CAMBRIDGESHIRE POLICE AUTHORITY STATEMENT OF ACCOUNTS 2011/12

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STATEMENT OF ACCOUNTS
2011/12

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Explanatory Foreword by the Treasurer

Introduction

This Statement of Accounts sets out the financial position of Cambridgeshire Police Authority ("the Authority") for the year ended 31st March 2012.

The Statement of Accounts has been produced in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12, supported by International Financial Reporting Standards (IFRS) and the publication of the Statement is required under the Accounts and Audit Regulations 2011.

The Statement of Accounts

The core statement of accounts are supported by a Statement of Accounting Policies and explanatory notes follow each statement.

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

The 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 funded from local taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

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

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

The Authority is required to maintain a Pensions Account in order to discharge its responsibility for paying the pension of retired officers and their survivors and to account to the Home Office as sponsoring department for police pensions funding.

Financial Performance

The Authority approved a budget for the year of £130.5m. No council tax increase was necessary as the government offered a council tax freeze grant (£1.2m) equivalent to a 3% council tax increase. The grant was offered for a 4 year period and, all other things being equal, the council tax will have to be raised by an extra 3% in 2015/16 or additional cuts of £1.2m will have to be found. At the end of the year, spending (before accounting adjustments) was £123.7m, an underspend of £6.8m. More information on this underspending can be found in the Reserves and Revenue Provisional 2011/12 Outturn Report presented to the Finance and Resources Committee on 21st June 2012.

Capital expenditure on buildings, vehicles and information and communications technology amounted to £3.9m. This was financed by grant (£1.1m), revenue contributions (£1.3m), and capital receipts/reserves (£1.5m). 55% of the budgeted capital programme was achieved.

The Authority's Balance Sheet shows a liability of £950.2m, this is primarily due to the liabilities of the defined pension schemes (£990.0m). See Note 38 for more details.

Reserves

Total (useable) reserves at the 31st March 2012 are £26.2m of which £19.1m are earmarked for specific purposes. Of the remainder, the General Fund Balance, held as a working balance and general contingency, is £7.0m (about 5.5% of the Net Budget Requirement for 2012/13 and above the 2% to 4% target range approved by the Authority), and the Capital Receipts Reserve, which holds the receipts generated from the disposal of non-current assets, which are restricted to being applied to finance new capital investment or to reduce indebtedness, is £0.1m.

Medium Term

2011/12 is the first year of the Government's Spending Review period 2011/15. In this timeframe central funding will be reduced by around 20%, requiring significant cuts to be made. £6m was found to balance 2010/11 and a further £6m to balance 2011/12. The austerity measures are likely to continue through the next Spending Review Period and cuts of around £8.5m are required over the period between April 2013 to March 2016.

Thus far the Authority and Chief Constable have been able to protect Local Policing and are working with our Strategic Alliance partners (Bedfordshire and Hertfordshire) to achieve savings by collaborating on other operational policing activities and organisational support services. The latter is likely to mean significant change for the service over the next year or two.

In November 2012, as a consequence of the Police Reform and Social Responsibility Act 2011, 41 Police Authorities in England and Wales, including Cambridgeshire, will be abolished and replaced by locally elected Police and Crime Commissioners. This will be a fundamental change but it is believed that the new Commissioner will be well placed to face these challenges in that Cambridgeshire's financial management is recognised as being strong, its reserves are healthy and there is a good record of delivering savings whilst maintaining performance.

Further Information

Further information about the accounts is available from the Police Authority Treasurer or the Constabulary's Director of Finance and Resources.

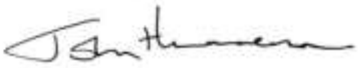
The Authority publishes a number of important documents to inform the public about the work of both the Police Authority and the Constabulary. These can be viewed and downloaded from the Authority's website: www.cambs-pa.gov.uk.

You can also write to the Authority's Chief Executive at

Cambridgeshire Police Authority
Hinchingbrooke Park
Huntingdon
Cambridgeshire PE29 6NP
Tel: 0300 333 3456; Fax: 01480 425748;
Email: police.authority@cambs.pnn.police.uk

Thanks

Accounting regulations and new legislation continue to added further work and complexity to the accounts and I am extremely grateful to the Constabulary's Director of Finance and Resources, Niki Howard, to Neil Harries, Head of Finance and the Finance team for their hard work in preparing these accounts and support during the year.



John Hummersone CPFA

Treasurer to Cambridgeshire Police Authority

Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Treasurer;
- manage its affairs to secure the economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

The Treasurer's Responsibilities

The Treasurer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Treasurer has:

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

The Treasurer has also:

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

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Authority at 31st March 2012 and its income and expenditure for the year then ended.

John Hummersone CPFA

Treasurer to Cambridgeshire Police Authority

2nd November 2012

Completion of the Approval Process by the Authority

In accordance with the requirements of s8 of the Accounts and Audit Regulations 2011, I confirm that the Statement of Accounts was approved by a resolution of the Interim Audit Committee of the Cambridgeshire Police Authority on 18th September 2012.

Ruth Rogers

Chairman of Cambridgeshire Police Authority

18th September 2012

Movement in Reserves Statement

	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	**Total Usable Reserves** £000	Unusable Reserves £000	**Total Authority Reserves** £000
Balance at 31 March 2010	**4,780**	**7,443**	**27**	**12,250**	**(996,047)**	**(983,797)**
Movement in reserves during 2010/11						
Surplus on provision of services	63,432	-	-	63,432	-	63,432
Other Comprehensive Expenditure and Income	-	-	-	-	58,138	58,138
Total Comprehensive Expenditure and Income	**63,432**	**-**	**-**	**63,432**	**58,138**	**121,570**
Adjustments between accounting basis & funding basis under regulations (note 6)	(57,590)	-	39	(57,551)	57,551	-
Net Increase before Transfers to Earmarked Reserves	**5,842**	**-**	**39**	**5,881**	**115,689**	**121,570**
Transfers to/(from) Earmarked Reserves (note 7)	(5,842)	5,842	-	-	-	-
Increase in 2010/11	**-**	**5,842**	**39**	**5,881**	**115,689**	**121,570**
Balance at 31 March 2011 carried forward	**4,780**	**13,285**	**66**	**18,131**	**(880,358)**	**(862,227)**
Movement in reserves during 2011/12						
Deficit on provision of services	(39,436)	-	-	(39,436)	-	(39,436)
Other Comprehensive Expenditure and Income	-	-	-	-	**(48,558)**	(48,558)
Total Comprehensive Expenditure and Income	**(39,436)**	**-**	**-**	**(39,436)**	**(48,558)**	**(87,994)**
Adjustments between accounting basis & funding basis under regulations (note 6)	**47,514**	-	-	47,514	**(47,514)**	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**8,078**	**-**	**-**	**8,078**	**(96,072)**	**(87,994)**
Transfers to/(from) Earmarked Reserves (note 7)	**(5,857)**	**5,857**	-	-	-	-
Increase/(Decrease) in 2011/12	**2,221**	**5,857**	**-**	**8,078**	**(96,072)**	**(87,994)**
Balance at 31 March 2012	**7,001**	**19,142**	**66**	**26,209**	**(976,430)**	**(950,221)**

Comprehensive Income and Expenditure Statement

2010/11 Gross Expenditure £000	2010/11 Gross Income £000	2010/11 Net Expenditure £000		2011/12 Gross Expenditure £000	2011/12 Gross Income £000	2011/12 Net Expenditure £000
			Police Services			
74,681	(7,732)	66,949	Local policing	**61,976**	**(5,561)**	**56,415**
15,083	(520)	14,563	Dealing with the Public	**13,155**	**(66)**	**13,089**
8,789	(1,452)	7,337	Criminal Justice	**8,423**	**(1,065)**	**7,358**
7,897	(1,422)	6,475	Road Policing	**6,901**	**(2,082)**	**4,819**
8,759	(457)	8,302	Specialist Operations	**8,703**	**(309)**	**8,394**
9,413	(376)	9,037	Intelligence	**8,365**	**(86)**	**8,279**
12,409	(709)	11,700	Specialist Investigations	**15,833**	**(2,208)**	**13,625**
4,667	(423)	4,244	Investigative Support	**5,915**	**(1)**	**5,914**
4,136	(2,415)	1,721	National Policing	**2,839**	**(2,082)**	**757**
145,834	(15,506)	130,328		**132,110**	**(13,460)**	**118,650**
			Central Services			
1,475	-	1,475	The Corporate and Democratic Core	**1,446**	**-**	**1,446**
(117,693)	-	(117,693)	Non Distributed Costs	**229**	**-**	**229**
100	-	100	Non-Distributed Costs - Other	**-**	**-**	**-**
(116,118)	-	(116,118)		**1,675**	**-**	**1,675**
29,716	(15,506)	14,210	**Net Cost of Services**	**133,785**	**(13,460)**	**120,325**
730	-	730	Other Operating Expenditure (note 8)	**94**	**-**	**94**
58,084	(5,183)	52,901	Financing and Investment Income and Expenditure (note 9)	**55,763**	**(5,323)**	**50,440**
-	(131,273)	(131,273)	Taxation and Non-Specific Grant Income (note 10)	**-**	**(131,423)**	**(131,423)**
88,530	(151,962)	(63,432)	**(Surplus) or Deficit on Provision of Services (note 26)**	**189,642**	**(150,206)**	**39,436**
		(681)	(Surplus) or deficit on revaluation of fixed assets			**(1,229)**
		(57,457)	Actuarial (gains)/losses on pension assets/liabilities			**49,787**
		(58,138)	Other Comprehensive Income and Expenditure			**48,558**
		(121,570)	Total Comprehensive Income and Expenditure			**87,994**

Balance Sheet

31 March 2011 £000	31 March 2011 £000		Notes	31 March 2012 £000	31 March 2012 £000
49,665		Property, Plant and Equipment	**11**	**48,429**	
156		Intangible Assets	**12**	**58**	
	49,821	**Long Term Assets**			48,487
-		Assets Held for Sale	**14**	**1,337**	
219		Inventories		**528**	
7,701		Short Term Debtors	**16**	**10,426**	
6,631		Cash and Cash Equivalents	**17**	**6,174**	
	14,551	**Current Assets**			18,465
(10,391)		Short Term Borrowing	**15**	**(5,622)**	
(9,505)		Short Term Creditors	**18**	**(9,224)**	
-		Grants Receipts in Advance - Capital	**19**	**(370)**	
	(19,896)	**Current Liabilities**			(15,216)
(1,215)		Provisions	**20**	**(740)**	
(11,370)		Long Term Borrowing	**15**	**(11,152)**	
(30)		Long Term Creditors	**37**	**(30)**	
(894,088)		Other Long Term Liabilities	**38**	**(990,035)**	
	(906,703)	**Long Term Liabilities**			(1,001,957)
	(862,227)	**Net Liabilities**			(950,221)
	(18,131)	Usable Reserves			**(26,209)**
	880,358	Unusable Reserves	**22**		**976,430**
	862,227	**Net Reserves**			**950,221**

Cash Flow Statement

2010/11 £000		2011/12 £000
63,432	Net surplus/(deficit) on the provision of services	**(39,436)**
(54,581)	Adjust net (deficit) or surplus on the provision of services for non cash movements	**48,102**
8,851	Net cash flows from Operating Activities (note 23)	**8,666**
(5,298)	Investing Activities (note 24)	**(4,137)**
5,157	Financing Activities (note 25)	**(4,986)**
8,710	Net increase/(decrease) in cash and cash equivalents	**(457)**
(2,079)	Cash and cash equivalents at the beginning of the reporting period	**6,631**
6,631	Cash and cash equivalents at the end of the reporting period	**6,174**

Notes to the Accounts

1. Accounting Policies

General Principles

The Statement of Accounts summarises the Authority's transactions for the 2011/12 financial year and its position at the 31 March 2012. The Authority is required to prepare an annual Statement of Accounts by the Local Government Act 2003, which specify preparation in accordance with proper accounting practices. These practices comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the Best Value Accounting Code of Practice 2011/12, supported by International Financial Reporting Standards (IFRS).

The Statement of Accounts has been prepared with reference to:

- The objective of providing information about the financial position, performance and cash flows in a way that meets the 'common needs of most users'
- The following qualitative characteristics:
    - Understandability
    - Relevance
    - Materiality
    - Reliability
    - Comparability.

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. Accounting policies are reviewed annually and have been applied consistently, as appropriate.

Accruals of Income and Expenditure

Items of income and expenditure are accounted for in the year to which they relate. Payments may be made, or receipts received, in the year prior or subsequent to the current year. This means that all material sums due to or from the Authority during the year are included in the accounts whether or not the cash has actually been paid or received in the year.

Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date of supplies and their consumption, they are carried as inventories on 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 has 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.

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 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 Authority's cash management arrangements.

Exceptional Items

When items of income and expenditure 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 Authority's financial performance.

Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

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

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

Charges to Revenue for Non-Current Assets

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

- Depreciation attributable to the asset 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; and
- Amortisation of intangible assets attributable to the service.

The Authority is not required to raise council tax to cover depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the revenue provision in the General Fund Balance by way of an adjusting transaction within the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Employee Benefits

<u>Benefits Payable During Employment</u>

Short-term employee benefits (those that fall due wholly within 12 months of the year end), such as wages and salaries, paid annual leave and paid sick leave, bonus and non-monetary benefits (e.g. cars) for current employees, are recognised as an expense in the year in which employees render service to the Authority. An accrual is made against services in the Surplus or Deficit on the Provision of Services for the cost of holiday entitlements and other forms of leave earned by employees but not taken before the year end and which employees can carry forward into the next financial year. The accrual is made at the remuneration rates applicable in the following financial year. Any accrual made is required under statute to be reversed out of the General Fund Balance by a credit to the Accumulating Compensated Absences Adjustment Account in the Movement in Reserves Statement.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to either terminating the employment of an employee or group of employees or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority 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 termination benefits relating to pensions enhancements 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 Authority participates in three defined benefit pension schemes: the Police Pension Scheme (PPS) for police officers in service before 31st March 2006, the New Police Pensions Scheme (NPPS) for officers starting service on or after 1st April 2006 and the Local Government Pension Scheme for Police Staff (LGPS). Pension contributions and further costs that arise in respect of certain pensions paid to retired employees on an unfunded basis are charged to the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement (as appropriate).

Injury Awards paid under both Police Pension Schemes are disclosed separately. These payments are unfunded and are paid directly by the Authority. Injury awards are subject to the same treatment as the Police Pension Schemes, with the movement on the liability being attributable to any change in interest costs and actuarial gains/losses. New injury awards are shown as past service costs in the year which they are made.

The PPS and the NPPS are unfunded schemes and have no attributable assets.

The LGPS is a funded scheme and as such the assets of the scheme are attributable to the Authority and are included in the Balance Sheet at their fair value as follows:

- Quoted securities – current bid price;
- Unquoted securities – an estimate of fair value;
- Unitised securities – average of the bid and offer price;
- Property – open market value or other basis determined in accordance with the Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Manual and Practice Statements;
- Insurance policies matching the amount and timing of benefits payable under the scheme – amount of the related obligations; and
- Other insurance policies – a method giving the best approximation of fair value given the circumstances of the scheme.

Scheme assets include current assets, such as debtors and cash, as well as the investment portfolio. Accrued expenses and other current liabilities (such as fees payable to fund managers) are deducted from the net asset/liability. All scheme assets are held and monitored by Cambridgeshire County Council LGPS (the administrator); further information can be seen within their statement of accounts for 2011/12.

Liabilities largely comprise benefits promised under the formal terms of the pension scheme. Scheme liabilities are measured using the projected unit method. This method examines all the benefits for pensioners and deferred pensioners and their dependants and the accrued benefits for current members of the scheme, making allowance for projected scheme member earnings.

The change in the net pensions liability is analysed over the following headings:

Current Service Cost

This is the increase in liabilities as a result of years of service earned in the current year, allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.

Interest Cost

This is the expected increase in the present value of liabilities accrued during the year as they move one year closer to being paid. Interest cost is charged to Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Expected Return on Assets

This is a measure of the estimated return (income from dividends, interest, etc.) on the investments held by the scheme for the year. It is not intended to reflect the actual realised return by the scheme, but an estimate at the beginning of the financial year of the long-term future expected investment return for each asset class. The expected return on assets is credited to Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

The expected return is based on:

- for quoted corporate or government bonds – application of the current redemption yield at the start of the year to the market value of bonds held; and
- for other assets (especially equities) – application of the rate of return expected for each significant class of assets over the long–term at the beginning of the year to the fair value of assets held.

Actuarial Gains and Losses

This element arises where actual events have not coincided with the actuarial assumptions made for the last valuation (known as experience gains and losses) or the actuarial assumptions have been updated. For instance, there may have been an unexpectedly high pay award in the year, or new research might alter assumptions about general levels of mortality. Actuarial gains and losses are recognised in the Pension Reserve.

Past Service Costs

These arise from decisions taken in the current year, but whose financial effect is derived from years of service earned in earlier years. For instance, if scheme regulations were amended to increase the multiplier derived from years of service applied to final salaries in calculating pensions, total liabilities would rise but the majority of this rise would not relate to employee activity in the current year. It is therefore presented separately from the Current Service Cost and is charged to Non-Distributed Costs in the Comprehensive Income and Expenditure Statement.

Settlements and Curtailments

These are events that change pensions liabilities but are not normally covered by actuarial assumptions.

Settlements are irrevocable actions that relieve the employer of the primary responsibility for pensions obligations (e.g. the transfer of scheme assets and liabilities relating to a group of employees moving to another scheme).

Curtailments are events that reduce the expected years of future service of present employees or reduce for a number of employees the accrual of defined benefits for some or all of their future service (e.g. closing a service unit of the Authority).

Gains or losses on settlements and curtailments are debited to Non-Distributed Costs in the Comprehensive Income and Expenditure Statement.

Contributions paid to defined benefit schemes

This is the cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as a separate expense.

Actual amount charged against the General Fund Balance for pensions in the year

Revenue charges in respect of current and past service costs, interest costs and the expected return on assets are reversed in order that actual employer's contributions and retirement benefits payable are recognised in the General Fund Balance. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pension Reserve to remove notional debits and credits 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 Pension Reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

Events After the Balance Sheet Date

Events after the Balance Sheet date 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.

Financial Assets

Financial assets are divided into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market; and
- 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 when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual credits to the Financing and Investing income and expenditure line in Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective interest rate for the instrument. For most of the loans made by the Authority this means that the amount carried in the Balance

Sheet is the outstanding principal receivable (plus accrued interest) and the 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 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 or losses that arise on the de-recognition of the asset are credited / debited to the Comprehensive Income and Expenditure Statement.

Available-for-Sale Assets

The Authority does not hold any available-for-sale assets.

Financial Liabilities

Financial liabilities are recognised when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to Financing and Investing 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 Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and the interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

Gains or losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investing Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as a 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 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 Authority has a policy of spreading the gain / loss over the term that was remaining on the loan against which the premium was payable or the 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 a Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Government Grants and Contributions

Government grants and contributions are accounted for on an accruals basis and credited when the conditions for their receipt have been complied with and there is a reasonable assurance that the grant or contribution will be received. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset received in the form of 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.

Specific revenue grants are credited within the Net Cost of Services where they are matched with the expenditure to which they relate. Grants to cover general expenditure are credited to the 'Taxation and Non-Specific Grant Income' line in the Comprehensive Income and Expenditure Statement as a source of finance.

Grants and contributions towards property, plant and equipment are credited to the Comprehensive Income and Expenditure Statement once their conditions have been satisfied and then 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 Account. Where it has been applied, it is posted to the Capital Adjustment Account. Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors.

Heritage Assets

The Constabulary has assembled a collection of policing and policing related memorabilia consisting of historic uniforms, accoutrements and assorted artefacts of interest in a policing context. Articles have been donated by retired and retiring Police Officers and other interested parties. The nature of the collection is such that the Authority does not consider it practicable to obtain a valuation and consequently the assets are not recognised in the Balance Sheet. Further information on the collection is given in Note 13 to the accounts.

Intangible Assets

Expenditure on assets that do not have a physical substance but are identifiable and are controlled by the Authority (e.g. software licences) and bring benefits to the Authority for more than one financial year, are capitalised in the first year of the project. The balance is amortised to the Comprehensive Income and Expenditure Statement over the economic life of the asset to reflect the pattern of consumption of benefits. In most cases it is assumed that software will have an economic life of 5 years.

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible assets held by the Authority meet this criterion, and are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the Police Services line in 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 posted to the Police Services line in 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. Therefore, gains and losses are reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Inventories and Works in Progress

Inventories are valued at the lower of cost or net realisable value in the Balance Sheet. A valuation of Inventories and Works in Progress is undertaken annually.

Jointly Controlled Operations

Jointly controlled operations are activities undertaken by the Authority in conjunction with other ventures that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Authority recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and credits and debits the Comprehensive Income and Expenditure Statement with the income and expenditure it receives or incurs. Jointly controlled operations undertaken by the Authority are in relation to a pooled budget arrangement with five other eastern forces for the provision of tackling organised crime and in relation to the units collaborated with Bedfordshire and Hertfordshire Police Authorities (see note 29).

Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risk and rewards attributable to ownership of the property, plant or equipment 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.

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the service benefitting from use of the leased property, plant and equipment. Charges are made on a straight-line basis over the life of the lease; even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

Property, plant and equipment held under finance leases are recognised on the Balance Sheet at the commencement of the lease at fair value measured at the inception of the lease (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a corresponding liability representing the Authority's obligation to the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the period in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant and equipment – applied to write down the lease liability; and
- a finance charge debited to the Comprehensive Income and Expenditure Statement.

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

The Authority is not required to raise council tax 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 revaluation 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.

Overheads and Support Services

The costs of overheads and support services are charged to those services benefiting from the supply applying the total absorption costing principal in accordance with the CIPFA Service Reporting Code of Practice 2011/12 (SeRCOP). This requires that the full cost of overheads and support services is shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Authority's status as a multi-functional, democratic organisation; and
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early.

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

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, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

All expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis in the accounts, provided that the asset yields benefit to the Authority for a period of more than one financial year. Any asset acquired for other than a cash consideration or where payment is deferred is included in the Balance Sheet at a fair value.

A de-minimis value of £10,000 for capitalising individual items has been adopted except for expenditure on vehicles which is always recorded on the property, plant and equipment register.

Measurement

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

- Operational land and properties and other operational assets are included in the Balance Sheet at fair value. Non-specialised operational properties are valued on the basis of "Existing Use Value" (EUV). Specialised operational properties are valued on the basis of "Depreciated Replacement Cost" (DRC) if market evidence of EUV is not available; and

- Non-operational land and properties and other non-operational assets, including investment properties and any assets surplus to requirements, are included in the Balance Sheet at the lower of net current replacement cost or net realisable value. This is normally open market value.

Assets that are included in the Balance Sheet at current value are revalued where there have been material changes in the value, but as a minimum every five years. In the years between formal valuations, the continuing appropriateness of fair values based on the previous valuation is assessed by reference to market trends and professional advice. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains or gains are credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to Police Services.

Where decreases in value are identified, the revaluation loss is accounted for as follows:

- 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 the balance; or

- Where there is no balance or insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

- 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.

All valuations are on a basis recommended by CIPFA and in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by RICS.

Valuations in 2011/12 have been carried out by the Authority's own valuer: Mr C Luscombe FRICS IRRV (Head of Estates and Facilities Management).

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 as follows:

- 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; or
- where there is no balance or insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is subsequently reversed, the reversal is credited to the relevant service line(s) in 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.

Non-current Assets Held for Sale

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 losses previously recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale, adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

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

Disposal

When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are then credited to the Comprehensive Income and Expenditure Statement, netting off 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.

Amounts in excess of £10,000 are categorised as Capital Receipts. These are credited to the Capital Receipts Reserve, and held until applied to finance new capital investment or set-aside to reduce the Authority'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 gain or loss on disposal of assets is not a credit or charge against council tax, and is appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

<u>Depreciation</u>

Depreciation is provided for all assets with a finite useful life, and is calculated using the straight-line method. The value of the asset (less any residual value) is depreciated over its useful life. Where an item of property, plant and equipment comprises two or more major components with substantially different useful economic lives, each component is treated separately for depreciation purposes. A de-minimis value has been adopted for components. Only components which are more than 20% of the value of the asset and are worth over £50,000 will be depreciated separately for assets valued over £200,000. Part provision may be made for newly acquired assets, unless acquired towards the end of the year. No provision is made for non-depreciable land and non-operational assets, or if the charge would be immaterial. Assets are depreciated on the basis shown in the Notes to the Core Statement of Accounts (Note 13 - Depreciation Methodologies). 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.

Provisions

Provisions are made where an event has taken place that gives the Authority an obligation to incur future expenses which are likely or certain to be incurred but the amount or timing of which cannot be determined accurately, but can be estimated reliably. These include provisions for bad and doubtful debts and the cost of meeting insurance claims falling below the Authority's policy excesses. Provisions are charged as an expense to the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation. When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

Reserves

Amounts set aside for purposes falling outside the definition of provisions are considered to be reserves. Reserves are created by appropriating amounts from the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed by a reserve is incurred, it is charged to the Net Cost of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back to the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

The Authority has set aside a number of revenue reserves and details of these are provided in the notes to the accounts. Reserves include earmarked reserves set aside for specific policy purposes and liabilities. Certain reserves can only be used for specific statutory purposes. The Revaluation Reserve, the Capital Adjustment Account and the Usable Capital Receipts Account are examples of such reserves.

Value Added Tax (VAT)

VAT is included in the Comprehensive Income and Expenditure Statement only to the extent that it is irrecoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

2. Accounting Standards that have been issued but have not yet been adopted

For 2011/12 the only accounting policy change that needs to be reported relates to amendments to IFRS7 *Financial Instruments: Disclosures (transfers of financial assets).* The relevant amendments are set out in the Appendix C Addendum to the 2011/12 CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. This is not relevant to the Authority.

3. Critical judgements in applying Accounting Policies

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. There is a high degree of uncertainty about future levels of funding for Police Authorities and their successors, Police and Crime Commissioners. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

4. Assumptions made about the future and other major sources of estimation uncertainty

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

The items in the Authority's Balance Sheet at 31 March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment (PPE)	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of an asset is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings increases by £27,000 for every year that useful lives are reduced.
	The value of the land and buildings is dependent upon a professional judgement based on information available at the time of making the valuation. Due to changes in economic conditions a valuation taken on a different date could potentially result in a different	Impossible to quantify as economic changes could lead to an increase or decrease in the value of PPE; however if the market moved by 1% this would have an impact of £331k on the net book value of land and buildings.

	valuation.	
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. We have engaged the Governments Actuary's Department to provide the Authority with expert advice about the assumptions to be applied for the Police Pension Schemes and Hymans Robertson LLP provides the same advice for the Police Staff Pension Scheme.	The effects on the net pension liability of changes in individual assumptions can be measured. However, the assumptions interact in complex ways. During 2011/12, the Authority's actuaries advised that the net pension liability had decreased by £14.54 m for Police Pension Schemes and £5.91m for Police Staff Pensions as a result of estimates being amended as a result of experience and decreased by £27.26m attributable to updated assumptions.

5. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Treasurer on 2nd November 2012. Events taking place after this date are not reflected in the statement of accounts or notes.

In November 2012, as a consequence of the Police Reform and Social Responsibility Act 2011, 41 Police Authorities in England and Wales, including Cambridgeshire, will be abolished and replaced by locally elected Police and Crime Commissioners. This will be a fundamental change but it is believed that the new Commissioner will be well placed to face future challenges in that Cambridgeshire's financial management is recognised as being strong, its reserves are healthy and there is a good record of delivering savings whilst maintaining performance.

Cambridgeshire Police Authority can be properly assessed as a going concern for the coming financial year based on, amongst others, the assumptions of its Medium Term Financial Strategy, its risk registers, funding sources and cash flow projections. All assets, liabilities and operations will be transferred to the Police and Crime Commissioner and the Chief Constable on 22 November 2012.

No other events taking place before this date provided information about conditions existing at 31 March 2012 for which the figures in the statement of accounts and notes needed to be adjusted in all material respects to reflect the impact of this information.

6. Movement in Reserves Statement – Adjustments between Accounting Basis and Funding Basis under Regulations

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

2010/11 Usable Reserves General Fund Balance £000	2010/11 Usable Reserves Earmarked General Fund Reserves £000	2010/11 Usable Reserves Capital Receipts Reserve £000	2010/11 Movement in Unusable Reserves £000		2011/12 Usable Reserves General Fund Balance £000	2011/12 Usable Reserves Earmarked General Fund Reserves £000	2011/12 Usable Reserves Capital Receipts Reserve £000	2011/12 Movement in Unusable Reserves £000
				Adjustments involving the Capital Adjustment Account:				
				Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
6,295	-	-	(6,295)	Charges for depreciation and impairment of non-current assets	4,306	-	-	(4,306)
805	-	-	(805)	Revaluation losses on property, plant and equipment	601	-	-	(601)
158	-	-	(158)	Amortisation of intangible assets	98	-	-	(98)
(1,500)	-	-	1,500	Capital grants and contributions that have been applied to capital financing	(1,115)	-	-	1,115
888	-	-	(888)	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	155	-	-	(155)
(85)	-	-	85	Use of the Major Capital Reserve to finance new capital expenditure	(1,273)	-	-	1,273

				Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
(742)	-	-	742	Capital expenditure charged against the General Fund	(293)	-	-	293
(1,015)	-	-	1,015	Statutory provision for the financing of capital investment	(1,055)	-	-	1,055
				Adjustments involving the Capital Receipts Reserve:				
(137)	-	137	-	Transfer of sales proceeds credited as part of the (loss)/gain on disposal to the Comprehensive Income and Expenditure Statement	(188)	-	188	-
	-	(98)	98	Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	(188)	188
				Adjustments involving the Pensions Reserve:				
(36,502)	-	-	36,502	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	76,179	-	-	(76,179)
(26,186)	-	-	26,186	Employer's pensions contributions and direct payments to pensioners payable in the year	(30,019)	-	-	30,019

				Adjustments involving the Collection Fund Adjustment Account:				
219	-	-	(219)	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	175	-	-	(175)
				Adjustment involving the Accumulating Compensated Absences Adjustment Account:				
212	-	-	(212)	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	(57)	-	-	57
(57,590)	-	39	57,551		47,514	-	-	(47,514)

7. Movement in Reserves Statement – Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2011/12.

	Balance 31 March 2010	2010/11		Balance 31 March 2011	2011/12		Balance 31 March 2012
		Added to Reserve	Applied		Added to Reserve	Applied	
	£000	£000	£000	£000	£000	£000	£000
Innovation Reserve	640	-	-	640	-	(16)	624
Carry Forward Underspending Reserve	1,266	1,206	(1,266)	1,206	1,990	(1,205)	1,991
Insurance Reserve	795	626	-	1,421	474	-	1,895
Ill-Health Retirement Reserve	627	-	-	627	-	-	627
Capital Reserve	2,842	4,861	(85)	7,618	4,563	(1,273)	10,908
Operational Maintenance Reserve	500	-	-	500	-	-	500
Collaboration Initiatives Reserve	-	500	-	500	850	-	1,350
Workforce Development Reserve	127	-	(127)	-	-	-	-
Recruitment Reserve	550	-	(550)	-	474	-	474
Reorganisation Reserve	-	677	-	677	-	-	677
Drug Forfeiture (Operational) Reserve	96	-	-	96	-	-	96
	7,443	7,870	(2,028)	13,285	8,351	(2,494)	19,142

Innovation

This reserve is maintained to pump prime schemes which may achieve savings in the medium term.

Carry Forward Underspending

Funds transferred to the Carry Forward Underspending Reserve are underspends attributable to revenue commitments that are to be applied in the coming year.

Insurance

The purpose of this reserve is to finance self-insured liabilities and the policy excesses that are not covered by external policies.

Ill-Health Retirement

This reserve is maintained to meet exceptional costs of ill-health retirements.

Capital

This reserve has been established to provide the Authority with future flexibility in capital financing.

Operational Maintenance

This reserve has been established to provide flexibility in financing urgent replacements of critical operational equipment.

Workforce Development

This reserve was required to finance the costs of organisational change.

Recruitment

This reserve has been established to finance short-term over recruitment of Police Officers in order to maximise resources to the front line.

Collaboration Initiatives Reserves

This reserve can provide the funding for any new systems required to enable effective collaboration with partners.

Reorganisation Reserve

The reserve will be used to finance redundancy costs and the capital (one-off lump sum payments to the Local Government Pension Scheme) costs of early retirement.

Drug Forfeiture (Operational) Reserve

Funds transferred to the Drug Forfeiture Reserve are amounts received from the courts, earmarked to fight drug crime.

8. Comprehensive Income and Expenditure Statement – Other Operating Expenditure

2010/11 £000		2011/12 £000
730	Losses on the disposal of non-current assets	94

9. Comprehensive Income and Expenditure Statement – Financing and Investment Income and Expenditure

2010/11 £000		2011/12 £000
554	Interest payable and similar charges	703
52,368	Pensions interest cost and expected return on pension assets (note 38)	49,810
(21)	Interest receivable and similar income	(73)
52,901		50,440

10. Comprehensive Income and Expenditure Statement – Taxation and Non-Specific Grant Income

2010/11 £000		2011/12 £000
(46,272)	Council tax income	(46,862)
(4,235)	Revenue Support Grant	(7,014)
(29,166)	Non-domestic rates	(22,693)
(50,100)	Non-ringfenced government grants	(53,739)
(1,500)	Capital grants and contributions	(1,115)
(131,273)		(131,423)

11. Property, Plant and Equipment

Movement in 2011/12

	Land and Buildings £000	IT and Comms £000	Plant and Equipment £000	Vehicles £000	Helicopter £000	Assets Under Construction £000	Total £000
Cost or valuation							
At 1 April 2011	33,842	15,778	4,253	6,929	1,060	8,440	70,302
Additions	681	224	163	80	-	2,786	3,934
Disposals	(27)	-	(19)	(456)	-	-	(502)
Reclassifications	2,530	4,502	43	57	-	(7,132)	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	134	-	-	-	-	-	134
Revaluation increases/(decreases) recognised in Surplus/Deficit on the Provision of Services	(826)	-	-	-	-	-	(826)
Assets reclassified (to)/from Held for Sale	(277)	-	-	-	(1,060)	-	(1,337)
At 31 March 2012	36,057	20,504	4,440	6,610	-	4,094	71,705
Accumulated depreciation							
At 1 April 2011	(3,010)	(10,949)	(2,792)	(3,869)	(17)	-	(20,637)
Charge for 2011/12	(1,066)	(1,739)	(561)	(738)	(202)	-	(4,306)
Disposals	2	-	12	333	-	-	347
Reclassifications	-	-	-	-	-	-	-
Revaluations depreciation written out to the Revaluation Reserve	1,095	-	-	-	-	-	1,095
Revaluations depreciation written out to Surplus/Deficit on the Provision of Services	6	-	-	-	219	-	225
At 31 March 2012	(2,973)	(12,688)	(3,341)	(4,274)	-	-	(23,276)
Net book value							
31 March 2012	33,084	7,816	1,099	2,336	-	4,094	48,429
31 March 2011	30,832	4,829	1,461	3,060	1,043	8,440	49,665

Comparative Movement in 2010/11

	Land and Buildings £000	IT and Comms £000	Plant and Equipment £000	Vehicles £000	Helicopter £000	Assets Under Construction £000	Total £000
Cost or valuation							
At 1 April 2010	31,315	13,495	3,749	7,215	3,500	8,964	68,238
Additions	190	10	180	997	-	3,631	5,008
Disposals	(510)	(4)	(39)	(1,283)	-	-	(1,836)
Reclassifications	1,495	2,277	363	-	-	(4,155)	(20)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	681	-	-	-	-	-	681
Revaluation increases/(decreases) recognised in Surplus/Deficit on the Provision of Services	671	-	-	-	(2,440)	-	(1,769)
At 31 March 2011	33,842	15,778	4,253	6,929	1,060	8,440	70,302
Accumulated depreciation							
At 1 April 2010	(950)	(8,841)	(2,164)	(3,924)	(375)	-	(16,254)
Charge for 2010/11	(2,342)	(2,111)	(635)	(874)	(333)	-	(6,295)
Disposals	9	3	7	929	-	-	948
Revaluations depreciation written out to Surplus/Deficit on the Provision of Services	273	-	-	-	691	-	964
At 31 March 2011	(3,010)	(10,949)	(2,792)	(3,869)	(17)	-	(20,637)
Net book value							
31 March 2011	30,832	4,829	1,461	3,060	1,043	8,440	49,665
32 March 2010	30,365	4,654	1,585	3,291	3,125	8,964	51,984

Depreciation

The following useful lives have been used in the calculation of depreciation on a straight line basis:

- Buildings – 20 to 60 years
- Vehicles – 3 to 7 years, depending on type
- Plant and Equipment – 5 years
- Helicopter – 8 years
- IT and Communications - 5 years

Land and assets under construction are not depreciated.

Capital Commitments

No significant (i.e. in excess of £500k) capital contracts had been entered into by the Authority at 31st March 2012 (31st March 2011 £nil).

Revaluations

The following statement shows the progress of the Authority's programme of revaluing of property, plant and equipment. Asset values are reviewed at 1 April each year in 5 yearly intervals in a rolling programme, or sooner where there is a material change in value in any year. In the years between formal valuations, the continuing appropriateness of fair values based on previous valuations is assessed by reference to market trends and professional advice. Land and building valuations in 2011/12 have been carried out by the Authority’s own valuer: Colin Luscombe FRICS IRRV (Head of Estates and Facilities Management) in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors. The helicopter valuation in 2011/12 has been carried out by Eastern Atlantic Helicopters Ltd. Valuations of all other items of plant and equipment are based on historical cost.

The basis for valuation of property, plant and equipment is set out in the Statement of Accounting Policies.

Intangible Assets	**Property, Plant & Equipment**					**Total**
Software Licenses	**Land and Buildings**	**IT and Comms**	**Plant and Equipment**	**Vehicles**	**Helicopter**	
1,086	-	20,504	4,440	6,610	-	32,640
						-
	5,835					5,835
-	14,275	-	-	-	1,060	15,335
	15,947					15,947
1,086	36,057	20,504	4,440	6,610	1,060	69,757

12. Intangible Assets

The Authority 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. Intangible assets are mainly purchased licenses.

All software is given a finite useful life of 5 years, in line with other IT and Communication Assets. The carrying amount of intangible assets is amortised on a straight-line basis. Amortisation of £98k (2010/11 £158k) is chargeable to Police Services in the Comprehensive Income and Expenditure Statement.

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

	2011/12	2010/11
	£000	£000
Balance at start of year:		
Gross carrying amount	1,086	1,066
Accumulated amortisation	(930)	(772)
Net carrying amount at start of year	156	294
Reclassifications from assets under construction	-	20
Amortisation for the period	(98)	(158)
Net carrying amount at end of year	58	156
Comprising:		
Gross carrying amount	1,086	1,086
Accumulated amortisation	(1,028)	(930)
	58	156

13. Heritage Assets

The Constabulary has assembled a collection of policing and policing related memorabilia consisting of historic uniforms, accoutrements and assorted artefacts of interest in a policing context. Articles have been donated by retired and retiring Police Officers and other interested parties. The collection comprises, broadly, 131 items of uniform, 503 items of equipment and effects ranging from truncheons to forged notes and radios and from exterior glass lamps to constabulary signage. The collection is not recognised in the Balance Sheet as, given the nature of the assets, the Authority does not consider it practicable to obtain a valuation. The collection is held at Police premises and options for displays are under consideration.

14. Assets Held for Sale

	Current	
	2011/12	2010/11
	£'000	£'000
Balance at 1 April	**-**	-
Assets newly classified as held for sale:		
- Land and buildings	**277**	-
- Helicopter	**1,060**	-
Balance at 31 March	**1,337**	-

15. Financial Instruments

Categories of Financial Instruments

	Long Term		Current	
	2012	2011	**2012**	2011
	£000	£000	**£000**	£000
Loans and Receivables	-	-	156	877
Total Debtors	-	-	156	877
Public Works Loan Board loans	11,152	11,370	622	10,391
Loans from other local authorities	-	-	5,000	-
Other liabilities	-	30	5,638	6,039
Cash Overdrawn	-	-	618	589
Total Creditors	11,152	11,400	11,878	17,019

There are no financial instruments disclosed in the Balance Sheet which would be categorised as financial liabilities at fair value through income and expenditure.

Income, Expense, Gains and Losses

	2011/12	
	Financial Liabilities: Measured at amortised cost	**Financial Assets: Loans and Receivables**
	£000	**£000**
Interest expense	703	-
Impairment losses	-	-
Total expense in surplus or (deficit) on the provision of services	703	-
Interest Income	-	(73)
Total income in surplus or (deficit) on the provision of services	-	(73)
Net gain/(loss) for the year	703	(73)

Fair Values of Assets and Liabilities

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

- the fair value of Public Works Loan Board loans as at 31 March 2012 has been calculated by reference to the premature payment set of interest rates in force on that day;
- the fair value of Public Works Loan Board loans as at 31 March 2011 has been calculated by reference to the premature payment set of interest rates in force on that day;
- estimated ranges of interest rates at 31 March 2012 of 1.96% to 2.41% for long term loans from the PWLB, based on new lending rates for equivalent loans at that date.
- no early repayment or impairment is recognised;
- the carrying amount of an instrument maturing within 12 months is assumed to approximate to its fair value; and
- the fair value of trade and other receivables is taken to be the invoiced or billed amount after making an allowance for impairment.

The carrying and fair values of financial liabilities carried at amortised cost and of loans and receivables are as follows:

	31 March 2012		31 March 2011	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
Financial liabilities at amortised cost:				
Public Works Loan Board Loans	(11,774)	(13,952)	(21,761)	(22,634)

The fair value on borrowing is greater than the carrying amount because the Authority's portfolio consists of a number of fixed rate loans where the interest payable is higher than the rates available for similar loans at the balance sheet date. All other financial liabilities and loans and receivables mature within 12 months and therefore their carrying values are assumed to approximate to their fair values.

16. Debtors

	2011/12	**2010/11**
	£000	**£000**
Central Government Bodies	**6,922**	2,841
Other Local Authorities	**1,142**	1,384
NHS Bodies	**-**	3
Other Entities and Individuals	**2,362**	3,473
	10,426	7,701

17. Cash and Cash Equivalents

	2011/12	**2010/11**
	£000	**£000**
Cash held by the Authority	**12**	15
Bank current accounts	**(618)**	(589)
Short term deposits	**6,780**	7,205
	6,174	6,631

18. Creditors

	2011/12	**2010/11**
	£000	**£000**
Central Government Bodies	**(2,298)**	(2,187)
Other Local Authorities	**(1,728)**	(1,845)
NHS Bodies	**(1)**	-
Public Corporations and Trading Funds	**(9)**	(83)
Other Entities and Individuals	**(5,188)**	(5,390)
	(9,224)	(9,505)

19. Grants Receipts in Advance – Capital

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

	2011/12
	£000
Department for Transport grant for 3D laser scanners project	**(83)**
National Police Improvement Agency grant for 3D laser scanners project	**(37)**
National Police Improvement Agency grant for case and custody system	**(250)**
	(370)

There were no grants received in 2010/11 for which the conditions had not been met.

20. Provisions

	Insurance	Insurance
	2011/12	2010/11
	£000	£000
Balance at 1 April	**1,215**	1,841
Amounts used in year	**(475)**	(626)
Balance at 31 March	**740**	1,215

Insurance

The balance at 31 March 2012 represents estimated outstanding claims under the 'excess' clauses of the Authority's employers' and public liability, motor and property insurance policies. The settlement of these claims is likely to be spread over a number of years. There are no amounts in respect of liabilities covered by the insurance provision that are expected to be subject to reimbursement from third parties.

21. Usable Reserves

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

22. Unusable Reserves

	2011/12	2010/11
	£000	£000
Revaluation Reserve	**2,323**	1,148
Capital Adjustment Account	**13,403**	14,585
Pensions Reserve	**(990,035)**	(894,088)
Collection Fund Adjustment Account	**(320)**	(145)
Accumulating Compensated Absence Adjustment Account	**(1,801)**	(1,858)
	(976,430)	(880,358)

Revaluation Reserve

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

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

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

	2011/12	2010/11
	£000	£000
Balance at 1 April	**1,148**	486
Upward revaluation of assets	**1,229**	746
Downward revaluation of assets not charged to the Surplus/Deficit on the Provision of Services	**-**	(65)
Difference between fair value depreciation and historical cost depreciation	**(54)**	(19)
Balance at 31 March	**2,323**	1,148

Capital Adjustment Account

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

The Account 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.

Note 6 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2011/12	2010/11
	£000	£000
Balance at 1 April	**14,585**	19,272
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non-current assets	**(4,306)**	(6,295)
Revaluation losses on Property, Plant and Equipment	**(601)**	(805)
Amortisation of intangible assets	**(98)**	(158)
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 Stateme	**(155)**	(888)
Revaluation gains written down in the year	**54**	19
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	**188**	98
Capital grants credited to the Comprehensive Income and Expense Statement that have been applied to capital financing	**1,115**	1,500
Use of the Major Capital Reserve to finance new capital expenditure	**1,273**	85
Statutory provision for the financing of capital investment charged against the General Fund	**1,055**	1,015
Capital expenditure charged against the General Fund	**293**	742
Balance at 31 March	**13,403**	14,585

Pension Reserve

The Pension Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pension for which it is directly responsible. The debit balance on the Pension Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid. The movements on the pensions liability have been disclosed in note 38.

	2011/12 £000	2010/11 £000
Balance at 1 April	**(894,088)**	(1,014,233)
Actuarial gains or losses on pensions assets and liabilities	**(49,787)**	57,457
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	**(76,179)**	36,502
Employer's pensions contributions and direct payments to pensioners payable in the year	**30,019**	26,186
Balance at 31 March	**(990,035)**	(894,088)

Collection Fund Adjustment Account

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

	2011/12 £000	2010/11 £000
Balance at 1 April	**(145)**	74
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	**(175)**	(219)
Balance at 31 March	**(320)**	(145)

Accumulating Compensated Absences Adjustment Account

The Accumulating Compensated Absences Adjustment Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2011/12 £000	2010/11 £000
Balance at 1 April	**(1,858)**	(1,646)
Amount by which employer 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	**57**	(212)
Balance at 31 March	**(1,801)**	(1,858)

23. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2010/11 £000		2011/12 £000
(21)	Interest received	(73)
544	Interest paid	703
523		630

24. Cash Flow Statement – Investing Activities

2010/11 £000		2011/12 £000
(5,495)	Purchase of Property, Plant and Equipment	(4,325)
197	Proceeds from the sale of property, plant and equipment	188
(5,298)		(4,137)

25. Cash Flow Statement – Financing Activities

2010/11 £000		2011/12 £000
20,100	Cash receipts from short term borrowing	5,215
-	Repayments of short term term loans	(10,000)
(14,943)	Repayments of long term loans	(201)
5,157		(4,986)

26. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Service Reporting Code of Practice.*

However, the Authority's resource allocation discussions are based on management accounts presented to the Police Authority which have a different basis of preparation. In particular:

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

The income and expenditure of the Authority as recorded in the management accounts for the year is as follows:

	Police Services £000 2011/12	**Police Services £000 2010/11**
Government Grants	**6,412**	11,237
Income from Fees and Charges	**3,288**	2,164
Total Income	**9,700**	13,401
Employee Expenses	**109,555**	112,548
Premises Expenses	**3,716**	3,851
Transport Expenses	**2,331**	2,207
Supplies and Services	**15,700**	18,208
Total Expenditure	**131,302**	136,814
Net Expenditure	**121,602**	123,413

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

The Authority does not report internally on asset and liability balances.

2011/12

	Police Services £000	Amounts not reported to management for decision making £000	Amounts not included in I&E £000	Corporate Accounts £000	Total £000
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Government Grants	6,412	(73)	-	84,561	90,900
Income from Fees and Charges	3,288	3,906	-	-	7,194
Income from council tax	-	-	-	46,862	46,862
Total Income	**9,700**	**3,833**	**-**	**131,423**	**144,956**
					-
Employee expenses	109,555	11,990	(14,690)	-	106,855
Premises	3,716	103	-	-	3,819
Transport	2,331	47	-	-	2,378
Supplies and services	15,700	1,730	(1,536)	-	15,894
Depreciation and Impairment of Fixed Assets	-	5,006	-	-	5,006
Loss on Disposal of Fixed Assets	-	-	-	-	-
Financing and investment Income and Expenditure	-	50,440	-	-	50,440
Total Expenditure	**131,302**	**69,316**	**(16,226)**	**-**	**184,392**
(Surplus) or deficit on the provision of services	**121,602**	**65,483**	**(16,226)**	**(131,423)**	**39,436**

2010/11

	Police Services £000	Amounts not reported to management for decision making £000	Amounts not included in Comprehensive Income and Expenditure Statement £000	Corporate Accounts £000	Total £000
Government Grants	11,237	(1,083)	-	85,001	95,155
Income from Fees and Charges	2,164	3,188	-	-	5,352
Income from Council Tax	-	-	-	46,272	46,272
Total Income	**13,401**	**2,105**	**-**	**131,273**	**146,779**
Employee Expenses	112,548	(98,087)	(14,830)	-	(369)
Premises	3,851	157	-	-	4,008
Transport	2,207	35	-	-	2,242
Supplies and Services	18,208	125	(1,758)	-	16,575
Depreciation and Impairment of Fixed Assets	-	7,260	-	-	7,260
Loss on Disposal of Fixed Assets	-	730	-	-	730
Financing and investment Income and Expenditure	-	52,901	-	-	52,901
Total Expenditure	**136,814**	**(36,879)**	**(16,588)**	**-**	**83,347**
(Surplus) or deficit on the provision of services	**123,413**	**(38,984)**	**(16,588)**	**(131,273)**	**(63,432)**

27. Police Authority Costs

The costs of the Police Authority are included with Constabulary costs in the Police Services line in note 26. The expenditure of the Police Authority for the year is as follows:

	Police Authority £000 2011/12	Police Authority £000 2010/11
Members' Allowances	**187**	192
Other Members' Costs	**29**	35
Executive Office Staffing Costs	**347**	329
Other Authority Running Costs	**276**	280
Total Police Authority Expenditure	**839**	836

28. Members' Allowances

The total amount of members' allowances and expenses paid during the 2011/12 financial year was £202,065 (2010/11 £210,655). Details of members' allowances are published by Cambridgeshire Police Authority and are available upon request.

29. Pooled Budgets

The Authority has entered into a pooled budget arrangement with the 5 other eastern forces for the provision of tackling organised crime.

The arrangement is between the forces of Bedfordshire, Cambridgeshire, Essex, Hertfordshire, Norfolk and Suffolk and the table below shows the percentage of expenditure attributable to each force.

Force	**2011/12 %**	2010/11 %
Bedfordshire	**18.6%**	10.8%
Cambridgeshire	**16.7%**	13.7%
Essex	**4.8%**	28.1%
Hertfordshire	**26.2%**	20.1%
Norfolk	**19.0%**	15.4%
Suffolk	**14.7%**	11.9%

Any surplus/deficit at the end of the year is shared on the percentages stated taking into account the income and capital expenditure meet by each force. The pooled budget is hosted by Hertfordshire Constabulary on behalf of the six forces in the agreement.

	2011/12 £'000	2010/11 £'000
Funding Provided to the pooled budget:		
Cambridgeshire	**914**	715
Other Forces	**4,520**	5,576
	5,434	6,291
Revenue expenditure met from the pooled budget		
Cambridgeshire	**918**	690
Other Forces	**4,563**	4,729
	5,481	5,419
Capital expenditure met from the pooled budget		
Cambridgeshire	**-**	95
Other Forces	**-**	656
	-	751
Net (deficit)/surplus arising on the pooled budget during the year	**(47)**	121
Cambridgeshire's share of the net surplus/ (deficit) arising on the pooled budget:		
Surplus at 1 April	**70**	-
Attributable (deficit)/surplus for the year	**(62)**	70
Surplus at 31 March	**8**	70

Bedfordshire, Cambridgeshire and Hertfordshire Collaborative Units – Jointly Controlled Operations

In addition, in 2011/12 Cambridgeshire Constabulary commenced participation in collaborative arrangements with Bedfordshire Police and Hertfordshire Constabulary and plans to participate in further existing and new arrangements in the future The collaborated units are jointly staffed and funded by the two or three forces as appropriate. The material benefits from working together include improved efficiency, effectiveness and resilience for each of the forces. The first collaborative unit was the Bedfordshire and Hertfordshire Major Crime Unit (B&HMCU) which became operational during November 2007. The table below sets out the aggregate income and expenditure on all collaborative units.

	2011/12 £'000	2010/11 £'000
Running costs	**50,904**	25,176
Set up costs	**150**	402
Total expenditure	**51,054**	25,578
Contributions:		
Bedfordshire Police	**(18,863)**	(10,218)
Cambridgeshire Constabulary	**(709)**	-
Hertfordshire Constabulary	**(31,482)**	(15,360)
(Surplus) / deficit for the year	**-**	-

30. Officers' Remuneration

The remuneration paid to the Authority's senior employee's is as follows:

		Salaries, fees & allowances £	Bonuses £	Expenses allowance £	Benefits in Kind £	Total Remuneration excluding pension contributions £	Employer's pension contributions £	Total Remuneration including pension contributions £
Chief Constable - Mr S Parr	**2011/12**	**157,822**	-	-	**367**	**158,189**	**32,201**	**190,390**
	2010/11	83,519	-	1,560	788	85,867	18,338	104,205
Chief Constable - Mrs J Spence	**2011/12**	-	-	-	-	-	-	-
	2010/11	68,416	-	877	910	70,203	13,531	83,734
Deputy Chief Constable	**2011/12**	**127,939**	-	-	**563**	**128,502**	**26,566**	**155,068**
	2010/11	120,953	-	-	2,265	123,218	26,292	149,510
Assistant Chief Constable	**2011/12**	**119,485**	-	-	-	**119,485**	**25,614**	**145,099**
	2010/11	112,601	-	-	2,257	114,858	25,311	140,169
Director of Finance & Resources *	**2011/12**	**89,433**	-	-	-	**89,433**	**14,130**	**103,563**
	2010/11	75,521	-	-	-	75,521	10,724	86,245
Director of People *	**2011/12**	-	-	-	-	-	-	-
	2010/11	153,898	-	-	-	153,898	10,206	164,104
Chief Executive **	**2011/12**	**89,300**		-	-	**89,300**	**14,109**	**103,409**
	2010/11	84,445	-	-	-	84,445	12,681	97,126
Treasurer †	**2011/12**	-	-	-	-	-	-	-
	2010/11	-	-	-	-	-	-	-

* Part-time in 2010/11
** Part-time
†The post of Treasurer was provided by a consultant at a cost of £74,825 in 2011/12 (2010/11 £80,993)

Mrs Spence retired with effect from 5 September 2010. Mr Parr was appointed Chief Constable with effect from 6th September 2010. The Director of People resigned with effect from 23 March 2011. The salaries, fees and allowances total of £153,898 includes a payment of £80,000 in connection with the cessation of employment.

31. Officers' Remuneration

The number of employees and senior police officers (being officers holding a rank above that of superintendent) whose remuneration, excluding employer's pension contributions, was £50,000 or more, in bands of £5,000, was as follows:

	2011/12	2010/11
£50,000 to £54,999	**3**	5
£55,000 to £59,999	**6**	7
£65,000 to £69,999	**5**	1
£70,000 to £74,999	**2**	2
£75,000 to £79,999	**-**	2
£80,000 to £84,999	**1**	4
£85,000 to £89,999	**4**	2
£90,000 to £94,999	**2**	-
£105,000 to £109,999	**-**	-
£110,000 to £114,999	**-**	1
£115,000 to £119,999	**1**	-
£120,000 to £124,999	**-**	1
£125,000 to £129,999	**1**	-
£140,000 to £149,999	**-**	1
£150,000 to £154,999	**-**	1
£155,000 to £159,999	**1**	-

The numbers above include the senior employees and relevant police officers disclosed in Note 30.

The numbers of exit packages with total cost per band and the total cost of redundancies agreed are set out below:

	Number of redundancies		**Total cost of exit packages**	
Exit package cost band	**2011/12**	2010/11	**2011/12**	2010/11
	No.	No.	**£'000**	£'000
£0 - £20,000	**30**	55	**237**	338
£20,001 - £40,000	**4**	10	**113**	256
£60,001 - £80,000	**1**	1	**61**	52

32. Audit Costs

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts.

	2011/12	2010/11
	£000	£000
Fees payable with regard to external audit services carried out by the appointed auditor	**75**	87

33. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2011/2012.

Credited to Taxation and Non-Specific Grant Income

Credited to Taxation and Non-Specific Grants

	2011/12	2010/11
	£'000	£'000
Police Grant	**53,739**	50,100
Precepts	**46,862**	46,272
Non-Domestic Rates Redistribution	**22,693**	29,166
Revenue Support Grant	**7,014**	4,235
Capital Grants	**1,115**	1,500
	131,423	131,273

Credited to Services

	2011/12	2010/11
	£'000	£'000
Community Support Officers	**3,706**	3,731
Council Tax Freeze Grant	**1,173**	-
Civil Disorder - Special Grant	**891**	-
Drug Testing on Charge	**233**	275
Counter Terrorism	**230**	310
Other Government Grants	**179**	233
Special Formula Grant	**-**	1,611
Crime Fighting Fund	**-**	2,394
National Extremism Tactical Coordination Unit	**-**	718
Basic Command Unit Fund	**-**	461
Cambridgeshire Criminal Justice Board	**-**	157
Tackling Knife Action Plan	**-**	140
Prison Liason Officers	**-**	125
	6,412	10,155

34. Related Parties

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

Central Government

Central government has significant influence over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that he Authority has with other parties. Grants received from government departments are set out in Note 33. Grant receipts outstanding at 31 March 2012 are shown in Notes 18 and 19.

Members

Members of the Authority have direct control over the Authority's financial and operating policies. The total of members' allowances paid in 2011/12 is shown in Note 28.

One member was a trustee of the Shrievalty Trust, a charity with which the Authority had dealings in the year (see below).

Officers

The Chief Constable and the Deputy Chief Constable have car loans from the Authority for £12,900 and £20,000 respectively at an interest rate of 0.5%. The amounts outstanding at 31st March 2012 were £9,388 and £14,318, respectively (31st March 2011 £12,364 and £19,149).

During the year, the Chief Constable and the Assistant Chief Constable were trustees of the Shrievalty Trust as was the Director of Finance and Resources (appointed 26th April 2011) - see below).

The post of Treasurer was provided by Mr John Hummersone on a consultancy basis at a cost of £74,825 (Note 30).

Cambridgeshire Police Authority Shrievalty Trust

The Cambridgeshire Police Shrievalty Trust is a charitable organisation supported by the Police Authority whose objective is to support efforts to "Create a Safer Cambridgeshire". Details of Members and Officers who were trustees throughout the period are set out below:

Member:	B Damazar
Officers:	S Parr, Chief Constable
	M Hopkins, Assistant Chief Constable
	N Howard, Director of Finance and Resources (from 26th April 2011)

In the year to 31 March 2012, the Authority had dealings with the Trust being a grant contribution of £40,000 (2010/11 £40,000), a donation of £5,000 to the "Bobby Scheme", a free service provided by the Trust for victims of burglary aged 60 or more, and a payment of £2,100 for the hire of premises at Alconbury Airport for use as a vehicle test track.

Other Public Bodies (subject to common control by central government)

The Authority has a pooled budget arrangement with the 5 other eastern police forces for the provision of tackling organised crime and further pooled budget arrangements with Bedfordshire Police and Hertfordshire Constabulary for the provision of a range of policing services. Transactions and balances outstanding are detailed in Note29.

The Authority participates in three pension schemes the Local Government Pension Scheme (LGPS) for Police Staff, the Police Pension Scheme (PPS) for Police Officers in service on or before 31st March 2006 and the New Police Pension Scheme (NPPS) for Police Officers starting service on or after 1st April 2006. All schemes are administered by Cambridgeshire County Council, see Note 38. for details of transactions and balances outstanding.

During the year the Authority made payments totalling £1,232k to the six local authorities for National Non-Domestic Rates Bills (2010/11 £1,184k).

35. Third Party Funds

Third Party Funds are monies administered, but not owned by the Authority. The Code of Practice requires that these funds are treated separately from the Authority's accounts and are excluded from the main Income and Expenditure Account and Balance Sheet.

Police Property Act

Under section 43 of the Powers of Criminal Courts Act 1973, the Authority is empowered to seize monies or property used, or intended for use, for the purpose of crime. These seized monies are held by the Authority, pending a decision by the Courts.

Misuse of Drugs Act

Section 27 of the Misuse of Drugs Act 1971 empowers Police Authorities to retain monies seized during investigations. The Courts may release property or monies to the Authority so that it is used to tackle drug related crime and drug abuse.

The amount held under the two Acts, as at 31st March 2012, was £301,669 (31st March 2011: £295,418).

36. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year 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 Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

	2011/12 £000	2010/11 £000
Opening Capital Financing Requirement	**34,120**	**32,506**
Capital Investment		
Property, Plant and Equipment	**3,934**	**5,008**
Source of Finance		
Capital Receipts	**(188)**	**(137)**
Government Grants	**(1,115)**	**(1,500)**
Sums set aside from revenue		
Direct revenue contributions	**(293)**	**(742)**
Transfer from Capital Reserve	**(1,273)**	**-**
Minimum Revenue Provision	**(1,055)**	**(1,015)**
Closing Capital Financing Requirement	**34,130**	34,120

	2011/12 £000	2010/11 £000
Explanation of movement in year		
Increase in underlying need to borrowing (supported by government financial assistance)	**-**	**834**
Increase in underlying need to borrowing (unsupported by government financial assistance)	**401**	**1,267**
(Decrease) in Creditors	**(391)**	**(487)**
	10	1,614

37. Leases

Finance Leases

The Authority has acquired a number of building assets under finance leases.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts.

	2011/12 £000	2010/11 £000
Land and Buildings	**751**	766

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

	31 March 2012 £000	31 March 2011 £000
Finance lease liabilities (net present value of minimum lease payments):		
non-current	**30**	30
Finance costs payable in future years	**168**	170
Minimum lease payments	**198**	200

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2012 £000	31 March 2011 **£000**	**31 March 2012** £000	31 March 2011 £000
Not later than one year	**3**	3	**-**	-
Later than one year and not later than five years	**10**	10	**-**	-
Later than five years	**185**	187	**30**	30
	198	200	**30**	30

Operating Leases

The Authority has acquired a number of buildings under operating leases.

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

	31 March 2012 £000	31 March 2011 £000
Not later than one year	**164**	189
Later than one year and not later than five years	**484**	547
Later than five years	**255**	345
	903	1,081

The expenditure charged to the Police Services line in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £190k (2010/11 308k).

38. Retirement Benefits

Participation in Pension Schemes

As part of the terms and conditions of employment of its Police Officers and Police Staff, the Authority offers retirement benefits which are normally payable on retirement. The Authority, however, is required to disclose its commitment to pay future retirement benefits as those benefits are earned by officers or employees.

The Authority participates in three pension schemes:

i) the Local Government Pension Scheme (LGPS) for Police Staff, administered by Cambridgeshire County Council. This is a defined benefit, funded scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets; and

ii) the Police Pension Scheme (PPS) for Police Officers in service on or before 31st March 2006 and the New Police Pension Scheme (NPPS) for Police Officers starting service on or after 1st April 2006. Both schemes are defined benefit, unfunded schemes, administered by Cambridgeshire County Council, meaning that there are no investment assets built up to meet the pension liabilities and that cash has to be generated to meet actual pensions payments as they eventually fall due. Injury Awards paid under both Police Pension Schemes are disclosed separately. These payments are unfunded and are paid directly by the Authority. Injury awards are subject to the same treatment as the Police Pension Schemes, with the movement on the liability being attributable to any change in interest costs and actuarial gains/losses. New injury awards are shown as past service costs in the year which they are made.

Transactions relating to post employment benefits

The costs of retirement benefits are recognised in the Net Cost of Services when they are earned by staff rather than when the benefits are actually paid as pensions. However, the charge required to be made against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Comprehensive Income and Expenditure Statement via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	2011/12 PPS £000	2011/12 NPPS £000	2011/12 Injury Awards £000	2011/12 LGPS £000	2011/12 Total £000	2010/11 PPS £000	2010/11 NPPS £000	2010/11 Injury Awards £000	2010/11 LGPS £000	2010/11 Total £000
Comprehensive Income and Expenditure Statement										
Cost of Services:										
Current service cost	17,470	3,530	710	4,430	26,140	19,000	3,530	1,000	5,193	28,723
Contribution from Central Government	(12,249)	-	-	-	(12,249)	(7,240)	-	-	-	(7,240)
Past service cost/(gain)	-	-	-	229	229	(96,520)	(1,280)	(6,890)	(12,903)	(117,593)
	5,221	3,530	710	4,659	14,120	(84,760)	2,250	(5,890)	(7,710)	(96,110)
Financing and Investment Income and Expenditure:										
Expected return on assets in the scheme	-	-	-	(5,250)	(5,250)	-	-	-	(5,162)	(5,162)
Interest costs	45,160	1,030	3,190	5,680	55,060	47,070	700	3,420	6,340	57,530
	45,160	1,030	3,190	430	49,810	47,070	700	3,420	1,178	52,368
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	50,381	4,560	3,900	5,089	63,930	(37,690)	2,950	(2,470)	(6,532)	(43,742)
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement										
Actuarial gains and losses	(29,390)	(930)	(10,610)	(8,857)	(49,787)	39,070	(810)	3,760	15,437	57,457
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Account	20,991	3,630	(6,710)	(3,768)	14,143	1,380	2,140	1,290	8,905	13,715
Movement in Reserves Statement										
Services for post employment benefits in accordance with the Code	(62,630)	(4,560)	(3,900)	(5,089)	(76,179)	30,450	(2,950)	2,470	6,532	36,502
Actual amount charged against the General Fund Balance for Pensions in the year:										
Employer's contributions payable to the schemes	24,520	(920)	2,100	4,319	30,019	21,470	(1,390)	1,970	4,136	26,186

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement at 31 March 2012 is £70,263k (2010/11 £120,050k).

Assets and Liabilities in Relation to Post Employment Benefits

Reconciliation of present value of the scheme liabilities:

	2011/12					2010/11				
	Unfunded Liabilities PPS £000	**Unfunded Liabilities NPPS £000**	**Unfunded Liabilities Injury Awards £000**	**Funded Liabilities LGPS £000**	**Total Liabilities £000**	Unfunded Liabilities PPS £000	Unfunded Liabilities NPPS £000	Unfunded Liabilities Injury Awards £000	Funded Liabilities LGPS £000	Total Liabilities £000
Balance at 1 April	**(795,790)**	**(15,820)**	**(56,590)**	**(101,481)**	**(969,681)**	(886,780)	(10,670)	(64,790)	(122,889)	(1,085,129)
Current service cost	**(17,470)**	**(3,530)**	**(710)**	**(4,430)**	**(26,140)**	(19,000)	(3,530)	(1,000)	(5,193)	(28,723)
Past service costs	**-**	**-**	**-**	**(229)**	**(229)**	96,520	1,280	6,890	12,903	117,593
Interest cost	**(45,160)**	**(1,030)**	**(3,190)**	**(5,680)**	**(55,060)**	(47,070)	(700)	(3,420)	(6,340)	(57,530)
Contributions by scheme participants	**(4,510)**	**(900)**		**(1,642)**	**(7,052)**	(4,650)	(840)		(1,815)	(7,305)
Actuarial (losses) and gains	**(29,390)**	**(930)**	**(10,610)**	**(3,940)**	**(44,870)**	39,070	(810)	3,760	19,682	61,702
Benefits paid	**29,060**	**20**	**2,100**	**2,660**	**33,840**	26,150	50	1,970	2,171	30,341
Transfers In	**(30)**	**(40)**		**-**	**(70)**	(30)	(600)		-	(630)
Transfers Out				**-**	**-**				-	-
Balance at 31 March	**(863,290)**	**(22,230)**	**(69,000)**	**(114,742)**	**(1,069,262)**	(795,790)	(15,820)	(56,590)	(101,481)	(969,681)

Reconciliation of fair value of the scheme assets:

	2011/12 PPS £000	**2011/12 NPPS £000**	**2011/12 Injury Awards £000**	**2011/12 LGPS £000**	**Total Assets £000**	2010/11 PPS £000	2010/11 NPPS £000	2010/11 Injury Awards £000	2010/11 LGPS £000	Total Assets £000
Balance at 1 April	**-**	**-**	**-**	**75,593**	**75,593**	-	-	-	70,896	70,896
Expected rate of return	**-**	**-**	**-**	**5,250**	**5,250**	-	-	-	5,162	5,162
Actuarial gains and (losses)	**-**	**-**	**-**	**(4,917)**	**(4,917)**	-	-	-	(4,245)	(4,245)
Employer contributions	**24,520**	**(920)**	**2,100**	**4,319**	**30,019**	21,470	(1,390)	1,970	4,136	26,186
Contributions by scheme participants	**4,510**	**900**	**-**	**1,642**	**7,052**	4,650	840	-	1,815	7,305
Benefits paid	**(29,060)**	**(20)**	**(2,100)**	**(2,660)**	**(33,840)**	(26,150)	(50)	(1,970)	(2,171)	(30,341)
Transfers In	**30**	**40**		**-**	**70**	30	600		-	630
Transfers Out	**-**	**-**	**-**	**-**	**-**	-	-	-	-	-
Balance at 31 March	**-**	**-**	**-**	**79,227**	**79,227**	-	-	-	75,593	75,593

The PPS and the NPPS have no assets to cover their liabilities. The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £360k (2010/11 £4,659k).

Scheme history

IAS 19 requires a five year history to be shown disclosing the present value of scheme liabilities and fair value of scheme assets and the surplus/(deficit) in the scheme. An additional liability in relation to Injury Awards has been accounted for on transition to IFRS. It is not deemed practicable to determine a five year history on this basis. A four year history has been given below.

	2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000
Present value of liabilities				
Local Government Pension Scheme	(65,835)	(122,889)	(101,481)	**(114,742)**
Police Pension Scheme	(518,610)	(897,450)	(811,610)	**(885,520)**
Injury Awards	(47,180)	(64,790)	(56,590)	**(69,000)**
Fair value of assets in the Local Government Pension Scheme	49,980	70,896	75,593	**79,227**
Surplus/(deficit) in the scheme:				
Local Government Pension Scheme	(15,945)	(51,993)	(25,888)	**(35,515)**
Police Pension Scheme	(518,610)	(897,450)	(811,610)	**(885,520)**
Injury Awards	(47,180)	(64,790)	(56,590)	**(69,000)**
Total	(581,735)	(1,014,233)	(894,088)	**(990,035)**

The liabilities are the underlying commitments that the Authority has to pay retirement benefits in the long-term. The total liability of £990,035 has a significant impact on the net worth of the Authority as presented in the Balance Sheet, giving rise to negative equity of £950,221k. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains stable:

i) the deficit on the LGPS will be made good by increased contributions over the remaining working lives of employees, as assessed by the scheme actuary; and

ii) finance is only required to be raised to cover police pensions as and when they are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2013 is £4,257k (2011/12 £4,220k). Expected contributions for the Police Pension Scheme in the year to 31 March 2013 are £14,700k (2011/12 £15,200k).

Basis of Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependant on assumptions made about inter alia mortality rates and salary levels. The PPS and the NPPS have been assessed by the Government Actuary's Department. The LGPS liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, based on the latest full valuation of the scheme as at 31st March 2010.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Police Pension Scheme and injury awards	
	2011/12	2010/11	**2011/12**	2010/11
Long-term expected rate of return on assets in the scheme:				
Equity Investments	**6.3%**	7.5%	**-**	-
Bonds	**3.3%**	4.9%	**-**	-
Property	**4.4%**	5.5%	**-**	-
Cash	**3.5%**	4.6%	**-**	-
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	**21.0**	21.0	**23.3**	24.1
Women	**23.8**	23.8	**25.7**	27.3
Longevity at 65 for future pensioners:				
Men	**22.9**	22.9	**25.6**	26.1
Women	**25.7**	25.7	**27.8**	29.2
Rate of inflation	**2.5%**	2.8%	**2.5%**	3.0%
Rate of increase in salaries	**4.8%**	5.1%	**4.7%**	5.3%
Rate of increase in pensions	**2.5%**	2.8%	**2.5%**	3.0%
Rate for discounting scheme liabilities	**4.8%**	5.5%	**4.9%**	5.7%
Take up option to convert annual pension into retirement	**25.0%**	25.0%	**-**	-

The PPS has no assets to cover its liabilities. The LGPS's assets consist of the following categories, by proportion of the total assets held:

	2011/12	**2010/11**
Equity Investments	**72.0%**	73.0%
Bonds	**14.0%**	15.0%
Property	**9.0%**	8.0%
Cash	**5.0%**	4.0%
	100%	100.0%

History of experience gains and losses

The actuarial gains identified as movements on the Pension Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2012:

	PPS			
	2008/09	**2009/10**	**2010/11**	**2011/12**
	%	**%**	**%**	**%**
Differences between the expected and actual return on assets	N/A	N/A	N/A	**N/A**
Experience gains and losses on liabilities	1.97%	-6.40%	4.43%	**1.56%**

	LGPS			
	2008/09	**2009/10**	**2010/11**	**2011/12**
	%	**%**	**%**	**%**
Differences between the expected and actual return on assets	-30.08%	19.09%	-5.62%	**-6.21%**
Experience gains and losses on liabilities	0.62%	-0.09%	-19.39%	**-0.87%**

As noted with the scheme history on the previous page it is not deemed practicable to disclose a five year history due to the changes made on the transition to IFRS.

39. Nature and Extent of Risks arising from Financial Instruments

The Authority's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Authority;

- Liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments; and

- Market risk – the possibility that financial loss might arise as a result of changes in such measures as interest rates and stock market movements.

The Authority's risk strategy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on resources available to fund services.

Risk management is carried out by a central treasury team under policies approved by the Authority in the annual treasury management strategy and which covers specific areas such as interest rate risk, credit risk and the investment of surplus cash.

Credit Risk

Credit risk arises from deposits with banks and financial institutions as well as credit exposures to the Authority's customers. Deposits are only made for a period of up to 364 days with either the Debt Management Office (DMO), an Executive Agency of HM Treasury; with Northern Rock; with institutions having the highest rating from each of the three main credit agencies (i.e. Fitch Ratings, Moody's Corporation and Standard & Poor's) or with UK banks falling outside these rating criteria where the UK Government holds a significant stake. Investment limits are the lower of £5 million or 25% of available funds with the exception of Northern Rock where deposits may be made to a limit of 25% of available funds within the Government guaranteed term of three months and the DMO where deposits may be made to a limit of 100% of available funds.

With respect to amounts owed by the Authority's customers and contractual debtors, the Authority makes prudent provision for bad debts based on an assessment of the risks for each type of debt and the age and size of the balance outstanding. The majority of the Authority's dealings are with public sector partners and the risks of default and uncollectability are considered to be lower than those associated with commercial debtors.

The following analysis summarises the Authority's assessment of its potential maximum exposure to credit risk in relation to debtors:

	31 March 2012	31 March 2011
	£000	£000
Commercial Debtors	-	2

The Authority has never experienced a loss from non-performance by any of its counterparties in relation to deposits and does not expect any such loss to arise.

The Authority does not generally extend credit to its public sector partners or customers beyond 30 days such that £28k of the £205k balance is past its due date for payment. The past due but not impaired amount can be analysed by age and category of debtor as follows:

	31 March 2012			31 March 2011		
	Public Sector Debtors	**Commercial Debtors**	**Total**	Public Sector Debtors	Commercial Debtors	Total
	£000	**£000**	**£000**	£000	£000	£000
Less than three months	11	28	**39**	5	7	**12**
Three to six months	-	-	**-**	-	1	**1**
Over six months	-	1	**1**	-	-	**-**
	11	29	40	5	8	13

Liquidity Risk

As the Authority has ready access to borrowings from the Public Works Loan Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Market Risk

Interest rate risk

The Authority is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. The extent of that risk is limited by the scale of borrowing and investment activities undertaken. In 2011/12 the Authority's investments were limited to overnight deposits, which therefore fall to be treated as investments at variable rates, and its borrowings were fixed rate Public Works Loan Board loans or short term fixed rate loans from other local authorities. By way of example, a rise in interest rates would have the following effects:

- borrowings at fixed rates – the fair value of the liabilities borrowings will fall; and

- investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure statement will rise.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest receivable on variable rate investments will be credited to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance £ for £.

The Authority has a number of strategies for managing interest rate risk. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is mitigated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Authority's cost of borrowing and provide compensation for a proportion of any higher costs.

The scale of the Authority's investment activities is such that the consequences of any adverse changes in interest rates on service delivery are unlikely to be significant in terms of a shortfall in resources, particularly as budgets are regularly reviewed and updated during the year. However, if interest rates had been one percentage point higher, with all other variables held constant, the financial effect for the 2011/12 year of account would be:

	2011/12	2010/11
	£000	£000
Increase in interest receivable on variable rate investments	67	46
Increase in Government grant receivable for financing costs	-	156
Impact on Income and Expenditure Account	67	202

Price Risk

The Authority does not invest in equity shares and has no exposure to losses arising from movements in the prices of shares.

Foreign Exchange Risk

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

40. Contingent Liability

Police Pension Scheme Commutation Factors

The Pensions Ombudsman has received a number of complaints regarding the lack of a review by the Government Actuary of the Police Pension Scheme 1987 commutation factors between 1998 and 2006 and that commutations paid and payable have been reduced as a consequence.

The Pensions Ombudsman intends to consider a test case on the same issue brought by a member of the Firefighters' scheme and there is a probability that any decision on the test case will apply to the Police scheme. The Ombudsman is yet to consider the test case as there have been legal hearings to determine whether the Ombudsman has jurisdiction over the Government Actuary's Department (GAD) for the entirety of the relevant period.

No estimate of costs has been disclosed given the uncertainty as to whether or not a liability will arise.

Accompanying Statements

Pension Account

The Authority is required to maintain a Pensions Account in order to discharge its responsibility for paying the pensions of retired officers and their survivors and to account to the Home Office as sponsoring department for police pensions funding. The Pensions Account has the legal status of a fund for the purposes of the Local Government Finance Act and the accounting entries to be recorded these in and its administration are governed by The Police Pension Fund Regulations 2007.

Credits to the Pension Account include contributions from both the Authority and serving police officers who are members of either the Police Pension Scheme (PPS) or the New Police Pension Scheme (NPPS) at a rate of 24.2%, 11% and 9% of pensionable salary respectively. These rates are set by the Home Office and are subject to triennial revaluation by the Government's Actuary Department.

Charges to the Pension Account include pensions to retired police officers and their survivors and commutations and lump sum retirement benefits.

The Pension Account is balanced to £nil each year by the receipt of pension top-up grant from, or by paying over any surplus to, the sponsoring department. The effect of this funding mechanism is that the employer's contribution of 24.2% of serving police officers' pensionable salary, together with injury pensions and a capital charge for ill-health retirements, falls to be charged to the Authority's Comprehensive Income and Expenditure Statement.

The Pension Account is designed to discharge liabilities to pay pensions as they fall due and no account is taken of pensions and other liabilities after the period end.

A statement of account for the Pension Account, together with its net current assets and liabilities at 31st March 2012, is set out below. All Fund transactions are treated in accordance with the Authority's accounting policies as set out at Note 1, where applicable.

Full details of the Authority's retirement benefits have been disclosed in note 38.

Fund Account

	2011/12	2010/11
	£'000	£'000
Contributions receivable:		
From employer:		
Normal	**(12,299)**	(12,430)
Early retirements	**(235)**	(458)
From members	**(5,414)**	(5,492)
Transfers in	**(67)**	(623)
	(18,015)	(19,003)
Benefits payable:		
Pensions	**21,373**	20,077
Commutations and lump sum retirement benefits	**8,282**	5,475
	29,655	25,552
Payments to and on account of leavers:		
Refunds of contributions	**10**	29
Individual transfers out to other schemes	**599**	662
	609	691
Net amount payable / receivable for the year before top-up grant payable by sponsoring department	**12,249**	7,240
Amount (receivable from) / payable to sponsoring department	**(12,249)**	(7,240)
Balance on Fund at 31 March	-	-

Net Assets Statement

	2011/12	2010/11
	£'000	£'000
Net current assets and liabilities		
Amounts owed (to)/from General Fund	**2,421**	2,058
Remaining top-up grant due to/(from) the Home Office	(2,421)	(2,058)
Net current assets / (liabilities) at 31 March	-	-

The Police Pension Fund Account does not hold any investment assets.

Audit Report

Independent auditors' report to the Members of Cambridgeshire Police Authority

We have audited the Statement of Accounts of Cambridgeshire Police Authority (the "Statement of Accounts") for the year ended 31 March 2012 which comprises the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet as at the end of the period, the Cash Flow Statement and the related notes (the "Core Statement of Accounts") and the accompanying Police Pension Fund accounting statements which comprise the Fund Account, the Net Assets Statement and the related notes (the "Police Pension Fund Statements"). The financial reporting framework that has been applied in the preparation of the Core Statement of Accounts is the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 supported by the CIPFA Service Reporting Code of Practice 2011/12 and the Police Pension Fund Regulations 2007 in respect of the preparation of the Police Pension Fund Statements.

Respective responsibilities of the Treasurer and auditors

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 4, the Treasurer is responsible for the preparation of the Statement of Accounts, and for being satisfied that that the Core Statement of Accounts give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the CIPFA Service Reporting Code of Practice 2011/12 and that the Police Pension Fund Statements give a true and fair view in accordance with the Police Pension Fund Regulations 2007. Our responsibility is to audit and express an opinion on the Statement of Accounts in accordance with Part II of the Audit Commission Act 1998, the Code of Audit Practice 2010 – Local Government Bodies issued by the Audit Commission and International Standards on Auditing (UK and Ireland) and to audit and express an opinion on the Police Pension Fund Statements in accordance with section 9.6 of the Home Office Circular 010/2008 - Police Pension Scheme updated guidance. Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Authority's members as a body in accordance with Part II of the Audit Commission Act 1998 and, in respect of the Police Pension Fund Statements, section 9.6 of the Home Office Circular 010/2008-Police Pension Scheme updated guidance and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and of Audited Bodies – Local Government, published by the Audit Commission in March 2010. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the statement of accounts

An audit involves obtaining evidence about the amounts and disclosures in the statement of accounts sufficient to give reasonable assurance that the statement of accounts is free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's and the Police Pension Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authority and the Police Pension Fund; and the overall presentation of the Statement of Accounts. In addition, we read all the financial and non-financial information in the Cambridgeshire Police Authority Statement of Accounts 2011/12 to identify material inconsistencies with the audited Statement of Accounts. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the Statement of Accounts

In our opinion:

- the Core Statement of Accounts give a true and fair view, in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom and the CIPFA Service Reporting Code of Practice 2011/12, of the state of the Authority's affairs as at 31 March 2012 and of the Authority's income and expenditure and cash flows for the year then ended;

- the Police Pension Fund Statements give a true and fair view in accordance with the Police Pension Fund Regulations 2007 of the financial transactions of the Police Pension Fund during the year ended 31 March 2012 and the amount and disposition of the fund's assets and liabilities as at 31 March 2012, other than liabilities to pay pensions and other benefits after the end of the scheme year; and

- the Statement of Accounts has been properly prepared in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the CIPFA Service Reporting Code of Practice 2011/12.

Opinion on other matter

In our opinion, the information given in the explanatory foreword for the financial year for which the statement of accounts is prepared is consistent with the Statement of Accounts.

Matters on which we are required to report by exception

We have nothing to report in respect of the Annual Governance Statement on which the Code of Audit Practice issued by the Audit Commission requires us to report to you if, in our opinion, the Statement does not comply with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

Other matters on which we are required to conclude

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are also required by the Audit Commission's Code of Audit Practice to report any matters that prevent us from being satisfied that the Authority has put in place such arrangements.

We have undertaken our audit in accordance with the Code of Audit Practice and, having regard to the guidance issued by the Audit Commission in October 2011, we have considered the results of the following:

- our review of the annual governance statement;
- the work of other relevant regulatory bodies or inspectorates, to the extent the results of the work have an impact on our responsibilities; and
- our locally determined risk-based work on collaboration and the transition to Police and Crime Commissioners.

As a result, we have concluded that there are no matters to report.

Certificate

We certify that we have completed the audit of the accounts of Cambridgeshire Police Authority in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission

Clive Everest
For and on behalf of PricewaterhouseCoopers LLP
Appointed auditors
Cambridge

Date: 9 November 2012

Notes:

(a) The maintenance and integrity of the Cambridgeshire Police Authority website is the responsibility of the Authority; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the statement of accounts since it was initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Glossary of Terms

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.
Accrued Retirement Benefits (Pensions)	The retirement benefits for service up to a given point in time, whether vested rights or not.
Actuarial Gains And Losses (Pensions)	For a defined benefit scheme, the changes in deficits or surpluses that arise because events have not coincided with actuarial assumptions used in the last valuation (experience gains or losses) or because actuarial assumptions have changed.
Agency Services	The provision of services by an Authority (the agent) on behalf of another Authority, which is legally responsible for providing those services. The responsible Authority reimburses the Authority providing the service.
Appropriations	Amounts transferred to or from revenue or capital reserves.
Asset	An item owned by the Authority which has an economic value e.g. land & buildings, debts or cash.
Audit Commission	An independent body established under the Local Government Finance Act 1982. It is the responsibility of the Audit Commission to ensure that Police Authorities make proper arrangements for ensuring economy, efficiency and effectiveness in their use of resources.
Best Value Accounting Code of Practice (BVACOP)	A CIPFA Code that is designed to ensure a consistent and comparable approach to the calculation of the cost of services.
Budget	A financial statement of the Authority's plans for any given year.
Capital Adjustment Account	An account that reflects the difference between the cost of property, plant and equipment and the capital financing set aside to pay for them.
Capital Expenditure	Expenditure on new assets or on the enhancement of existing assets.
Capital Grants	Grants received towards capital spending on a particular service or project.
Capital Receipts	Proceeds from the sale of capital assets such as land or buildings. They are available to finance new capital outlay and to repay existing debt.
CIPFA	The Chartered Institute of Public Finance and Accountancy. This is the leading professional accountancy body for public services.
Collection Fund	A Fund administered by District Councils to receive council tax from chargeable persons. The Police Authority precepts on the Fund to finance part of its net revenue expenditure.

Creditors	Amounts owed by the Authority for work done, goods received or services rendered, but for which payment has not been made at the date of the balance sheet.
Curtailment (Pensions)	For a defined benefit scheme, an event that reduces the expected years of future service of current staff or reduces for a number of staff the accrual of defined benefits for some or all of their future service.
Current Service Costs (Pensions)	The increase in the present value of a defined benefit scheme's liabilities expected to arise from pensionable service earned in the current period.
Debtors	Sums of money due to the Authority, but unpaid at the balance sheet date.
Defined Benefit Scheme (Pensions)	A scheme to provide retirement benefits, the value of which are independent of the contributions payable, and that are not directly related to the underlying investments.
Depreciation	The measure of the wearing out, consumption or other reduction in the useful economic life of an item of property, plant and equipment.
Earmarked Reserves	Funds set aside from the Comprehensive Income and Expenditure Statement that can only be used for specific purposes.
Effective Rate of Interest	The rate of interest that will discount the estimated cash flows over the life of a financial instrument to the amount in the balance sheet at initial measurement.
Equity Instrument	A contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.
Expected Rate of Return on Pension Assets	For a funded, defined benefit scheme, the average rate of return, net of any charges, expected to be earned on assets held by the scheme over the remaining life of the related obligation to pay future retirement benefits.
Financial Reporting Standards (FRSs)	Standards developed by the Accounting Standards Board to regulate the preparation and presentation of statement of accounts (see Statements of Standard Accounting Practice).
Fair Value	The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arms length transaction.
Financial Asset	A right to future economic benefits controlled by the Authority.
Financial Liability	An obligation to transfer economic benefits controlled by the Authority.
Financial Instrument	Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.
Government Grants	Payments by Central Government towards Local Authority spending. They may be specific to a particular service e.g. Police Grant; or general (see Revenue Support Grant).
Impairment	The term used where the estimated recoverable amount from an asset is less than the amortised cost at which the asset is being carried on the balance

	sheet.
Income	Amounts that an Authority receives, or expects to receive, from any source. Income includes fees, charges, sales and specific and special grants. The term income implies that the figures concerned relate to amounts due in a financial year irrespective of whether or not they have been received in that period.
Injury Award	An injury award compensates an individual for the potential loss of earnings for injury sustained whilst on duty that results in some level of disablement which hinders or prevents them from working in the future. As injury award is a life time award.
Intangible Assets	An asset that lacks physical substance and yields benefits to the Authority and the services it provides for a period of more than one year.
International Financial Reporting Standards (IFRSs)	Standards developed by the International Accounting Standards Board to regulate the preparation and presentation of statement of accounts.
Investments (Pensions)	The Authority's share of pension scheme assets associated with its liability to pay future retirement benefits.
Minimum Revenue Provision (MRP)	The minimum amount the Authority is required by statute to set aside on an annual basis for the repayment of debt.
National Non-Domestic Rates (NNDR)	The business rate in the pound is set annually and centrally by Government. The income arising is collected in a central pool for distribution to Local Authorities on the basis of a formula.
Past Service Cost (Pensions)	For a defined benefit scheme, the increase in the present value of the scheme liabilities related to staff service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits payable.
Precept	The cash sum levied by one Authority which is collected by another (a charging Authority). The Police Authority is the precepting Authority and the District Councils are the charging Authorities.
Projected Unit Method (Pensions)	An actuarial method of valuing a pension scheme's liability to pay future retirement benefits taking into account estimated increases in future earnings.
Property, Plant and Equipment	Assets that have a physical substance and are held for use in the provision of services or for administration purposes on a continuing basis.
Provisions	Liabilities that are of uncertain timing or amount to be settled by the transfer of economic benefits.
Reserves	Amounts set aside by the Authority that do not fall within the definition of a provision.
Retirement Benefits (Pensions)	All forms of consideration given by an employer in exchange for services rendered by staff that are payable after completion of the engagement.

Revenue Contributions to Capital Outlay	The financing of capital expenditure directly from Revenue rather than from loans or other sources.
Revenue Expenditure	The day-to-day spending and income of the Authority on such items as staff, goods, services and equipment.
Revenue Fund Balances	The accumulated surplus of income over expenditure held in reserve.
Revenue Support Grant (RSG)	The general grant paid by Central Government to aid Local Authority (including Police Authority) spending generally.
Scheme Liabilities (Pensions)	The liabilities to pay future retirement benefits, measured using the projected unit method, of a defined benefit scheme for outgoings falling due after the valuation date.
Settlement (Pensions)	An irrevocable action that relieves the employer of the primary responsibility for a pension obligation.