involving the Capital Adjustment Account:			
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Account</i>			
Charges for depreciation and impairment of non current assets	(3,069)	0	3,069
Amortisation of intangible assets	(249)	0	249
Capital grants and contributions that have been applied to capital financing	2,668	0	(2,668)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Account	185	0	(185)
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i>			
Statutory provision for the financing of capital investment	652	0	(652)
Adjustments involving the Capital Receipts Reserve:			
Transfer of sale proceeds credited as part of the gains/loss on disposal to the Comprehensive Income and Expenditure Account	0	(913)	913
Use of the Capital Receipts Reserve to finance new capital expenditure	0	2	(2)
Adjustments involving the Pension Reserves:			
Reversal of items relating to post employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(44,617)	0	44,617
Employer's pensions contributions and direct payments to pensioners payable in the year	17,402	0	(17,402)
Adjustment involving the Accumulating Compensated Absences Adjustment Account:			
Amount by which employee remuneration charged to the Comprehensive Income and Expenditure on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(876)	0	876
Adjustments involving the Employee Statutory Mitigation Account:			
Statutory adjustments for Injury Benefits	(2,014)	0	2,014
Total Adjustments	(29,918)	(911)	30,829

8. OTHER OPERATING EXPENDITURE

2009-10 £000		2010-11 £000
(185)	(Gains)/Losses on disposal of non current assets	(68)
<u>(185)</u>	Total	<u>(68)</u>

9. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2009-10 £000		2010-11 £000
825	Interest payable and similar charges	784
35,265	Pensions interest cost and expected return on pension assets	41,565
(70)	Interest receivable and similar income	(86)
(338)	Other investment income	(291)
<u>35,682</u>	Total	<u>41,972</u>

10. NON-SPECIFIC GRANT INCOME

2009-10 £000		2010-11 £000
(103,491)	Non specific government grants	(95,293)
(2,668)	Capital grants and contributions	(3,069)
<u>(106,159)</u>	Total	<u>(98,362)</u>

11. PROPERTY, PLANT AND EQUIPMENT

(a) Movement on Balances

Movements During 2010-11	Other Land and Buildings £000	Vehicles, Plant and Equipment £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation				
At 1 April 2010	32,892	11,264	1,376	45,532
Additions	912	1,062	727	2,701
Transfer Across Forces	0	7	260	267
Donations	0	3	0	3
Derecognition – disposals	0	(971)	0	(971)
Derecognition – other	0	(899)	0	(899)
Assets reclassified (to)/from Held for Sale	(22)	0	0	(22)
Other movement in costs or valuation	0	705	(705)	0
At 31 March 2011	33,782	11,171	1,658	46,611
Accumulated Depreciation & Impairment				
At 1 April 2010	962	7,348	0	8,310
Depreciation charge	936	1,908	0	2,844
Derecognition – disposals	0	(861)	0	(861)
Derecognition – other	0	(896)	0	(896)
Eliminated on reclassification to Assets Held for Sale	(1)	0	0	(1)
At 31 March 2011	1,897	7,499	0	9,396
Net Book Value				
At 31 March 2011	31,885	3,672	1,658	37,215
At 31 March 2010	31,930	3,916	1,376	37,222

Movements During 2009-10	Other Land and Buildings £000	Vehicles, Plant and Equipment £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation				
At 1 April 2009	32,081	13,409	1,313	46,803
Additions	914	588	961	2,463
Transfer Across Forces	0	56	48	104
Donations	0	29	0	29
Derecognition – disposals	(3)	(856)	0	(859)
Derecognition – other	0	(2,791)	0	(2,791)
Assets reclassified (to)/from Held for Sale	(130)	0	0	(130)
Other movement in costs or valuation	30	829	(946)	(87)
At 31 March 2010	32,892	11,264	1,376	45,532
Accumulated Depreciation & Impairment				
At 1 April 2009	15	8,759	0	8,774
Depreciation charge	948	2,121	0	3,069
Derecognition – disposals	0	(748)	0	(748)
Derecognition – other	0	(2,784)	0	(2,784)
Eliminated on reclassification to Assets Held for Sale	(1)	0	0	(1)
At 31 March 2010	962	7,348	0	8,310
Net Book Value				
At 31 March 2010	31,930	3,916	1,376	37,222
At 31 March 2009	32,066	4,650	1,313	38,029

(b) Capital Commitments

At 31 March 2011, the Force was committed to a number of contracts for the construction or enhancement of Property, Plant and Equipment with future costs projected to be £0.393m. This compares with the total value of commitments at 31 March 2010 which amounted to £0.497m.

(c) Revaluations

The Force carries out a rolling programme of property valuations. This is to ensure that all property that is measured at fair value is re-valued at least every five years. The most recent programme of valuations was carried out by Atisreal Limited (Chartered Surveyors) for all properties owned by the Force at 31 March 2009. The valuations were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

The following table shows the changes in valuation across the different categories of property spanning a period of 5 years.

	Other Land and Buildings £000s	Vehicles, Plant and Equipment £000s	Assets Under Construction £000s	Total Property, Plant and Equipment £000s
Carried at historical cost	1,984	11,171	1,658	14,655
Valued at fair value as at:				
31 March 2011	0	0	0	0
31 March 2010	0	0	0	0
31 March 2009	31,798	0	0	31,956
31 March 2008	0	0	0	0
31 March 2007	0	0	0	0
Total Cost or Valuation	33,782	11,171	1,658	46,611

12. INVESTMENT PROPERTIES

The following items of income and expenditure have been accounted for in the Comprehensive Income and Expenditure Statement:

2009-10 £000		2010-11 £000
(382)	Rental income from investment properties	(414)
	Direct operating expenses associated with	
44	investment properties	123
(338)	Net (Gain)/Loss	(291)

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

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

2009-10 £000		2010-11 £000
3,310	Opening Balance	3,325
15	Transfer from Property, Plant and Equipment	0
3,325	Closing Balance	3,325

13. INTANGIBLE ASSETS

The Force accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both purchased licenses and software. The Force does not have any internally generated software.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Force. The useful lives assigned to the major software suites used by the Force are:

Purchased Software & Licenses	Useful Live
Other Purchased Software & Licenses	3 Years
National Infrastructure Project	4 Years

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

2009-10		2010-11
£000		£000
819	Gross Carrying amounts	946
(344)	Accumulated amortisation	(573)
475	Net Carrying amount at 1 April	373
63	Purchases	147
12	Transfer across Forces	2
72	Other Changes	0
(249)	Amortisation for the period	(224)
373	Net Carrying amount at 31 March	298
	Comprising -	
946	Gross carrying amounts	1,095
(573)	Accumulated amortisation	(797)
373	Total	298

14. 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 Non-current 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 Assets

	National Infrastructure System	National Command & Control System	Vulnerable Persons System	Information Management System	National Platform Project	Total
	£000	£000	£000	£000	£000	£000
Cost						
As at 1 April 2010	87	0	0	0	0	87
Transfer from/(to)Forces	2	0	0	0	0	2
As at 31 March 2011	89	0	0	0	0	89
Amortisation						
As at 1 April 2010	34	0	0	0	0	34
Amortisation	22	0	0	0	0	22
As at 31 March 2011	56	0	0	0	0	56
Net Book Value						
As at 31 March 2011	33	0	0	0	0	33
As at 31 March 2010	53	0	0	0	0	53

b) Property, Plant and Equipment

	National Infrastructure System	National Command & Control System	Vulnerable Persons System	Information Management System	National Platform	Total
	£000	£000	£000	£000	£000	£000
Cost						
As at 1 April 2010	469	233	18	28	392	1,140
Additions	0	0	0	0	7	7
Transfer from /(to) Forces	7	240	0	19	0	266
As at 31 March 2011	476	473	18	47	399	1,413
Depreciation						
As at 1 April 2010	214	0	0	0	0	214
Depreciation	117	0	0	0	2	119
As at 31 March 2011	331	0	0	0	2	333
Net Book Value						
As at 31 March 2011	145	473	18	47	397	1,080
As at 31 March 2010	255	233	18	28	392	926

15. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred during 2010-11 is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue, the expenditure results in an increase in the Capital Financing Requirement (CFR). The capital expenditure and financing as well as the CFR is analysed in the following table.

2009-10 £000		2010-11 £000
8,532	Opening Capital Financing Requirement	7,880
	Capital investment -	
2,463	Property, Plant and Equipment	2,701
63	Intangible Assets	147
	Sources of finance -	
(2)	Capital receipts from the sale of property, plant and equipment, investment property and intangible assets	(51)
(1,911)	Local Authorities – capital grants and other contributions	(2,504)
(476)	Scottish Government – specific capital grants and other contributions	(280)
(137)	Other grants	(13)
	Sums set aside from revenue -	
(652)	Loans fund principal	(626)
7,880	Closing Capital Financing Requirement	7,254
	Explanation of movements in year -	
(652)	Notional repayment of borrowing (supported by government financial assistance)	(626)
(652)	Decrease in Capital Financing Requirement	(626)

16. FINANCIAL INSTRUMENTS

The Force has adopted the disclosure requirements prescribed by the Code. These are based upon the requirements of IAS 32 Financial Instruments: Presentation.

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 as well as 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.

Categories of Financial Instruments

The following categories of financial instruments are carried in the Balance Sheet.

	Long term		Short term	
	As at 31 March 2010 £000	As at 31 March 2011 £000	As at 31 March 2010 £000	As at 31 March 2011 £000
Borrowings -				
Financial liabilities at amortised cost	(8,124)	(8,124)	(13,026)	(13,624)
Total Borrowings	(8,124)	(8,124)	(13,026)	(13,624)
Investments -				
Loans and receivables	5	1	19,995	22,023
Total Investments	5	1	19,995	22,023

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 Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement 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 Code requires disclosure of their fair value.

Income, Expense, Gains and Losses

	2009-10					2010-11				
	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Assets: Available for sale	Assets and Liabilities at Fair Value through Profit and Loss	Total	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Assets: Available for sale	Assets and Liabilities at Fair Value through Profit and Loss	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Interest Expense	825	0	0	0	825	784	0	0	0	784
Losses on derecognition	0	11	0	0	11	0	1	0	0	1
Impairment losses	0	(3)	0	0	(3)	0	84	0	0	84
Total expense in Surplus or Deficit on the Provision of Services	825	8	0	0	833	784	85	0	0	869
Interest Income	0	(70)	0	0	(70)	0	(86)	0	0	(86)
Total income in Surplus or Deficit on the Provision of Services	0	(70)	0	0	(70)	0	(86)	0	0	(86)
Net (gain)/loss for the year	825	(62)	0	0	763	784	(1)	0	0	783

Fair Value of Assets and Liabilities

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

- For Public Works Loans Board (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.

The fair values calculated are as follows:

	As at 31 Mar 2010		As at 31 Mar 2011	
	Carrying Amount £000's	Fair Value £000's	Carrying Amount £000's	Fair Value £000's
Financial liabilities				
Creditors	(11,323)	(11,323)	(13,624)	(13,624)
Bank Overdraft	(341)	(341)	(188)	(188)
Long-term creditors				
PWLB Loan – maturity	(8,124)	(11,859)	(8,124)	(11,779)

The fair value of the liabilities is higher than the carrying amount because the Force's portfolio of loans includes a number of fixed rate loans with the PWLB, where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2011) arising from a commitment to pay interest to PWLB above current market rates.

	As at 31 Mar 2010		As at 31 Mar 2011	
	Carrying Amount £000's	Fair Value £000's	Carrying Amount £000's	Fair Value £000's
Loans and receivables				
Deposits with bank	47	47	34	34
Debtors	5,295	5,295	5,253	5,253
Short Term Investment	14,700	14,700	16,770	16,770
Long-term debtors				
	5	5	1	1

Where possible, the Force invests surplus cash balances with 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 2011.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

17. INVENTORIES

	Uniforms		Stationery		Cleaning & Medical		Vehicle Parts		Total	
	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Opening balance	110	189	6	6	4	2	26	27	146	224
Purchases	275	231	240	280	10	48	145	164	670	723
Utilised stock items	(196)	(241)	(240)	(281)	(12)	(46)	(144)	(164)	(592)	(732)
Closing Balance	189	179	6	5	2	4	27	27	224	215

18. DEBTORS

31 March 2010		31 March 2011	
£000		£000	
3,303	Central government bodies	3,398	
1,207	Local authorities	1,591	
10	NHS Organisations	3	
775	Other entities and individuals	261	
5,295	Total	5,253	

19. CASH AND CASH EQUIVALENTS

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.

31 March 2010		31 March 2011	
£000		£000	
18	Cash held by the Force	18	
(312)	Bank accounts	(172)	
14,700	Short term investments	16,770	
14,406	Total	16,616	

20. ASSETS HELD FOR SALE

31 March 2010 £000		31 March 2011 £000
610	Opening Balance	129
	Assets newly re-classified as Held for Sale:	
129	Property, Plant & Equipment	22
0	Revaluation gains	11
(610)	Assets sold	0
129	Total	162

21. CREDITORS

31 March 2010 £000		31 March 2011 £000
(1,071)	Central government bodies	(4,853)
(2,962)	Local authorities	(1,544)
(2,059)	NHS organisations	(565)
(2)	Public corporations and trading functions	(1)
(6,932)	Other entities and individuals	(6,661)
(13,026)	Total	(13,624)

22. PROVISIONS

During the financial year 2009-10, the Force set aside a provision of £410,000 to cover the anticipated costs associated with the voluntary redundancy/early retirement scheme for Police Staff. A similar scheme was run again at the latter end of 2010-11. A provision has been made for those staff who applied for the scheme and were successful (prior to 31 March 2011) but will leave the Force during the financial year 2011-12.

2009-10 £000		2010-11 £000
0	Balance at 1 April	(410)
0	Amounts utilised in year	410
(410)	Amounts provided for in year	(1,421)
(410)	Balance at 31 March	(1,421)

23. USABLE RESERVES

Movements in the Force's usable reserves are detailed in the Movement in Reserves Statement.

24. UNUSABLE RESERVES

31 March 2010		31 March 2011
£000		£000
(2,397)	Revaluation Reserve	(2,327)
(30,773)	Capital Adjustment Account	(31,420)
702,149	Pension Reserve	680,188
37,830	Employee Statutory Adjustment Account	30,127
<u>706,809</u>	Total Unusable Reserves	<u>676,568</u>

Details relating to the individual reserves are provided within the following notes.

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Force arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

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

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

2009-10 £000		2010-11 £000	2010-11 £000
(2,467)	Balance at 1 April		(2,397)
70	Difference between fair value depreciation and historical cost depreciation	70	
70	Amount written off to the Capital Adjustment Account		70
<u>2,397</u>	Balance at 31 March		<u>(2,327)</u>

Capital Adjustment Account

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

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Force.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

2009-10 £000		2010-11 £000	2010-11 £000
(31,427)	Balance at 1 April		(30,773)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
	Charges for depreciation and impairment of non-current assets	2,833	
3,069			
249	Amortisation of intangible assets	224	
	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	112	
728			
(70)	Adjusting amounts written out of the Revaluation Reserve	(70)	
(27,451)	Net written out amount of the cost of non-current assets consumed in the year		3,099
	Capital financing applied in the year:		
	Use of the Capital Receipts Reserve to finance new capital expenditure	(51)	
(2)			
(2,668)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(3,069)	
(652)	Statutory provision for the financing of capital investment charged against the General Fund	(626)	
			(3,746)
(30,773)	Balance at 31 March		(31,420)

Pension Reserve

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

2009-10 £000		2010-11 £000
474,146	Balance at 1 April	702,149
200,788	Actuarial gains or losses on pensions assets and liabilities	(1,525)
44,617	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(1,505)
(17,402)	Employer's pensions contributions and direct payments to pensioners payable in the year	(18,931)
702,149	Balance at 31 March	680,188

Employee Statutory Adjustment Account

The Employee Statutory Adjustment Account absorbs the differences that would otherwise arise on the General Fund from accruing for future payments of ill health benefits to retired Police Officers (not treated as pensionable benefits) and compensated absences earned but not taken in the year. Statutory arrangements require that the impact on the General Fund is neutralised by transfers to or from the Account.

(a) Injury Awards

The Force is liable for the payment of non pensionable benefits to Police Officers that have retired through ill health. The future cost has been identified through actuarial valuations and the corresponding balance appears in the Force's Balance Sheet.

2009-10 £000		2010-11 £000
22,313	Balance at 1 April	35,638
11,311	Actuarial gains or losses on injury award liabilities	(7,640)
2,392	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	913
(378)	Employer's contributions and direct payments to pensioners payable in the year	(507)
35,638	Balance at 31 March	28,404

(b) Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March.

The Force operates with a leave entitlement spanning the calendar year rather than the financial year. Consequently, an analysis is undertaken of the proportion of leave taken during the latter 3 months of the financial year, in order to determine the cost of annual leave that is treated as a potential liability or asset at the year end.

2009-10 £000		2010-11 £000	2010-11 £000
1,316	Balance at 1 April		2,192
(1,316)	Settlement or cancellation of accrual made at the end of the preceding year	(2,192)	
<u>2,192</u>	Amounts accrued at the end of the current year	<u>1,723</u>	
	Amount by which employee remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		<u>(469)</u>
876			
<u>2,192</u>	Balance at 31 March		<u>1,723</u>

25. CASH FLOW STATEMENT – ADJUSTMENTS TO NET SURPLUS OR DEFICIT ON THE PROVISION OF SERVICES FOR NON CASH MOVEMENTS

2009-10 £000		2010-11 £000
(3,069)	Depreciation and impairment of Non-current Assets	(2,833)
(249)	Amortisation of Intangible Assets	(224)
(44,617)	Reversal of items relating to post employment benefits through the Surplus or Deficit to the Provision of Services in the Comprehensive I&E	1,505
17,402	Employer's pensions contributions and direct payments to pensioners payable in the year	18,931
(2,014)	Statutory adjustments for Injury Benefits	(406)
(4)	Increase / (Decrease) in Long-term Debtors	(4)
78	Increase / (Decrease) in Inventories	(9)
(387)	Increase / (Decrease) in Revenue Debtors	204
(2,562)	(Increase) / Decrease in Revenue Creditors	(1,348)
463	(Increase) / Decrease in Provision	(1,011)
<u>(34,959)</u>		<u>14,805</u>

26. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows arising from operating activities include the following items:

2009-10 £000		2010-11 £000
(123)	Interest received	(82)
825	Interest paid	791

27. CASHFLOW STATEMENT – INVESTING ACTIVITIES

2009-10 £000		2010-11 £000
2,785	Purchase of property, plant and equipment, investment property and intangible assets	3,592
(913)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(180)
<u>(2,223)</u>	Other receipts from investing activities	<u>(3,037)</u>
<u>(351)</u>	Net cash flows from investing activities	<u>375</u>

28. CASHFLOW STATEMENT – FINANCING ACTIVITIES

2009-10 £000		2010-11 £000
(652)	Other receipts from financing activities	(626)
321	Repayment of short- and long-term borrowing	321
<u>(331)</u>	Net cash flows from financing activities	<u>(305)</u>

29. AMOUNTS REPORTED FOR RESOURCE ALLOCATION

Revenue Budget Monitoring Report	2010-11 Budget £000	2010-11 Actual £000
Employee Costs		
Police Officers (incl Overtime)	66,806	65,074
Police Staff (incl Overtime)	23,575	23,735
Recruitment and Relocation Costs	89	92
Sub-total	<u>90,470</u>	<u>88,901</u>
Police Officer Pensions		
Notional Pension Costs	13,555	13,564
Injury Awards	400	394
Ill Health Awards	385	403
Sub-total	<u>14,340</u>	<u>14,361</u>
Property Costs		
Rent and Rates	2,324	2,273
Insurances	21	20
Repairs and Maintenance	682	744
Heating, Lighting and Cleaning	1,027	1,162
Sub-total	<u>4,054</u>	<u>4,199</u>
Transport and Plant Costs		
Repairs and Maintenance	290	301
Petrol and Diesel Fuel	807	840
Licences and Insurances	309	312
Car Leasing, Hire and Allowances	279	253
Other Travelling Expenses	490	453
Sub-total	<u>2,175</u>	<u>2,159</u>
Supplies and Services Costs		
Operational Equipment and Materials	619	693
Operational Supplies and Services	2,944	2,760
Uniforms and Clothing	289	276
Computer Maintenance and Software	1,225	1,010
Computer Networks and Telephony	822	955
Radio Communications	5	5
Catering	156	157
Conferences and Subsistence	394	304
Printing, Stationery and Postages	520	459
Insurances	395	411
Advertising	76	66
Other Administration Costs	324	348
Sub-total	<u>7,769</u>	<u>7,444</u>

	2010-11 Budget £000	2010-11 Actual £000
Payments to Agencies and Other Bodies		
Council Support Services	286	176
Other Agencies	864	955
Sub-total	<u>1,150</u>	<u>1,131</u>
Statutory Financing Charges		
Supported Loan Charges – Interest	784	784
Supported Loan Charges – Loan Repayment	626	626
Sub-total	<u>1,410</u>	<u>1,410</u>
Gross Expenditure	<u>121,368</u>	<u>119,605</u>
Income		
Recharges for Services	(1,155)	(1,115)
Seconded Recoveries	(1,567)	(1,648)
Sales, Fees and Lost Property	(393)	(496)
Sponsorship	(18)	(41)
Rents	(813)	(887)
Partnership Income	(1,075)	(1,025)
Non SG Funding	(577)	(669)
Other Income	(72)	(87)
Sub-total	<u>(5,670)</u>	<u>(5,968)</u>
Total Net Expenditure	<u>115,698</u>	<u>113,637</u>
Grant Funding		
SG Police Grant	(48,042)	(48,042)
LA Requisitions	(45,841)	(45,841)
SG Loan Charge Support	(719)	(719)
LA Loan Charge Support	(691)	(691)
SG Specific Grant (100% Funded)	(20,350)	(20,434)
SG Specific Grant (Part Funded)	(55)	(58)
Sub-total	<u>(115,698)</u>	<u>(115,785)</u>
Operational Underspend	<u>0</u>	<u>(2,148)</u>

	2010-11
	£000
Operational Underspend	(2,148)
Reconciling Adjustments	
IAS 19 Pension Adjustments	(20,030)
Movement in Short Term Absences	(469)
Transfer of Earmarked Reserves to Pensions	2,505
Depreciation of Non-Current Assets	2,844
Amortisation of Intangibles	224
Impairment on Non-Current Assets	(11)
Gains on Disposal of Non-Current Assets	(68)
Statutory Provision for the financing of capital investment (through Movement in Reserves)	(626)
Capital Income Grants	(3,069)
Surplus on Provision of Services	<u>(20,848)</u>

30. AGENCY SERVICES

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:

2009-10		2010-11
£000		£000
734	Payments to Agencies and other bodies	955
271	Payments under Service Level Agreements	176
<u>1,005</u>	Total	<u>1,131</u>
<u>2,292</u>	Income from staff secondments	<u>1,648</u>

Scottish Police Services Authority

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 2010-11 Statement of Accounts. The ICT revenue costs incurred during 2010-11 in conjunction with SPSA and funded from the Scottish Government, amounted to £1.823m (2009-10: £1.911m). This includes elements of spend associated with the running costs of SPSA. The total capital spend amounted to £0.230m (2009-10: £0.246m). The ICT revenue and capital expenditure, as well as the corresponding grant funding from the Scottish Government appears in the 2010-11 Statement of Accounts.

31. EXTERNAL AUDIT COSTS

2009-10 £000		2010-11 £000
7	Notified fixed charge	6
37	Supplementary agreed charge	38
<u>44</u>	Total	<u>44</u>

32. GRANT INCOME

The Force receives non-specific 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.

2009-10 £000		2010-11 £000
51,858	Police specific grant	48,042
754	Loan charges support	719
52,612	Total	48,761

The Force also benefited from additional grant funding for a number of different activities and these are detailed in the table below.

2009-10 £000		2010-11 £000
156	Port Policing	0
126	Counter Terrorism Advisor	154
	Grampian Resilience, Strategic Co-ordinator &	
154	Training Post	170
1,911	SPSA ICT Costs	1,822
69	RHWI Pilot	35
2,524	Additional Police Officers	2,848
783	Pension Funding (Police Officers)	0
800	Pension Commutation Factor	0
0	Pension Account Funding (Police Officers)	13,565
0	Injury Benefits Funding (Police Officers)	407
55	Whole Approach	277
629	Counter Terrorism Additional Staff	1,172
44	Police Custody Security Officers	0
18	Adult Support and Protection	42
7,269	Total	20,492

33. RELATED PARTIES

The Board is made up of Councillors from each of the three Constituent Authorities. The funding for the Force and the subsequent charge upon the three Constituent Authorities is agreed by the Board prior to the start of the financial year. The requisitions detailed below provide for revenue grant funding and support for loan charges.

2009-10 £000		2010-11 £000
24,253	Aberdeen City Council	22,169
18,326	Aberdeenshire Council	16,772
8,300	Moray Council	7,591
50,879	Total	46,532

34. LEASES

Force as Lessee

There are a number of assets which are provided to the Force through operating leases. The minimum lease payments due under non-cancellable leases in future years are shown in the table below.

2009-10				2010-11		
Land & Buildings	Vehicles	Total		Land & Buildings	Vehicles	Total
£000	£000	£000		£000	£000	£000
819	65	884	Not later than one year	795	92	887
2,295	76	2,371	Later than one year and not later than five years	2,636	88	2,724
5,750	0	5,750	Beyond five years	5,346	0	5,346
8,864	141	9,005	Total	8,777	180	8,957

The expenditure charged in the Comprehensive Income and Expenditure Statement during the year in relation to these leases are shown in the table below.

2009-10				2010-11		
Land & Buildings	Vehicles	Total		Land & Buildings	Vehicles	Total
£000	£000	£000		£000	£000	£000
693	106	799	Minimum lease payments	820	110	930
(281)	(42)	(323)	(Sub-lease payments receivable/contributions)	(282)	(45)	(327)
412	64	476	Total	538	65	603

Force as Lessor

The Force leases out a number of properties in order to generate income and maximise the economic benefit of the assets. All of the agreements are treated as operating leases.

The future minimum lease payments receivable under non-cancellable leases in future years are shown in the table below.

31 March 2010 £000		31 March 2011 £000
651	Not later than one year	655
2,232	Later than one year and not later than five years	1,968
1,459	Beyond five years	1,300
<u>4,342</u>	Total	<u>3,923</u>

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

35. TERMINATION BENEFITS

The Force has implemented an early retirement/voluntary redundancy scheme for Police Staff. This is the third year in which the scheme has operated, with the intention of generating cost savings over the medium term. The total cost associated with the termination of contracts under the scheme was £2.383m in 2010-11 and involved 71 Police Staff. This compares with £1.509m that was expended during 2009-10 involving 33 Police Staff.

36. PENSION COSTS

As part of the terms and conditions of employment of Police Officers and Police Staff, the Force will make a commitment to pay post employment benefits. Although these benefits will not actually be payable until employees retire, the Force is required to disclose a breakdown of the future costs that are expected to arise as a result of offering these post employment benefits.

The Force participates in two pension schemes:

- The Local Government Pension Scheme (LGPS) for Police Staff, administered by the North East of Scotland Pension Fund – this is a funded scheme, meaning that both the Force and employees make payments 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.

The Force recognises the cost of retirement benefits (in the Cost of Services) when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge 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 of the General Fund via the Movement in Reserves Statement. The following transactions have been posted to the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement.

Local Government Pension Scheme

	Local Government Pension Scheme Unfunded Benefits		Local Government Pension Scheme Total Benefits	
	2009-10 £000	2010-11 £000	2009-10 £000	2010-11 £000
Comprehensive Income and Expenditure Statement				
<i>Cost of Services:</i>				
• current service cost	0	0	1,796	2,948
• past service costs	0	(34)	15	(5,637)
• settlements and curtailments	428	616	758	925
<i>Financing and Investment Income and Expenditure</i>				
• interest cost	11	30	3,343	4,304
• expected return on scheme assets	0	0	(2,014)	(3,243)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	439	612	3,898	(703)
<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>				
• actuarial gains and losses	42	14	10,938	1,766
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	481	626	14,836	1,063
<i>Movement in Reserves Statement</i>				
• reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(348)	(507)	(585)	3,748
Actual amount charged against the General Fund Balance for pensions in the year:				
• employers' contributions payable to scheme	91	105	3,313	3,045

Assets and Liabilities in Relation to Post Employment Benefits

Reconciliation of present value of the scheme liabilities:

	Local Government Pension Scheme Unfunded Benefits		Local Government Pension Scheme Total Benefits	
	2009-10 £000	2010-11 £000	2009-10 £000	2010-11 £000
1 April	196	586	45,766	73,616
Current service cost	0	0	1,796	2,948
Past service costs	0	(34)	15	(5,637)
Curtailments	428	616	758	925
Settlements	0	0	0	0
Interest cost	11	30	3,343	4,304
Actuarial gains and losses	42	14	21,104	3,538
Contributions by scheme participants	0	0	925	932
Benefits paid	(91)	(105)	(91)	(105)
31 March	586	1,107	73,616	80,521

Reconciliation of fair value of the scheme assets:

	Local Government Pension Scheme Unfunded Benefits		Local Government Pension Scheme Total Benefits	
	2009-10 £000	2010-11 £000	2009-10 £000	2010-11 £000
1 April	0	0	29,919	46,246
Expected rate of return	0	0	2,014	3,243
Curtailments/Settlements	0	0	0	0
Actuarial gains and losses	0	0	10,166	1,772
Employer contributions	91	105	3,313	3,045
Contributions by scheme participants	0	0	925	932
Benefits paid	(91)	(105)	(91)	(105)
31 March	0	0	46,246	55,133

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 2010-11 was £5.015m (2009-10: £12.180m).

Police Pension Scheme

	Police Pension Scheme	
	2009-10	2010-11
	£000	£000
Comprehensive Income and Expenditure Statement		
<i>Cost of Services:</i>		
• current service cost	8,382	15,567
• past service costs	0	(54,822)
• settlements and curtailments	0	0
<i>Financing and Investment Income and Expenditure</i>		
• interest cost	32,337	38,453
• expected return on scheme assets	0	0
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	40,719	(802)
 <i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>		
• actuarial gains and losses	189,850	(3,291)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	230,569	(4,093)
 <i>Movement in Reserves Statement</i>		
• reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(26,630)	16,668
 Actual amount charged against the General Fund Balance for pensions in the year:		
• employers' contributions payable to scheme		
• retirement benefits payable to pensioners	14,089	15,866

Liabilities in Relation to Post Employment Benefits

Reconciliation of present value of the scheme liabilities:

	Police Pension Scheme	
	2009-10	2010-11
	£000	£000
1 April	458,299	674,779
Current service cost	8,382	15,567
Past service costs	0	(54,822)
Curtailments	0	0
Settlements	0	0
Interest cost	32,337	38,453
Actuarial gains and losses	189,850	(3,291)
Contributions by scheme participants	5,583	5,763
Benefits paid	(19,672)	(21,649)
31 March	674,779	654,800

The Police Pension Scheme is unfunded and therefore does not have any scheme assets.

Scheme history

	2006-07 £000	2007-08 £000	2008-09 £000	2009-10 £000	2010-11 £000
Present value of liabilities:					
Local Government Pension Scheme	(53,418)	(57,088)	(45,766)	(73,616)	(80,521)
Police Pension Scheme	(512,019)	(557,741)	(458,299)	(674,779)	(654,800)
Fair value of assets:					
Local Government Pension Scheme	40,399	40,448	29,919	46,246	55,133
Total Scheme (Deficit)	(525,038)	(574,381)	(474,146)	(702,149)	(680,188)

The liabilities show the underlying commitments that the Force has in the long run to pay retirement benefits. The total liability of £735m has a substantial impact on the net worth of the Force as recorded in the Balance Sheet, less assets of £55m, resulting in a negative overall balance of £680m.

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 2011. This was a full actuarial valuation.

The main assumptions used in their calculations include:

	Local Government Pension Scheme		Police Pension Scheme	
	2009-10 %	2010-11 %	2009-10 %	2010-11 %
Long term expected rate of return on assets in the scheme				
Equity Investments	7.5	7.5	0	0
Government Bonds	4.5	4.4	0	0
Other Bonds	5.2	5.1	0	0
Property	6.5	6.5	0	0
Cash/Current Assets	0.5	0.5	0	0
Longevity at 65 for current pensioners				
Men	22.1	22.2	0	0
Women	24.1	24.2	0	0
Longevity at 60 for current pensioners				
Men	0	0	26.0	26.8
Women	0	0	28.9	29.1
Longevity at 65 for future pensioners				
Men	23.1	23.2	0	0
Women	25.0	25.1	0	0
Longevity at 60 for future pensioners				
Men	0	0	27.0	28.4
Women	0	0	29.9	30.7
Rate of inflation (RPI)	3.5	3.5	3.5	3.5
Rate of inflation (CPI)	0	3.0	3.5	3.0
Rate of increase in salaries	5.25	5.25	5.25	4.75
Rate of increase in pensions	3.5	3.5	3.5	3.0
Rate for discounting scheme liabilities	5.7	5.6	5.7	5.5
Take-up of options to convert annual pension into retirement grant	50	50	0	0

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 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 £2,207m for the Fund as a whole at 31 March 2011 (£1,966m at 31 March 2010).

The Fund is made up of the following assets:

	31 Mar 2009 % of fund	31 Mar 2010 % of fund	31 Mar 2011 % of fund
Equities	67.0	74.0	79.6
Government Bonds	2.0	4.5	4.8
Other Bonds	9.0	4.5	3.0
Property	7.0	9.0	5.6
Cash/Current Assets	10.0	3.0	2.7
Other	5.0	5.0	4.3
Total	100.0	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

	2006-07		2007-08		2008-09		2009-10		2010-11	
	£m	%	£m	%	£m	%	£m	%	£m	%
Differences between the expected and actual return on assets	(0.02)	0.0	3.80	9.4	16.10	54.0	10.17	22.0	1.77	3.2
Differences between actuarial assumptions about liabilities and actual experience	0.00	0.0	0.00	0.0	2.10	4.6	0.00	0.0	0.00	0.0
	<u>(0.02)</u>		<u>3.80</u>		<u>18.20</u>		<u>10.17</u>		<u>1.77</u>	

Police Officers

	2006-07		2007-08		2008-09		2009-10		2010/11	
	£m	%	£m	%	£m	%	£m	%	£m	%
Differences between actuarial assumptions about liabilities and actual experience	(0.00)	0.0	(1.50)	0.3	0.00	0.00	0.00	0.00	4.51	0.8
	<u>(0.00)</u>		<u>(1.50)</u>		<u>0.00</u>		<u>0.00</u>		<u>4.51</u>	

Future Payments

It is estimated that the Force will make payments amounting to £2.947m into the Local Government Pension Scheme in 2011-12 for Police Staff. It is also anticipated that the Force will make payments totalling £23.755m to retired Police Officers during 2011-12, however this will be offset by £5.749m of pension contributions received from serving Police Officers.

37. INJURY AWARDS

There are former Police Officers who have been injured through the course of their employment and subsequently retired from the Force. Where this occurs the Force may agree to make a termination benefit payable to the retired Police Officer on a monthly basis. This is not considered to be a pension benefit and therefore is accounted for separately from the pension costs and liabilities.

The following transactions have been posted to the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement.

	Police Injury Award Scheme	
	2009-10 £000	2010-11 £000
Comprehensive Income and Expenditure Statement		
<i>Cost of Services:</i>		
• current service cost	793	1,204
• past service costs	0	(2,342)
• settlements and curtailments	0	0
<i>Financing and Investment Income and Expenditure</i>		
• interest cost	1,599	2,051
<i>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</i>	<u>2,392</u>	<u>913</u>
<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>		
• actuarial gains and losses	11,311	(7,640)
<i>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>	<u>13,703</u>	<u>(6,727)</u>
<i>Movement in Reserves Statement</i>		
• reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(2,014)	(406)
Actual amount charged against the General Fund Balance for pensions in the year:		
• injury benefits payable to pensioners	<u>378</u>	<u>507</u>

Reconciliation of present value of the injury award liabilities:

	Police Injury Award Scheme	
	2009-10 £000	2010-11 £000
1 April	22,313	35,638
Current service cost	793	1,204
Past service costs	0	(2,342)
Curtailments	0	0
Settlements	0	0
Interest cost	1,599	2,051
Actuarial gains and losses	11,311	(7,640)
Contributions by scheme participants	0	0
Benefits paid	(378)	(507)
31 March	<u>35,638</u>	<u>28,404</u>

Scheme history

	2007-08 £000	2008-09 £000	2009-10 £000	2010-11 £000
Present value of liabilities:				
Police Injury Award Scheme	(27,844)	(22,313)	(35,638)	28,404

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	
	2009-10 %	2010-11 %
Longevity at 65 for current pensioners		
Men	26.0	24.3
Women	28.9	26.4
Longevity at 65 for future pensioners		
Men	27.0	25.8
Women	29.9	28.0
Rate of inflation	3.5	3.5
Rate of increase in salaries	5.25	4.75
Rate of increase in pensions	3.5	3.0
Rate for discounting scheme liabilities	5.7	5.5

Future Payments

It is estimated that the Force will make payments amounting to £0.415m during 2011-12 to Police Officers who have retired through ill health and receive an enhanced benefit.

38. POLICE PENSION ACCOUNT

From 1 April 2010, the Scottish Government introduced a requirement for each Scottish Police Force to maintain a Police Pension Account in respect of the Police Pension Scheme. The requirements are set out within Police Pension Account (Scotland) Regulations 2010. The regulations specify that a Police Pension Account must be maintained to record the payments made and the income received in respect of Police Pensions.

2009-10 £000	2010-11 £000	2010-11 £000
Contributions receivable -		
Police Board -		
• Contributions based on 24.7% of pensionable		
0 pay	(13,564)	
0 • Early retirements	(403)	
0 • Other	(12)	
0 Officers' contributions	(5,834)	
0 Sub-total		(19,813)
0 Transfers in from other Police Forces		(61)
Benefits payable:		
0 • Pensions	16,683	
0 • Commutations and lump sum retirement		
0 benefits	5,178	
0 • Lump sum death benefits	50	
0 Sub-total		21,911
Payments to and on account of leavers:		
0 • Transfer values paid	241	
0 • Refunds of contributions to employees	59	
0 Sub-total		300
0 Sub-total for the year before transfer of an amount		
0 equal to the surplus to the Police Operating		
0 Account		2,337
0 Transfer of balance from earmarked element of		
0 General Fund		(2,505)
0 Amount payable to the Police Operating Account		
0 in respect of the surplus for the year		168
0 Balance at 31 March		0

Although the Police Pension Account operates on an accruals basis, provisions for potential retirement costs (pension commutation lump sums for eligible Police Officers) are not included as charges against the Police Pension Account until the actual payments are made. As at 1 April 2010, any amount held in the General Fund, which was previously earmarked for the cost of lump sum commutations is to be used as a contribution to the Police Pension Account.

The Police Operating Account will reflect a debtor or creditor at the end of the financial year in respect of any deficit or surplus on the Police Pension Account. In the case of a deficit, the debtor will represent funding for Police Officer pensions which the Scottish Government is committed to meeting. In the case of a surplus, the creditor will represent the excess pensions funding for the year, which is repayable to the Scottish Government.

39. CONTINGENT LIABILITIES

The Force has received 21 claims under the Equal Pay Act 1970 from existing and former staff seeking compensation for their losses of pay through the implementation of the Force Total Remuneration Project (TRP) in 2010.

The basis for those claims is as follows:

- The Claimant's job has been rated as being of equivalent value to that of a comparator job using a valid Job Evaluation Study.
- Their comparator was previously paid more than them.
- They claim equal pay, back pay and interest (back pay is claimed for the statutory maximum of five years.)

The claims currently submitted are being assessed, however there is insufficient detail about the comparator jobs to allow a full evaluation of the likelihood of the success of these claims, or of any financial impact that they may have. In any case, the Force will be strongly defending each of the claims. On this basis, it is not considered appropriate to make a provision for any future liability at this stage but instead to include a Contingent Liability note within the Accounts.

40. 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 to make payments.
- 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. The Force has consequently adopted 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 18. The total trade debtors balance at 31 March 2011 amounted to £1.959m .

	Amount as at 31 Mar 2011 £000's (A)	Historical experience of default % (B)	Historical experience adjusted for market conditions as at 31 Mar 2011 % (C)	Estimated maximum exposure to default and uncollectability at 31 March 2011 £000 (A X C)	Estimated maximum exposure at 31 Mar 2010 £000
Deposits with bank	198	0%	0%	0	0
Short Term Investment	16,770	0%	0%	0	0
Debtors*	4,924	2.23%	2.23%	110	30
Total	21,892			110	30

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

The Force does not generally allow credit for customers, such that £0.910m of the £1.959m trade debtors' balance is past its due date of payment. The past due but not impaired amount can be analysed by age as follows:

31 March 2010 £000		31 March 2011 £000	
649	Less than three months	832	
1	Three to six months	15	
40	Six months to one year	40	
5	More than one year	23	
695	Total	910	

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 £8.124m (2009-10: £8.445m), with an interest payment of £0.211m (2009-10: £0.217m) also due. All the loans have fixed interest rates, and are repayable upon set maturity dates. A loan of value £0.321m was repaid prior to 31 March 2011, and was therefore treated as a short term liability in the previous year.

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. This is set aside and held as a short term investment until such time as the loan debt has to be repaid to the lender.

The maturity analysis of financial liabilities is as follows:

2009-10 £000		2010-11 £000
321	Less than one year	0
0	Between one and two years	0
1,350	Between two and five years	2,314
6,774	More than five years	5,810
8,445	Total	8,124

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 have a complex impact on the Force. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise.
- Borrowings at fixed rates – the fair value of the liabilities borrowings will fall

- Investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- Investments at fixed rates – the fair value of the assets will fall.

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 2011, was 0.5% (equivalent to the base rate).

The following table illustrates the consequences if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

2009-10		2010-11
£000		£000
	Increase in interest payable on variable rate	
0	borrowings	0
	Increase in interest receivable on variable rate	
138	investments	176

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

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.

GLOSSARY OF TERMS

The glossary is provided to assist the reader with an explanation of terms used within this document.

Accrual – The recognition, in the correct accounting period, of income and expenditure as it is earned or incurred, rather than as cash is received or paid.

Actuarial Gains and Losses – For a defined benefit scheme, the changes in actuarial deficits or surpluses that arise because events have not coincided with the actuarial assumptions made for the last valuation (experience gains or losses) or the actuarial assumptions have changed.

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

Amortised Cost - This is a mechanism that measures the real cost each year associated with entering into a financial liability. The carrying amount of some assets and liabilities in the Balance Sheet will be written down or up via the CI&E Statement over the terms of the instrument.

Asset – An item which has a value that extends beyond a period of one year.

Assets Held for Sale – These are assets previously used in the provision of services, which are now available for immediate sale. The assets are being actively marketed and a sale is probable.

Budget - A statement of the Force's financial plans. The budget is approved by the Board prior to the start of each financial year and is used to monitor and control actual expenditure throughout the year.

Capital Adjustment Account – An account which accumulates the write-down of the historical cost of fixed assets as they are consumed by depreciation and impairments or written off on disposal. It also accumulates the resources that have been set aside to finance capital expenditure.

Capital Expenditure – Expenditure incurred purchasing or enhancing fixed assets (prolonging the expected life or adding to its overall value).

Capital Financed from Current Revenue – Contribution from the Revenue Account to finance capital expenditure.

Capital Financing Requirement – A measure defined by the Prudential Code of the Force's level of borrowing for capital purposes.

Capital Grant – Grant funding provided by Government and used to finance capital expenditure.

Capital Receipts – The proceeds from the sale of a fixed asset.

Cashflow Statement – This summarises the inflows and outflows of cash during the financial year.

Creditors – Individuals or organisations to whom the Force owes money (may also be referred to as "Trade and other payables").

Current Assets and Liabilities – These include assets that can be readily converted into cash. Current liabilities are items that are usually payable within one year of the balance sheet date.

Current Service Costs (Pensions) – The increase in the present value of a defined benefit scheme's liabilities expected to arise from the employee service in the current period.

Debtors – Individuals or organisations who owe the Force money at the end of the financial year (may also be referred to as "Trade and other receivables").

Defined Benefit Scheme – A pension scheme where the benefits payable upon retirement are linked to final years' salaries, rather than the total contributions paid.

Depreciation – An annual charge to reflect the extent to which an asset has been worn out or consumed during the financial year.

Expected Rate of Return on Pension Assets – For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

Fair Value – This is the amount for which an asset could be exchanged or a liability settled by knowledgeable parties in the arms length transaction. For many financial instruments fair value will be the same as the outstanding principal amount.

Finance and Operating Leases – A Finance Lease transfers all of the risks and rewards of ownership of a fixed asset to the lessee. If these leases are used, the assets acquired have to be included within the fixed assets in the balance sheet at the market value of the asset involved. With an Operating Lease the ownership of the asset remains with the lessee and an annual rent is charged.

Financial Instrument – A financial instrument is defined as any contract that gives rise to a financial asset of one entity and a financial liability of another. The term covers both financial liabilities and financial assets, and includes the borrowing, lending, soft loans, financial guarantees and bank deposits of the Force.

Financial Year – A period of twelve months commencing 1st April.

General Reserve – Monies set aside by the Force that do not fall within the definition of provisions and are available to deal with unforeseen events that might arise.

Impairment – A diminution in value of fixed assets resulting from obsolescence, physical damage or general market conditions.

Interest Income – The money earned from the investment of surplus cash.

Interest Costs (Pensions) – For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

Investment Properties – Land and buildings that are held for capital gain and rental income and not for the provision of services.

Liabilities – Amounts payable to individuals or organisations.

Net Book Value – The amount at which fixed assets are included in the balance sheet, which should relate to their net worth at the period end.

Non Current Assets – Tangible assets that generate economic benefits beyond the period of one year.

Non Distributed Costs – This includes overheads that cannot be charged or apportioned to activities within the normal Service Expenditure Analysis.

Out-turn – The actual expenditure incurred and income generated.

Past Service Cost – For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or change to, retirement benefits.

Provision – A liability of uncertain timing or amount.

Prudential Code – This Code sets out the conditions for responsible borrowing and investing activities. The Force complies with the code by setting and observing a range of prudential indicators covering the level of capital expenditure, the cost of borrowing and level and structure of its debt.

Related Party – This includes those individuals or entities who have the potential to influence or control the activities of the Force.

Revaluation Reserve – This records the accumulated gains associated with fixed assets held by the Force. It is debited with the part of the depreciation charge for the asset relating to the revaluation. Any balance on this account is written back to the Capital Adjustment Account upon disposal of the asset.

Scheme Liabilities – The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employee is committed to provide for service up to the valuation date.