GRAMPIAN
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Keeping our communities safe

GRAMPIAN JOINT POLICE BOARD

ANNUAL STATEMENT OF ACCOUNTS

2011-12

(Draft and Subject to Audit)

GRAMPIAN JOINT POLICE BOARD
STATEMENT OF ACCOUNTS 2011-12

CONTENTS

GRAMPIAN JOINT POLICE BOARD

MEMBERS AND OFFICIALS 2011-12

CONVENER

Councillor M. Greig, Aberdeen City Council

VICE CONVENERS

Councillor A Hendry, Aberdeenshire Council
Councillor R H Shepherd, Moray Council

ABERDEENSHIRE COUNCIL

Appointed Members:
Councillor J A Mair
Councillor H Al-Kowarri
Councillor C R McKail
Councillor J Webster
Councillor J Cox

MORAY COUNCIL

Appointed Members:
Councillor E McGillivray
Councillor L Bell

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

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

This foreword provides an explanation of the Board's overall financial position, along with a summary of the financial out-turn for the year ended 31 March 2012. It is also assists in interpreting the core financial statements included within the accounts.

This is the second year that the Force has presented its Statement of Accounts applying the rules and conventions under International Financial Reporting Standards (IFRS), and the 2010-11 comparative figures are on a consistent basis.

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.

Annual Governance Statement - sets out the framework within which financial control is managed and reviewed within the wider governance arrangements 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 2011-12

The financial year was set against a background of a significant reduction in overall resources. The budget for 2011-12 was prepared to address an estimated funding gap of between £5.6m and £6m. During the year preparations began, under the Police Reform agenda, towards a Single Police Force for Scotland from 1 April 2013. This background led to three main streams of activity for the Force during the year, namely, business as usual, building a strong policing legacy in the North East of Scotland and ensuring a smooth transition to the Single Force.

Although the Comprehensive Income and Expenditure Statement (page 21) for the year ended 31 March 2012, identifies a deficit of £37.125million(m), this is only comparable to the budgeted position after excluding significant additional items amounting to £40.121m. 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 20).

The Comprehensive Income and Expenditure Statement also includes a surplus of £2.333m relating to the revaluation of pension and injury benefit liabilities, together with net revaluation losses of £0.175m. These are referred to as Other Comprehensive Income and Expenditure.

In terms of budget monitoring and the impact upon the General Fund, the Force had an underspend of £2.996m. This represents an overall budget variance of 2.55% against a net revenue expenditure budget of £117.571m. The aim throughout 2011-12 was to maximise savings, in order to reduce the financial burden during 2011-12 and that expected beyond.

The accounts include a prior year adjustment in respect of 2010-11. In 2010-11 the Force ran a voluntary redundancy scheme for Police Staff and in some cases compensatory added years were included within the total benefit. At the time the Force took a prudent approach and accounted for these future costs by accruing them and creating a provision in the 2010-11 accounts. The relevant accounting treatment has been under review and has been confirmed. The compensatory added years element, i.e. unfunded benefits, is included in the Actuary's calculation of the Force's overall pension liability as at 31 March 2011 and therefore no provision was required. The accruals and provision have been reversed by way of a prior year adjustment.

The information presented in the following table shows in summary, the approved budget for 2011-12 and actual expenditure incurred to 31 March 2012, 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 2012 £000
Employees (excluding Police Officer Pensions)	85,298	83,361
Police Officer Pensions	19,151	19,081
Property	4,699	4,786
Transport	2,243	2,145
Supplies and Services	7,581	7,226
Payments to Agencies and Other Bodies	1,499	1,321
Statutory Financing Charges	2,395	2,068
Income	(5,295)	(5,590)
Total Net Expenditure	117,571	114,398
Scottish Government/Local Authority Funding	(117,571)	(117,394)
Operational Underspend	0	(2,996)
Transfer to General Fund		(2,996)

The table below shows the financial impact of the Force's activities on the General Fund..

General Fund	£000
Original Balance as at April 2011	(3,891)
Effect of prior year adjustment	(1,470)
Re-Stated Balance at April 2011	(5,361)
Budget underspend for 2011-12	(2,996)
Balance as at 31 March 2012	(8,357)

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

When the 2011-12 budget was prepared an estimated funding gap of between £5.6m and £6m was identified. Given the large proportion of the budget allocated to employee costs, it was clear that any savings made to address the funding gap would have to impact significantly on employee costs and, in particular, Police Officers. The budget assumed a net reduction of 50 Police Officers through continuing to suspend recruitment during 2011-12. At that point it was estimated that the number of Police Officers at 31 March 2012 would be around 1,515.

During the year it became clear that more Police Officers were leaving or retiring from the Force than had been budgeted for, which allowed some recruitment to recommence during the latter part of 2011-12. The actual number of Police Officers at 31 March 2012 was 1,542. The savings generated within the Police Officer pay budget amounted to £1.413m, compared with the final approved budget of £80.897m.

Police Staff numbers continued to reduce during 2011-12, with a recruitment freeze continuing for all but the most important front line posts. No early retirement / voluntary redundancy scheme was run during the year, but substantial savings enabled a return of requisitions totalling £1.2m to the three constituent Councils.

Police Officer overtime costs were below the budget with a saving of £0.039m and Police Staff overtime was marginally ahead of budget by £3,500. The force did not operate a central reserve budget for overtime in 2011-12.

Property

In spite of increased fuel costs a saving of £42,000 was achieved on heating and lighting due to a milder winter, together with the installation of better controls and improved metering throughout the year. The underspend of £74,000 in respect of rates was after some successful rates appeals and resultant rebates. Towards the latter part of the year the Force was able to bring forward some repairs and maintenance work and invested an additional £176,000 across a range of small scale upgrading and refurbishment works.

Supplies and Services

The Force made savings of £355,000 against the overall Supplies and Services budget. The main areas of savings were in IT and telephony costs and through a reduction in training and attendance at conferences, together with printing, stationery, postages and a range of small administrative items. The Force has also been continuing to reduce costs across a range of expenditure types, by procuring goods and services through local and national contracts.

Income

The Force generated additional income of approximately £295,000 over and above the budgeted total of £5.295m. Included in this was an increase in relation to the amount recharged to other bodies for the secondment of Police Officers. Although some secondments ended during the year, the continuation of others led to a budget surplus of £51,000. An additional £95,000 was received for other police services, including the policing of events and escort requirements. The Force also benefited from additional grant funding for specific projects, producing additional income of £98,000. These favourable variances were partially offset by a reduction in rental income on Force owned property of £36,000, due to lease terminations.

Scottish Police Services Authority (SPSA)

On 1 April 2008, all Scottish Police Forces transferred their ICT services to the SPSA following on from the previous transfer of Forensic Services. 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 and has been extended to 31 March 2013.

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 2011-12, which was grant funded amounted to £1.646m. The total capital expenditure for ICT assets amounted to £0.046m.

General Fund

Last year the Scottish Government revised 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 and can now hold balances on its General Fund up to 8% of its core funding.

The closing balance on the General Fund increased by £2.996m, from £5.361m to £8.357m, after taking account of the prior year adjustment described earlier. Following the introduction of revised accounting arrangements for Police Officer pensions in 2010-11, no element of the General Fund requires to be earmarked for pensions. The closing balance of £8.357m is in excess of the 8% carry forward limit for reserves.

Whilst it is necessary to ensure that there are resources available to meet any 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 be used to support the revenue budget. The 2012-13 revenue budget plans to utilise £1.500m of the balance, principally as revenue support to the capital project for new custody facilities in Aberdeen.

Capital Plan

Capital expenditure is determined by the Board, based upon the available resources, which comprise, capital grant, capital receipts, revenue funding and Prudential borrowing, if required.

The Force's approved Capital Plan is updated during the financial year as the Board considers appropriate. At 31 March 2012 the Force's Capital Plan included a budget for the year of £2.894m, while the actual spend was £2.503m. The total capital spend can be split into two different elements. The first is the on-going programme of replacement / improvement of capital assets (including buildings, ICT equipment and vehicles) and, the second, individual projects where capital investment is required. The total budget for these different categories in 2011-12 was £2.232m and £0.662m respectively and the actual spend was £2.045m and £0.458m respectively. In addition the Force acquired assets under a finance lease of £0.085m.

The total expenditure of £2.503m was funded by a £1.712m capital grant, supplementary grants and other contributions amounting to £0.108m, and contributions from current revenue totalling £0.683m. The balance of capital receipts at the start of 2011-12 was £4.001m. The Force generated £0.577m of receipts from the sale of surplus assets and with no receipts applied in the year, the balance at 31 March 2012 amounted to £4.578m, which will be carried forward into 2012-13.

The Force has a portfolio of long-term debt originating from 1995 to 1997. This comprises a number of fixed-term loans that have fixed interest rates of between 7% and 11%. The cost of redemption is relatively high, given the interest rates, but the portfolio is subject to periodic review to assess whether or not any re-financing of the loans would generate any savings. No new borrowing was undertaken during 2011-12, nor is any planned to fund the capital programme over the next three years.

The Force, acting on behalf of all Scottish Police 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. There was no spend in 2011-12. In total the Project has spent £3.973m of the £5.378m grant, leaving a balance of £1.405m to be carried forward into 2012-13.

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 2012, was £1.2m (£1.1m at 31 March 2011).

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 £714.343m at 31 March 2012. This was made up of £26.416m for Police Staff and £687.927m 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 third year that the liability associated with Police Officer Injury Awards, has been disclosed separately. The total liability at 31 March 2012 was £30.316m, which compares to the balance for the previous financial year, of £28.404m. 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
4 Jun 2012

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
4 June 2012

ANNUAL GOVERNANCE STATEMENT

Scope of Responsibility

Grampian Joint Police Board is responsible for ensuring that its business is conducted in accordance with the law and appropriate standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently, effectively and ethically. The Board also has a duty to make arrangements to secure continuous improvement in the way its functions are carried out.

In discharging these overall responsibilities, elected members and senior officers are responsible for implementing proper arrangements for the governance of the Board's affairs, and facilitating the effective exercise of its functions, including arrangements for management of risk.

The Board has approved and adopted a governance framework that is consistent with the principles, and reflects the requirements, of the CIPFA/ SOLACE framework *Delivering Good Governance in Local Government*. This statement explains how Grampian Joint Police Board delivers good governance and reviews the effectiveness of these arrangements. It also includes a statement on internal financial control in accordance with proper practice.

The Board's Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which the Board is directed and controlled, and its activities through which it accounts to, engages with and influences the community. It enables the Board to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services and value for money. The framework reflects the arrangements in place to meet the principles of effective corporate governance.

A significant part of the governance framework is the system of internal control which is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Board's policies, aims and objectives. These are outlined in the Force's Strategic Plan and local Policing Plans. This will enable the Board to manage its key risks efficiently, effectively, economically and ethically. While the system of internal control is designed to manage risk at a reasonable level it cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable, and not absolute, assurance of effectiveness.

Within the overall control arrangements the system of internal financial control is intended to ensure that assets are safeguarded, transactions are authorised and properly recorded, and material errors or irregularities are either prevented or would be detected within a timely period. It is based on a framework of regular management information, Standing Orders, Financial Regulations, administrative procedures and management supervision. In particular the system includes;

- comprehensive budgeting systems

- regular reviews of periodic and annual financial reports which include 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

Determining the Board's purpose, its vision for the local area and intended outcomes for the Community

The Board aims to provide a quality service and the Force has communicated its vision, values and strategy in its Strategic Plan.

The governance framework is supported by detailed evidence of compliance which is regularly reviewed. The key documents supporting the framework are available for inspection, and some, including policies, are on our website.

Review of Effectiveness

The Board has put in place arrangements for monitoring each element of the framework and providing evidence of compliance. The Deputy Chief Constable is responsible within Grampian Police for the effectiveness of the framework and reviews the work on a regular and ongoing basis through the Development and Governance Business Area. Reports are regularly provided to the Grampian Joint Police Board and the Stewardship Sub-Committee.

The review of the effectiveness of its governance framework including the system of internal financial control is informed by:

- the work of the internal auditor
- the Chief Constable's assurance certificate on internal control;
- the operation and monitoring of controls by Force managers;
- the external auditors in their annual audit letter and other reports
- other inspection agencies comments and reports

Through the year elected members and officers have responsibility for the development and maintenance of the governance environment. These review mechanisms include:

- **The Grampian Joint Police Board** provides strategic leadership, determines policy aims and objectives and takes executive decisions not delegated to officers. It provides political accountability for the Board's performance.

- **The Police Board's Stewardship Sub-Committee** demonstrates the Board's commitment to the principles of good corporate governance. Its remit includes promoting internal control and includes scrutiny of performance, Internal Audit and external reports, assessments, Best Value reviews and policing performance.

- **The Force Executive Board**, comprising the Chief Constable, Deputy Chief Constable, Assistant Chief Constables, Directors of Corporate Services and

Finance and non-executive members, is responsible for developing policy, facilitating its implementation and auditing its efficiency and effectiveness.

- **Internal Audit** is provided through a contract with Deloitte LLP. A programme of work (referred to as the Audit Plan) has been approved by the Board's Stewardship Sub Committee and 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 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

- **External Auditor's Annual Audit Report** is considered by the Force Executive Board, the Stewardship Sub-Committee and Board along with the output from other external audits and inspections.

- **The Corporate Risk Register** is reviewed regularly and on an ongoing basis in accordance with the governance framework Significant risks are monitored by the Force Executive Board and the Stewardship Sub-Committee. This ensures that actions are taken to effectively manage the Board's highest risks.

- **The Clerk to the Grampian Joint Police Board** is responsible to the Board for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with. The remit includes providing support to Board Members in the execution of their duties, and to support and develop the Board's scrutiny functions, by providing advice, information and briefings to Board Members on business items as well as to the Stewardship Sub-Committee;

    - to support members in their special interest areas by helping to develop knowledge and expertise, and facilitating contacts with the Police
    - to arrange occasional seminars and information events for Board members
    - to provide support for the Convener

- **The Development and Governance Business Area** remit includes providing support to the Force Executive Board in the execution of their duties, and to support and develop the Board's scrutiny functions, by providing advice, information and briefings to Board members on business items.

Certification

In compliance with accounting practice, the Treasurer has provided the Chief Executive with a statement on the adequacy and effectiveness of the Board's internal financial control system for the year ended 31st March 2012. It is the Treasurer's opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the Board's internal control system.

There is evidence that the governance framework is operating effectively with overall compliance by Grampian Police and Grampian Police Joint Board in all significant areas of its corporate governance arrangements.

Convener of Grampian Joint Police Board:	Date
Chief Executive and Clerk:	Date
Chief Constable:	Date
Treasurer:	Date

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 2012. The remuneration for the posts of Director of Corporate Services and Director of Finance 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.

	2011-12			2010-11
	Salary, fees and allowances	Non-cash expenses & benefits in kind	Total Remuneration 2011-12	Total remuneration 2010-11
	£000	£000	£000	£000
Chief Constable:				
Colin McKerracher	143	3	146	145
Deputy Chief Constable:				
John McNab	115	6	121	125
Assistant Chief Constable:				
Colin Menzies	111	3	114	119
Assistant Chief Constable:				
William Gordon from 5 January 2011	99	0	99	24
Director of Corporate Services:				
Karen Williams	87	0	87	86
Director of Finance:				
Gary Craig	79	0	79	78
Total	**634**	**12**	**646**	**577**

Following bi-lateral discussions with the Scottish Government, performance related payments were suspended for 2010-11 and this continued in 2011-12. The pension entitlements of Chief Police Officers and Senior Employees for the year to 31 March 2012 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 2012 £000	**For year to 31 March 2011 £000**		**As at 31 March 2012 £000**	**Difference from 31 March 2011 £000**
Chief Constable: Colin McKerracher	33	33	Pension	89	1
Deputy Chief Constable: John McNab	27	27	Pension	59	5
Assistant Chief Constable: Colin Menzies	26	26	Pension	68	4
Assistant Chief Constable: William Gordon (from 5 January 2011)	23	6	Pension	51	14
Director of Corporate Services: Karen Williams	16	16	Pension Lump Sum	13 27	1 0
Director of Finance: Gary Craig	15	15	Pension Lump Sum	35 93	2 0
Total	**140**	**123**	**Pension** **Lump Sum**	**315** **120**	**27** **0**

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.

Both the Director of Corporate Services and the Director of Finance 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 2010-11**	**2011-12**
£50,000 - £54,999	82	75
£55,000 - £59,999	79	79
£60,000 - £64,999	5	8
£65,000 - £69,999	3	1
£70,000 - £74,999	6	1
£75,000 - £79,999	5	10
£80,000 - £84,999	8	6
£85,000 - £89,999	3	2
£90,000 - £94,999	2	0
£95,000 - £99,999	0	1
£110,000 - £114,999	0	2
£115,000 - £119,999	1	0
£135,000 - £135,999	1	0
£140,000 - £144,999	0	1
£160,000 - £164,999	1	0
Totals	**196**	**186**

EXIT PACKAGES

There were no exit packages for either Police Officers or Police Staff in 2011-12.

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 of 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.

		2010-11			2011-12		
		Salaries	**Allowances**	**Total**	**Salaries**	**Allowances**	**Total**
		£000	**£000**	**£000**	**£000**	**£000**	**£000**
Aberdeen City Council	M Greig (Convener)	16	0	16	14	0	14
Aberdeenshire Council	A J C Cullinane (Vice-Convener)	3	0	3	0	0	0
Moray Council	R H Shepherd (Vice-Convener)	0	0	0	0	0	0
		19	**0**	**19**	**14**	**0**	**14**

All information disclosed in the tables in this Remuneration Report is, at this stage, subject to audit by Audit Scotland. The other sections of the Remuneration Report will be reviewed by Audit Scotland to ensure that they were consistent with the financial statements.

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 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	(22,318)	0	(22,318)	0	(22,318)	
Other Comprehensive Income and Expenditure	0	0	0	(9,165)	(9,165)	
Total Comprehensive Income and Expenditure	**(22,318)**	**0**	**(22,318)**	**(9,165)**	**(31,483)**	
Adjustments between accounting basis & funding basis under regulations	21,205	(129)	21,076	(21,076)	0	7
(Increase)/ Decrease in 2010-11	**(1,113)**	**(129)**	**(1,242)**	**(30,241)**	**(31,483)**	
Balance at 31 March 2011	**(5,361)**	**(4,001)**	**(9,362)**	**676,568**	**667,206**	
Movement in reserves during 2011-12						
(Surplus) or deficit on the provision of services	37,125	0	37,125	0	37,125	
Other Comprehensive Income and Expenditure	0	0	0	(2,158)	(2,158)	
Total Comprehensive Income and Expenditure	**37,125**	**0**	**37,125**	**(2,158)**	**34,967**	
Adjustments between accounting basis & funding basis under regulations	(40,121)	(577)	(40,698)	40,698	0	7
(Increase)/ Decrease in 2011-12	**(2,996)**	**(577)**	**(3,573)**	**38,540**	**34,967**	
Balance at 31 March 2012	**(8,357)**	**(4,578)**	**(12,935)**	**715,108**	**702,173**	

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

2010-11 (Re-stated)				2011-12			
Gross Expenditure	**Gross Income**	**Net Expenditure**		**Gross Expenditure**	**Gross Income**	**Net Expenditure**	
£000	**£000**	**£000**		**£000**	**£000**	**£000**	**Note**
68,447	(14,829)	53,618	**Local Policing**	68,975	(18,280)	50,695	
10,234	(666)	9,568	**Dealing with the Public**	10,342	(840)	9,502	
8,192	(1,149)	7,043	**Criminal Justice Arrangements**	7,826	(1.170)	6,656	
6,843	(1,525)	5,318	**Roads Policing**	7,885	(2,153)	5,732	
5,995	(1,788)	4,207	**Specialist Operations**	5,255	(1,770)	3,485	
5,752	(633)	5,119	**Intelligence**	5,696	(817)	4,879	
8,710	(1,250)	7,460	**Specialist Investigations**	7,866	(1,402)	6,464	
620	(329)	291	**Investigative Support**	703	(54)	649	
6,071	(3,673)	2,398	**National Policing**	5,428	(3,446)	1,982	
0	(61,876)	(61,876)	**Non Distributed Costs**	2,495	0	2,495	
1,031	(37)	994	**Corporate and Democratic Core**	736	(35)	701	
121,895	**(87,755)**	**34,140**	**Cost of Services**	**123,207**	**(29,967)**	**93,240**	
0	(68)	(68)	Other operating expenditure			(183)	8
42,349	(377)	41,972	Financing and investment income and expenditure			38,632	9
0	(98,362)	(98,362)	Non-specific grant income			(94,564)	10
		(22,318)	**(Surplus) or Deficit on Provision of Services**			**37,125**	
		(9,165)	Actuarial (gains)/losses on Pension assets/liabilities & Injury Award liabilities			(2,333)	36/37
		0	Net Revaluation Losses on Non-Current Assets			175	24
		(9,165)	**Other Comprehensive Income and Expenditure**			**(2,158)**	
		(31,483)	**Total Comprehensive Income and Expenditure**			**34,967**	

BALANCE SHEET

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

31 March 2011 Re-Stated		31 March 2012	
£000		£000	Note
37,215	Property, plant & equipment	34,188	11
3,325	Investment property	3,325	12
298	Intangible assets	154	13
1	Long term debtors	0	
40,839	**Long term assets**	**37,667**	
162	Assets held for sale	245	20
215	Inventories	242	17
5,253	Short term debtors	6,680	18
16,616	Cash and cash equivalents	16,605	19
22,246	**Current assets**	**23,772**	
0	Short term borrowing	0	
(12,795)	Short term creditors	(10,249)	21
(780)	Provisions	(500)	22
(13,575)	**Current liabilities**	**(10,749)**	
(8,124)	Long term borrowing	(8,124)	16
(708,592)	Other long term liabilities	(744,739)	36&37
(716,716)	**Long term liabilities**	**(752,863)**	
(667,206)	**Net liabilities**	**(702,173)**	
(9,362)	Usable reserves	(12,935)	23
676,568	Unusable reserves	715,108	24
667,206	**Total reserves**	**702,173**	

Barry Jenkins, CPFA
Treasurer
4 June 2012

The unaudited accounts were issued on 4 June 2012.

CASH FLOW STATEMENT

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

2010-11		2011-12	
£000		**£000**	**Note**
(22,318)	Net (surplus) or deficit on the provision of services	37,125	
16,275	Adjustments to net surplus or deficit on the provision of services for non cash movements	(40,177)	25
3,763	Adjustments for items in the net surplus or deficit on the provision of services that are for investing and financing activities	2,827	
(2,280)	Net cash flows from operating activities	(225)	26
375	Investing activities	861	27
(305)	Financing activities	(625)	28
(2,210)	Net (increase) in cash and cash equivalents	**11**	
14,406	Cash and cash equivalents at the beginning of the reporting period	16,616	
16,616	Cash and cash equivalents at the end of the reporting period	16,605	

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

a) General Principles

The Statement of Accounts summarises the Board's transactions for the financial year 2011-12 and its position as at 31 March 2012. 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 2011-12 and the Service Reporting Code of Practice 2011-12, 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 arrangements.

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).

Deprecation 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 4 June 2012. 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 2012, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

5. PRIOR YEAR ADJUSTMENT

The accounts include a prior year adjustment in respect of 2010-11. In 2010-11 the Force ran a voluntary redundancy scheme for Police Staff and in some cases compensatory added years were included within the total benefit. At the time the Force took a prudent approach and accounted for these future costs by accruing them and creating a provision in the 2010-11 accounts. The relevant accounting treatment has been under review and has been confirmed. The compensatory added years element, i.e. unfunded benefits, is included in the Actuary's calculation of the Force's overall pension liability as at 31 March 2011 and therefore no provision was required. The accruals and provision have been reversed by way of a prior year adjustment. The resultant changes are shown below;

Comprehensive Income and Expenditure Account

	Published Accounts 2010-11 £000	Prior Year Adjustment £000	Re-Stated Accounts 2010-11
Police Staff Pension Costs	1,418	(1,470)	(52)

Balance Sheet

	Published Accounts 2010-11 £000	Prior Year Adjustment £000	Re-Stated Accounts 2010-11
Short-Term Creditors	(13,624)	829	(12,795)
Provisions	(1,421)	641	(780)
Useable Reserves – General Fund	(3,891)	(1,470)	(5,361)

6. INTRODUCTION OF POLICE OBJECTIVE ANALYSIS

Up to and including 2010-11 the Force allocated expenditure across five main activities following the Best Value Accounting Code of Practice, namely;

- Crime Management
- Traffic Management
- Public Order
- Community Safety
- Call Management

along with Corporate and Democratic Core and Non Distributed Costs.

The 2011-12 accounts employ the Police Objective Analysis (POA) to allocate expenditure over activities. POA was developed originally between the Chartered Institute of Public Finance and Accountancy and police forces in England and Wales. This analysis is now being used by Scottish Forces with small amendments to some of the terminology. POA is fundamentally a management tool to enable comparisons to be made and questions asked. There are nine main areas, namely;

- Local Policing
- Dealing with the Public
- Criminal Justice Arrangements
- Roads Policing
- Specialist Operations
- Intelligence
- Specialist Investigations
- Investigative Support
- National Policing

together with Non Distributed Costs and Corporate and Democratic Core. The costs of support functions are fully allocated over the nine main activities. Within the Comprehensive Income and Expenditure Statement the 2010-11 analysis has been restated in line with the POA categories, in order that 2010-11 and 2011-12 are fully comparable.

Three Police Objective Analysis exercises have been carried out across the Force, using budgeted figures for 2010-11, 2011-12 and 2012-13. During these exercises, Divisions were asked to allocate their Officers/Staff and devolved costs to the POA heading that best reflects the main purpose of the role/cost. This information was summarised to Force level and distributed Force wide.

The actuals for 2011-12 are based primarily on the information supplied by Divisions for their 2011-12 and 2012-13 budgets. Once this initial allocation of costs was made across all headings, costs held within Support Functions were then apportioned over the main service expenditure headings using appropriate cost drivers.

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.

	2011-12 Usable Reserves		
	General Fund Balance £000	Capital Receipts Reserve £000	Movement in Unusable Reserves £000
Adjustments involving the Capital Adjustment Account:			
Reversal of items debited or credited to the Comprehensive Income and Expenditure Account			
Charges for depreciation and impairment of non current assets	(5,118)		5,118
Amortisation of intangible assets	(188)		188
Capital grants and contributions that have been applied to capital financing	2,020		(2,020)
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	183		(183)
Capital Financed from Current Revenue	682		(682)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:			
Statutory provision for the financing of capital investment	625		(625)
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	(577)	577
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	0
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	(57,697)		57,697
Employer's pensions contributions and direct payments to pensioners payable in the year	21,209		(21,209)
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	75		(75)
Adjustments involving the Employee Statutory Mitigation Account:			
Statutory adjustments for Injury Benefits	(1,912)		1,912
Total Adjustments	**(40,121)**	**(577)**	**40,698**

	2010-11 Usable Reserves		
	General Fund Balance £000	**Capital Receipts Reserve £000**	**Movement in Unusable Reserves £000**
Adjustments involving the Capital Adjustment Account:			
Reversal of items debited or credited to the Comprehensive Income and Expenditure Account			
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)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:			
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)**

8. OTHER OPERATING EXPENDITURE

2010-11 £000		2011-12 £000
(68)	(Gains)/Losses on disposal of non current assets	(183)
(68)	**Total**	**(183)**

9. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2010-11 £000		2011-12 £000
784	Interest payable and similar charges	760
41,565	Pensions interest cost and expected return on pension assets	38,186
(86)	Interest receivable and similar income	(87)
(291)	Other investment income	(227)
41,972	**Total**	**38,632**

10. NON-SPECIFIC GRANT INCOME

2010-11 £000		2011-12 £000
(95,293)	Non specific government grants	(92,544)
(3,069)	Capital grants and contributions	(2,020)
(98,362)	**Total**	**(94,564)**

11. PROPERTY, PLANT AND EQUIPMENT

(a) Movement on Balances

Movements During 2011-12	Other Land and Buildings	Vehicles, Plant and Equipment	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000
Cost or Valuation				
At 1 April 2011	**33,782**	**11,171**	**1,658**	**46,611**
Additions	709	1,202	633	2,544
Transfer Across Forces	0	50	150	200
Donations	0	0	0	0
Revaluation increases / (decreases) recognised in the Revaluation Reserve	381	0	0	381
Derecognition – disposals	(10)	(1,489)	0	(1,499)
Derecognition – other	0	0	0	0
Assets reclassified (to)/from Held for Sale	(395)	0	0	(395)
Other movement in costs or valuation	207	520	(727)	0
At 31 March 2012	**34,674**	**11,454**	**1,714**	**47,842**
Accumulated Depreciation & Impairment				
At 1 April 2011	**1,897**	**7,499**	**0**	**9,396**
Depreciation charge	2,945	1,728	0	4,673
Derecognition – disposals	(1)	(1,396)	0	(1,397)
Impairment losses / (reversals) recognised in the Revaluation Reserve	557	0	0	557
Impairment losses / (reversals) recognised in Surplus / Deficit on the Provision of services	445	0	0	445
Eliminated on reclassification to Assets Held for Sale	(20)	0	0	(20)
At 31 March 2012	**5,823**	**7,831**	**0**	**13,654**
Net Book Value				
At 31 March 2012	**28,851**	**3,623**	**1,714**	**34,188**
At 31 March 2011	**31,885**	**3,672**	**1,658**	**37,215**

The Force's policy on depreciation is described in the accounting polices at Note 1(r) on page 38.

Movements During 2010-11	Other Land and Buildings	Vehicles, Plant and Equipment	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£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**

(b) Capital Commitments

At 31 March 2012, the Force was committed to a contract for the construction or enhancement of Property, Plant and Equipment with future costs projected to be £0.370m. In addition the Force was committed to the purchase of land, subject to the receipt of planning permission, estimated at £1.7m. This compares with the total value of commitments at 31 March 2011 which amounted to £0.393m.

(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.

In addition to this, during 2011-12, six of the Force's largest properties, those in excess of the de minimis value, were re-valued to provide the relevant information for component depreciation accounting. The following table shows the changes in valuation across the different categories of property spanning a period of 5 years.

	Other Land and Buildings	Vehicles, Plant and Equipment	Assets Under Construction	Total Property, Plant and Equipment
	£000s	£000s	£000s	£000s
Carried at historical cost	2,732	11,454	1,714	15,900
Valued at fair value as at:				
31 March 2012	9,445	0	0	9445
31 March 2011	0	0	0	0
31 March 2010	0	0	0	0
31 March 2009	22,497	0	0	22,497
31 March 2008	0	0	0	0
Total Cost or Valuation	**34,674**	**11,454**	**1,714**	**47,482**

(d) Impairment

During 2011-12 the Force has recognised an impairment loss of £0.445m through the Comprehensive income and Expenditure Account in respect of three properties, as a result of the component depreciation referred to above in (c).

12. INVESTMENT PROPERTIES

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

2010-11 £000		2011-12 £000
(414)	Rental income from investment properties	(389)
123	Direct operating expenses associated with investment properties	162
(291)	**Net (Gain)/Loss**	**(227)**

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

2010-11 £000		2011-12 £000
3,325	**Opening Balance**	3,325
0	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 Life**
Other Purchased Software & Licenses	3 Years
National Infrastructure Project	4 Years

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

2010-11 £000		2011-12 £000
946	Gross Carrying amounts	1,095
(573)	Accumulated amortisation	(797)
373	**Net Carrying amount at 1 April**	**298**
147	Purchases	44
2	Transfer across Forces	0
0	Other Changes	(185)
(224)	Amortisation for the period	(3)
298	**Net Carrying amount at 31 March**	**154**
	Comprising -	
1,095	Gross carrying amounts	954
(797)	Accumulated amortisation	(800)
298	**Total**	**154**

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 2011	89	0	0	0	0	89
Transfer from/(to)Forces	0	0	0	0	0	0
As at 31 March 2012	89	0	0	0	0	89
Amortisation						
As at 1 April 2011	56	0	0	0	0	56
Amortisation	22	0	0	0	0	22
As at 31 March 2012	78	0	0	0	0	78
Net Book Value	11	0	0	0	0	11
As at 31 March 2012						
As at 31 March 2011	**33**	**0**	**0**	**0**	**0**	**33**

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 2011	476	473	18	47	399	1,413
Additions	0	0	0	0	0	0
Transfer from /(to)Forces	50	55	0	95	0	200
As at 31 March 2012	526	528	18	142	399	1,613
Depreciation						
As at 1 April 2011	331	0	0	0	2	333
Depreciation	114	0	0	0	2	116
As at 31 March 2012	445	0	0	0	4	449
Net Book Value						
As at 31 March 2012	**81**	**528**	**18**	**142**	**395**	**1164**
As at 31 March 2011	**145**	**473**	**18**	**47**	**397**	**1,080**

15. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred during 2011-12 is shown in the table below (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Force, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Force that has yet to be financed. The capital expenditure and financing as well as the CFR is analysed in the following table.

2010-11 £000		2011-12 £000
7,880	**Opening Capital Financing Requirement**	**7,254**
	Capital investment -	
2,701	Property, Plant and Equipment	2,544
147	Intangible Assets	44
	Sources of finance -	
(51)	Capital receipts from the sale of property, plant and equipment, investment property and intangible assets	0
(2,504)	Local Authorities – capital grants and other contributions	(1,774)
(280)	Scottish Government – specific capital grants and other contributions	(46)
(13)	Other grants	0
	Sums set aside from revenue -	
(626)	Loans fund principal	(625)
0	Capital Financed from Current Revenue	(683)
7,254	**Closing Capital Financing Requirement**	**6,714**
	Explanation of movements in year -	
(626)	Notional repayment of borrowing (supported by government financial assistance)	(625)
	Assets acquired under Finance Leases	85
(626)	**Decrease in Capital Financing Requirement**	**(540)**

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 2011 £000	**As at 31 March 2012 £000**	**As at 31 March 2011 £000**	**As at 31 March 2012 £000**
Borrowings -				
Financial liabilities at amortised cost	(8,124)	(8,124)	(12,795)	(10,249)
Total Borrowings	**(8,124)**	**(8,124)**	**(12,795)**	**(10,249)**
Investments -				
Loans and receivables	1	0	22,023	23,560
Total Investments	**1**	**0**	**22,023**	**23,560**

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

	2010-11					2011-12				
	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	784	0	0	0	784	760	0	0	0	760
Losses on derecognition	0	1	0	0	1	0	0	0	9	9
Impairment losses	0	84	0	0	84	0	11	0	445	456
Total expense in Surplus or Deficit on the Provision of Services	**784**	**85**	**0**	**0**	**869**	**760**	**11**	**0**	**454**	**1,225**
Interest Income	0	(86)	0	0	(86)	0	(87)	0	0	(87)
Total income in Surplus or Deficit on the Provision of Services	**0**	**(86)**	**0**	**0**	**(86)**	**0**	**(87)**	**0**	**0**	**(87)**
Net (gain)/loss for the year	**784**	**(1)**	**0**	**0**	**783**	**760**	**(76)**	**0**	**454**	**1,138**

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 Loan 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 2011		As at 31 Mar 2012	
	Carrying Amount £000's	**Fair Value £000's**	**Carrying Amount £000's**	**Fair Value £000's**
Financial liabilities				
Creditors	(12,795)	(12,795)	(10,249)	(10,249)
Bank Overdraft	(188)	(188)	(327)	(327)
Long-term creditors				
PWLB Loan – maturity	(8,124)	(11,779)	(8,124)	(12,480)

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 2012) arising from a commitment to pay interest to PWLB above current market rates.

	As at 31 Mar 2011		As at 31 Mar 2012	
	Carrying Amount £000's	**Fair Value £000's**	**Carrying Amount £000's**	**Fair Value £000's**
Loans and receivables				
Deposits with bank	34	34	52	52
Debtors	5,253	5,253	6,680	6,680
Short Term Investment	16,770	16,770	16,880	16,880
Long-term debtors	1	1	0	0

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 2012.

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	
	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Opening balance	189	179	6	5	2	4	27	27	224	215
Purchases	231	200	280	271	48	40	164	175	723	686
Utilised stock items	(241)	(183)	(281)	(270)	(46)	(40)	(164)	(166)	(732)	(659)
Closing Balance	**179**	**196**	**5**	**6**	**4**	**4**	**27**	**36**	**215**	**242**

18. DEBTORS

31 March 2011 £000		31 March 2012 £000
3,398	Central government bodies	5,557
1,591	Local authorities	609
3	NHS Organisations	7
261	Other entities and individuals	507
5,253	**Total**	**6,680**

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 2011 £000		31 March 2012 £000
18	Cash held by the Force	19
(172)	Bank accounts	(294)
16,770	Short term investments	16,880
16,616	**Total**	**16,605**

20. ASSETS HELD FOR SALE

31 March 2011 £000		31 March 2012 £000
129	Opening Balance	162
	Assets newly re-classified as Held for Sale:	
22	Property, Plant & Equipment	375
11	Revaluation gains	0
0	Assets sold	(292)
162	**Total**	**245**

21. CREDITORS

31 March 2011 £000		31 March 2012 £000
(4,853)	Central government bodies	(4,167)
(1,544)	Local authorities	(1,103)
(565)	NHS organisations	(84)
(1)	Public corporations and trading functions	(0)
(5,832)	Other entities and individuals	(4,895)
(12,795)	**Total**	**(10,249)**

22. PROVISIONS

The provision in 2010-11 was in respect of the Force's voluntary redundancy scheme. This provision was subject to a prior year adjustment, described in Note 5. No voluntary redundancy scheme was run in 2011-12.

In the 2010-11 accounts the Force disclosed, as a contingent liability, details of claims received under Equal Pay legislation. At that time there was insufficient information available to allow a full evaluation of the likelihood of the success of the claims or any likely financial impact. As further information is now available and actions are ongoing, though currently sisted (on hold), it is considered appropriate to make a provision in the 2011-12 accounts, estimated at £500,000.

2010-11 £000		2011-12 £000
(410)	Balance at 1 April	(780)
410	Amounts utilised in year	780
(780)	Amounts provided for in year	(500)
(780)	**Balance at 31 March**	**(500)**

23. USABLE RESERVES

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

24. UNUSABLE RESERVES

31 March 2011 £000		31 March 2012 £000
(2,327)	Revaluation Reserve	(1,907)
(31,420)	Capital Adjustment Account	(29,292)
680,188	Pension Reserve	714,343
30,127	Employee Statutory Adjustment Account	31,964
676,568	**Total Unusable Reserves**	**715,108**

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 at which the reserve was created. Accumulated gains arising before that date were consolidated into the balance on the Capital Adjustment Account.

2010-11 £000		2011-12 £000	2011-12 £000
(2,397)	**Balance at 1 April**		(2,327)
0	Upward Revaluation of Assets	(382)	
0	Downward Revaluation of Assets and Impairment Losses not charged to the Surplus/Deficit on the Provision of Services	557	
0	Surplus or Deficit of revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		175
70	Difference between fair value depreciation and historical cost depreciation	123	
0	Accumulated Gains on assets sold or scrapped	122	
70	Amount written off to the Capital Adjustment Account		245
(2,327)	**Balance at 31 March**		**(1,907)**

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.

2010-11 £000		**2011-12 £000**	**2011-12 £000**
(30,773)	**Balance at 1 April**		**(31,420)**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
2,833	Charges for depreciation and impairment of non-current assets	5,118	
224	Amortisation of intangible assets	188	
0	Capital financed from Current Revenue	(683)	
112	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	395	
			5,018
(70)	Adjusting amounts written out of the Revaluation Reserve		(245)
(27,674)	**Net written out amount of the cost of non-current assets consumed in the year**		**(26,647)**
	Capital financing applied in the year:		
(51)	Use of the Capital Receipts Reserve to finance new capital expenditure	0	
(3,069)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(2,020)	
(626)	Statutory provision for the financing of capital investment charged against the General Fund	(625)	
(3,746)			**(2,645)**
(31,420)	**Balance at 31 March**		**(29,292)**

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.

2010-11 £000		2011-12 £000
702,149	**Balance at 1 April**	680,188
(1,525)	Actuarial gains or losses on pensions assets and liabilities	(2,333)
(1,505)	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	57,697
(18,931)	Employer's pensions contributions and direct payments to pensioners payable in the year	(21,209)
680,188	**Balance at 31 March**	**714,343**

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.

2010-11 £000		2011-12 £000
35,638	**Balance at 1 April**	28,404
(7,640)	Actuarial gains or losses on injury award liabilities	0
913	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	2,467
(507)	Employer's contributions and direct payments to pensioners payable in the year	(555)
28,404	**Balance at 31 March**	**30,316**

(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.

2010-11 £000		2011-12 £000	2011-12 £000
2,192	**Balance at 1 April**		1,723
(2,192)	Settlement or cancellation of accrual made at the end of the preceding year	(1,723)	
1,723	Amounts accrued at the end of the current year	1,648	
(469)	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		**(75)**
1,723	**Balance at 31 March**		**1,648**

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

2010-11 £000		2011-12 £000
(2,833)	Depreciation and impairment of Non-current Assets	(5,118)
(224)	Amortisation of Intangible Assets	(188)
1,505	Reversal of items relating to post employment benefits through the Surplus or Deficit to the Provision of Services in the Comprehensive I&E	(57,697)
18,931	Employer's pensions contributions and direct payments to pensioners payable in the year	21,209
(406)	Statutory adjustments for Injury Benefits	(1,912)
(4)	Increase / (Decrease) in Long-term Debtors	(1)
(9)	Increase / (Decrease) in Inventories	26
204	Increase / (Decrease) in Revenue Debtors	1,482
(519)	(Increase) / Decrease in Revenue Creditors	1,742
(370)	(Increase) / Decrease in Provision	280
16,275		**(40,177)**

26. CASH FLOW STATEMENT – OPERATING ACTIVITIES

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

2010-11 £000		2011-12 £000
(82)	Interest received	(86)
791	Interest paid	758

27. CASHFLOW STATEMENT – INVESTING ACTIVITIES

2010-11 £000		2011-12 £000
3,592	Purchase of property, plant and equipment, investment property and intangible assets	3,313
(180)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(577)
(3,037)	Other receipts from investing activities	(1,875)
375	**Net cash flows from investing activities**	**861**

28. CASHFLOW STATEMENT – FINANCING ACTIVITIES

2010-11 £000		2011-12 £000
(626)	Other receipts from financing activities	(625)
321	Repayment of short- and long-term borrowing	0
(305)	**Net cash flows from financing activities**	**(625)**

29. AMOUNTS REPORTED FOR RESOURCE ALLOCATION

Revenue Budget Monitoring Report	2011-12 Budget £000	2011-12 Actual £000
Employee Costs		
Police Officers (incl Overtime)	65,002	63,620
Police Staff (incl Overtime)	20,201	19,641
Recruitment and Relocation Costs	95	100
Sub-total	**85,298**	**83,361**
Police Officer Pensions		
Pension Costs	18,404	18,404
Injury Awards	522	602
Ill Health Awards	225	75
Sub-total	**19,151**	**19,081**
Property Costs		
Rent and Rates	2,302	2,254
Insurances	20	21
Repairs and Maintenance	1,082	1,258
Heating, Lighting and Cleaning	1,295	1,253
Sub-total	**4,699**	**4,786**
Transport and Plant Costs		
Repairs and Maintenance	277	250
Petrol and Diesel Fuel	950	956
Licences and Insurances	300	297
Car Hire	211	194
Travel and Subsistence	505	448
Sub-total	**2,243**	**2,145**
Supplies and Services Costs		
Operational Equipment and Materials	678	676
Operational Supplies and Services	2,595	2,641
Uniforms and Clothing	244	246
Computer Maintenance and Software	1,236	1,123
Computer Networks and Telephony	1,077	1,031
Catering	156	142
Conferences and Subsistence	326	273
Printing, Stationery and Postages	494	433
Insurances	399	398
Advertising	13	29
Other Administration Costs	363	234
Sub-total	**7,581**	**7,226**

		2011-12 Budget £000	2011-12 Actual £000
Payments to Agencies and Other Bodies			
	Council Support Services	228	161
	Other Agencies	1,271	1,160
	Sub-total	**1,499**	**1,321**
Statutory Financing Charges			
	Supported Loan Charges – Interest	760	760
	Supported Loan Charges – Loan Repayment	625	625
	Capital Financed from Current Revenue	1,010	683
	Sub-total	**2,395**	**2,068**
Gross Expenditure		**122,866**	**119,988**
Income			
	Recharges for Services	(1,416)	(1,511)
	Secondee Recoveries	(1,105)	(1,156)
	Sales, Fees and Lost Property	(536)	(618)
	Sponsorship	(24)	(18)
	Rents	(807)	(771)
	Partnership Income	(821)	(825)
	Non SG Funding	(506)	(604)
	Other Income	(80)	(87)
	Sub-total	**(5,295)**	**(5,590)**
Total Net Expenditure		**117,571**	**114,398**
Grant Funding			
	SG Police Grant	(47,166)	(47,166)
	LA Requisitions	(44,116)	(44,116)
	SG Loan Charge Support	(644)	(644)
	LA Loan Charge Support	(618)	(618)
	SG Specific Grant (100% Funded)	(6,602)	(6,423)
	SG Specific Grant (Part Funded)	(21)	(23)
	SG Specific Grant (Police Pensions)	(18,404)	(18,404)
	Sub-total	**(117,571)**	(117,394)
Operational Underspend		**0**	**(2,996)**

	2011-12 £000
Operational Underspend	**(2,996)**
Reconciling Adjustments	
IAS 19 Pension Adjustments	38,401
Movement in Short Term Absences	(75)
Depreciation of Non-Current Assets	4,673
Amortisation of Intangibles	188
Impairment on Non-Current Assets	445
Gains on Disposal of Non-Current Assets	(183)
Statutory Provision for the financing of capital investment (through Movement in Reserves)	(625)
Capital Income Grants	(2,020)
Capital From Current Revenue	(683)
Deficit on Provision of Services	**37,125**

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:

2010-11 £000		2011-12 £000
955	Payments to Agencies and other bodies	1,160
176	Payments under Service Level Agreements	161
1,131	**Total**	1,321
1,648	Income from staff secondments	1,156

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 2011-12 Statement of Accounts. The ICT revenue costs incurred during 2011-12 in conjunction with SPSA and funded from the Scottish Government, amounted to £1.646m (2010-11: £1.823m). This includes elements of spend associated with the running costs of SPSA. The total capital spend amounted to £0.046m (2010-11: £0.230). The ICT revenue and capital expenditure, as well as the corresponding grant funding from the Scottish Government appears in the 2011-12 Statement of Accounts.

31. EXTERNAL AUDIT COSTS

The external audit for 2010-11 was the final year of Henderson Loggie's appointment and the audit for 2011-12 was the first year of Audit Scotland's appointment.

2010-11 £000		**2011-12 £000**
44	Fees payable with regard to external audit services carried out by the appointed auditor for the year	42
0	Rebate of charges for previous year	(3)
44	**Total**	**39**

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.

Grants credited to non-specific grant income;

2010-11 £000		2011-12 £000
48,761	Scottish Government Police Grant and support for loan charges	47,810
46,532	Local Authority Requisitions and support for loan charges	44,734
3,069	Capital grants and contributions	2,020
98,362	**Total**	**94,564**

Grants credited to services;

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

2010-11 £000		2011-12 £000
154	Counter Terrorism Advisor	154
170	Grampian Resilience, Strategic Co-ordinator & Training Post	173
1,822	SPSA ICT Costs	1,646
35	RHWI Pilot	0
2,848	Additional Police Officers	3,107
13,565	Pension Account Funding (Police Officers)	18,404
407	Injury Benefits Funding (Police Officers)	0
277	Whole Approach	75
1,172	Counter Terrorism Additional Staff	1,258
0	Act Now	1
42	Adult Support and Protection	32
669	Other Local Authority Operational Grants	604
21,161	**Total**	**25,454**

The Force has received a number of grants, contributions and donations that have yet to be recognised as income because they have conditions attached to them, as yet unmet, that require them to be returned to the provider if the conditions are not satisfied. The balances at 31 March 2012 are as follows;

Current Liabilities

(Capital Grants)

2010-11 £000		2011-12 £000
1,405	ACPOS National Platform Project	1,405
1,405	**Total**	**1,405**

(Revenue Grants)

2010-11 £000		2011-12 £000
42	Adult Support and Protection	51
6	Grampian Resilience, Strategic Co-ordinator & Training Post	7
4	Counter Terrorism Additional Staff	4
0	Whole Approach	11
17	Drug Operations Grant	80
39	Anti Social Behaviour Grant	52
1	Act Now	0
0	Domestic Abuse Liaison Grant	4
0	Shire Community Analyst Grant	4
9	Moray Community Analyst Grant	0
7	Moray Road Safety	0
10	Motorcycle Safety Campaign Grant	7
18	Moray Safer Streets Grant	13
3	Aberdeen Safer Streets Grant	0
49	Anti Social Behaviour Activities Grant	63
5	Scottish Natural Heritage Grant	5
6	Keeping Children Safe Grant	0
33	Other Operational Grants	0
249		**301**

33. RELATED PARTIES

The Board comprises 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.

2010-11 £000		2011-12 £000
22,169	Aberdeen City Council	21,328
16,772	Aberdeenshire Council	16,110
7,591	Moray Council	7,296
46,532	**Total**	**44,734**

34. LEASES

Operating 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.

2010-11 Land & Buildings	2010-11 Vehicles	2010-11 Total		2011-12 Land & Buildings	2011-12 Vehicles	2011-12 Total
£000	£000	£000		£000	£000	£000
795	92	887	Not later than one year	812	79	891
2,636	88	2,724	Later than one year and not later than five years	2,107	9	2,116
5,346	0	5,346	Beyond five years	4,817	0	4,817
8,777	**180**	**8,957**	**Total**	**7,736**	**88**	**7,824**

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

2010-11 Land & Buildings	2010-11 Vehicles	2010-11 Total		2011-12 Land & Buildings	2011-12 Vehicles	2011-12 Total
£000	£000	£000		£000	£000	£000
820	110	930	Minimum lease payments	880	91	971
(89)	(45)	(134)	(Sub-lease payments receivable/contributions)	(89)	(38)	(127)
731	**65**	**796**	**Total**	**791**	**53**	**844**

Operating Leases (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 2011 £000		31 March 2012 £000
655	Not later than one year	634
1,968	Later than one year and not later than five years	1,966
1,300	Beyond five years	1,055
3,923	**Total**	**3,655**

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.

Finance Leases (Force as Lessee)

The Force acquired a property under a finance lease in 2011-12 and is carried under Property, Plant and Equipment on the Balance Sheet at the following net amounts;

31 March 2011 £000		31 March 2012 £000
0	Other land and Buildings	85
0	**Total**	**85**

The Force is committed to making minimum lease payments under this lease, comprising settlement of the long-term liability for the property acquired by the Force and finance costs that will be payable by the Force in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts;

31 March 2011 £000		31 March 2012 £000
	Finance lease liabilities (net present value of minimum lease payments)	
0	- current	5
0	- non-current	80
0	Finance costs payable in future years	68
0	**Minimum Lease Payments**	**153**

The minimum lease payments will be payable over the following periods;

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2011 £000	**31 March 2012 £000**	**31 March 2011 £000**	**31 March 2012 £000**
Not later than one year	0	9	0	5
Later than one year but not later than five years	0	31	0	18
Later than five years	0	113	0	62
Total	**0**	**153**	**0**	**85**

35. TERMINATION BENEFITS

The Force did not run an early retirement/voluntary redundancy scheme for Police Staff in 2011-12, following similar schemes in the previous three years. There was, therefore, no cost in 2011-12, compared with £2.383m that was expended during 2010-11 involving 71 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	
	2010-11 £000	2011-12 £000	2010-11 £000	2011-12 £000
Comprehensive Income and Expenditure Statement				
Cost of Services:				
• current service cost	0	0	2,948	2,960
• past service costs	(34)	0	(5,637)	0
• settlements and curtailments	616	800	925	2,495
Financing and Investment Income and Expenditure				
• interest cost	30	58	4,304	4,463
• expected return on scheme assets	0	0	(3,243)	(3,786)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	612	858	(703)	6,132
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement				
• actuarial gains and losses	14	1,681	1,766	2,333
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	626	2,539	1,063	8,465
Movement in Reserves Statement				
• reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(507)	(703)	3,748	(3,361)
Actual amount charged against the General Fund Balance for pensions in the year:				
• employers' contributions payable to scheme	105	155	3,045	2,771

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	
	2010-11 £000	2011-12 £000	2010-11 £000	2011-12 £000
1 April	586	1,107	73,616	80,521
Current service cost	0	0	2,948	2,960
Past service costs	(34)	0	(5,637)	0
Curtailments	616	800	925	2,495
Settlements	0	0	0	0
Interest cost	30	58	4,304	4,463
Actuarial gains and losses	14	1,681	3,538	(12,212)
Contributions by scheme participants	0	0	932	840
Benefits paid	(105)	(124)	(105)	(2,587)
31 March	1,107	3,522	80,521	76,480

Reconciliation of fair value of the scheme assets:

	Local Government Pension Scheme Unfunded Benefits		Local Government Pension Scheme Total Benefits	
	2010-11	**2011-12**	**2010-11**	**2011-12**
	£000	**£000**	**£000**	**£000**
1 April	0	0	46,246	55,133
Expected rate of return	0	0	3,243	3,786
Curtailments/Settlements	0	0	0	0
Actuarial gains and losses	0	0	1,772	(9,879)
Employer contributions	105	124	3,045	2,771
Contributions by scheme participants	0	0	932	840
Benefits paid	(105)	(124)	(105)	(2,587)
31 March	0	0	55,133	50,064

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 2011-12 was £0.724m (2010-11: £5.015m).

Police Pension Scheme

	Police Pension Scheme 2010-11 £000	Police Pension Scheme 2011-12 £000
Comprehensive Income and Expenditure Statement		
Cost of Services:		
• current service cost	15,567	15,628
• past service costs	(54,822)	0
• settlements and curtailments	0	0
Financing and Investment Income and Expenditure		
• interest cost	38,453	35,937
• expected return on scheme assets	0	0
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	(802)	51,565
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
• actuarial gains and losses	(3,291)	0
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(4,093)	51,565
Movement in Reserves Statement		
• reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	16,668	(33,127)
Actual amount charged against the General Fund Balance for pensions in the year:		
• employers' contributions payable to scheme		
• retirement benefits payable to pensioners	15,866	18,438

Liabilities in Relation to Post Employment Benefits

Reconciliation of present value of the scheme liabilities:

	Police Pension Scheme 2010-11 £000	Police Pension Scheme 2011-12 £000
1 April	674,779	654,800
Current service cost	15,567	15,628
Past service costs	(54,822)	0
Curtailments	0	0
Settlements	0	0
Interest cost	38,453	35,937
Actuarial gains and losses	(3,291)	0
Contributions by scheme participants	5,763	5,605
Benefits paid	(21,649)	(24,043)
31 March	654,800	687,927

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

Scheme history

	2007-08 £000	2008-09 £000	2009-10 £000	2010-11 £000	2011-12 £000
Present value of liabilities:					
Local Government Pension Scheme	(57,088)	(45,766)	(73,616)	(80,521)	(76,480)
Police Pension Scheme	(557,741)	(458,299)	(674,779)	(654,800)	(687,927)
Fair value of assets:					
Local Government Pension Scheme	40,448	29,919	46,246	55,133	50,064
Total Scheme (Deficit)	**(574,381)**	**(474,146)**	**(702,149)**	**(680,188)**	**(714,343)**

The liabilities show the underlying commitments that the Force has in the long run to pay retirement benefits. The total liability of £764.4m has a substantial impact on the net worth of the Force as recorded in the Balance Sheet, less assets of £50.1m, resulting in a negative overall balance of £714.3m.

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	
	2010-11	2011-12	2010-11	2011-12
	%	%	%	%
Long term expected rate of return on assets in the scheme				
Equity Investments	7.5	7.0	0	0
Government Bonds	4.4	3.1	0	0
Other Bonds	5.1	4.1	0	0
Property	6.5	6.0	0	0
Cash/Current Assets	0.5	0.5	0	0
Longevity at 65 for current pensioners				
Men	22.2	22.3	0	0
Women	24.2	25.3	0	0
Longevity at 60 for current pensioners				
Men	0	0	26.8	26.9
Women	0	0	29.1	29.1
Longevity at 65 for future pensioners				
Men	23.2	24.6	0	0
Women	25.1	27.7	0	0
Longevity at 60 for future pensioners				
Men	0	0	28.4	28.5
Women	0	0	30.7	30.8
Rate of inflation (CPI)	3.0	2.5	3.0	2.5
Rate of increase in salaries	5.25	4.25	4.75	4.35
Rate of increase in pensions	3.5	2.5	3.0	2.6
Rate for discounting scheme liabilities	5.6	4.9	5.5	5.1
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 £2.092m for the Fund as a whole at 31 March 2012 (£2,207m at 31 March 2011).

The Fund is made up of the following assets:

	31 Mar 2010 % of fund	31 Mar 2011 % of fund	31 Mar 2012 % of fund
Equities	74.0	79.6	81.5
Government Bonds	4.5	4.8	7.0
Other Bonds	4.5	3.0	2.9
Property	9.0	5.6	6.4
Cash/Current Assets	3.0	2.7	2.2
Other	5.0	4.3	0.0
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

	2007-08		**2008-09**		**2009-10**		**2010-11**		**2011-12**	
	£m	**%**	**£m**	**%**	**£m**	**%**	**£m**	**%**	**£m**	**%**
Differences between the expected and actual return on assets	3.80	9.4	16.10	54.0	10.17	22.0	1.77	3.2	(9.88)	(19.7)
Differences between actuarial assumptions about liabilities and actual experience	0.00	0.0	2.10	4.6	0.00	0.0	0.00	0.0	12.18	16.1
	3.80		**18.20**		**10.17**		**1.77**		**2.30**	

Police Officers

	2007-08		**2008-09**		**2009-10**		**2010-11**		**2011-12**	
	£m	**%**	**£m**	**%**	**£m**	**%**	**£m**	**%**	**£m**	**%**
Differences between actuarial assumptions about liabilities and actual experience	(1.50)	0.3	0.00	0.00	0.00	0.00	4.51	0.8	0.00	0.00
	(1.50)		**0.00**		**0.00**		**4.51**		**0.00**	

Future Payments

It is estimated that the Force will make payments amounting to £2.617m into the Local Government Pension Scheme in 2012-13 for Police Staff. It is also anticipated that the Force will make payments totalling £25.864m to retired Police Officers during 2012-13, however this will be offset by £5.638m 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	
	2010-11 £000	**2011-12 £000**
Comprehensive Income and Expenditure Statement		
Cost of Services:		
• current service cost	1,204	895
• past service costs	(2,342)	0
• settlements and curtailments	0	0
Financing and Investment Income and Expenditure		
• interest cost	2,051	1,572
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	913	2,467
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
• actuarial gains and losses	(7,640)	0
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(6,727)	2,467
Movement in Reserves Statement		
• reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(406)	(1,912)
Actual amount charged against the General Fund Balance for pensions in the year:		
• injury benefits payable to pensioners	507	555

Reconciliation of present value of the injury award liabilities:

	Police Injury Award Scheme	
	2010-11	2011-12
	£000	£000
1 April	35,638	28,404
Current service cost	1,204	895
Past service costs	(2,342)	0
Curtailments	0	0
Settlements	0	0
Interest cost	2,051	1,572
Actuarial gains and losses	(7,640)	0
Contributions by scheme participants	0	0
Benefits paid	(507)	(555)
31 March	28,404	30,316

Scheme history

	2008-09	2009-10	2010-11	2011-12
	£000	£000	£000	£000
Present value of liabilities:				
Police Injury Award Scheme	(22,313)	(35,638)	(28,404)	(30,316)

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	
	2010-11	2011-12
	%	%
Longevity at 65 for current pensioners		
Men	24.3	24.3
Women	26.4	26.5
Longevity at 65 for future pensioners		
Men	25.8	25.9
Women	28.0	28.1
Rate of inflation (CPI)	3.0	2.6
Rate of increase in salaries	4.75	4.35
Rate of increase in pensions	3.0	2.6
Rate for discounting scheme liabilities	5.5	5.1

Future Payments

It is estimated that the Force will make payments amounting to £0.555m during 2012-13 to Police Officers who have retired through ill heath 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.

2010-11 £000		**2011-12 £000**	**2011-12 £000**
	Contributions receivable -		
	Police Board -		
(13,564)	• Contributions based on 24.7% of pensionable pay	(13,307)	
(403)	• Early retirements	(75)	
(12)	• Other	(10)	
(5,834)	Officers' contributions	(5,687)	
(19,813)	Sub-total		(19,079)
(61)	Transfers in from other Police Forces		(56)
	Benefits payable:		
16,683	• Pensions	17,743	
5,178	• Commutations and lump sum retirement benefits	6,064	
50	• Lump sum death benefits	52	
21,911	Sub-total		23,859
	Payments to and on account of leavers:		
241	• Transfer values paid	341	
59	• Refunds of contributions to employees	32	
300	Sub-total		373
2,337	Sub-total for the year before transfer of an amount equal to the deficit to the Police Operating Account		5,097
(2,505)	Transfer of balance from earmarked element of General Fund		0
168	Amount payable to the Police Operating Account in respect of the surplus / deficit for the year		5,097
0	**Balance at 31 March**		**0**

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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 had no Contingent Liabilities as at 31 March 2012.

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 2012 amounted to £1.080m.

	Amount as at 31 Mar 2012 £000's (A)	Historical experience of default % (B)	Historical experience adjusted for market conditions as at 31 Mar 2012 % (C)	Estimated maximum exposure to default and uncollectability at 31 March 2012 £000 (A X C)	Estimated maximum exposure at 31 Mar 2011 £000
Deposits with bank	105	0	0	0	0
Short Term Investment	16,880	0	0	0	0
Debtors*	6,037	0.65%	0.65%	39	110
Total	**23,022**			**39**	**110**

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

The Force does not generally allow credit for customers, such that £0.617m of the £1.080m 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 2011 £000		31 March 2012 £000
832	Less than three months	552
15	Three to six months	5
40	Six months to one year	21
23	More than one year	39
910	**Total**	**617**

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, has in the past, borrowed from the Public Works Loan Board (PWLB) to finance capital expenditure. The current balance of loans outstanding amounts to £8.124M (2010-11: £8.124m), with an interest payment of £0.213m (2010-11: £0.211m) also due. All the loans have fixed interest rates, and are repayable upon set maturity dates.

The Force currently receives annual support from the Scottish Government and the 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:

2010-11 £000		2011-12 £000
0	Less than one year	0
0	Between one and two years	386
2,314	Between two and five years	2,791
5,810	More than five years	4,947
8,124	**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.

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 2012, 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:

2010-11 £000		2011-12 £000
0	Increase in interest payable on variable rate borrowings	0
176	Increase in interest receivable on variable rate investments	175

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.