Lincolnshire Police

Authority

Financial Statements

2011 / 12

Page left intentionally blank

Lincolnshire Police Authority

Annual Financial Report

2011/12

The statements are made up of separate elements: the Foreword by the Police Authority Chief Finance Officer; the Statement of Responsibilities; Governance Statements; the Statement of Accounts; the Independent Auditor's Report; and the Glossary of Terms. The 'true and fair' audit view only applies to the Statement of Accounts.

Contents

Lincolnshire Police Authority

Members and Officers of the Authority

The Members of the Police Authority on 31st March 2012 were:

Chairman	Barry Young	Councillor
Vice Chairman	John Cooke OBE	Independent

Neil Cooper	Councillor	John Atter	Independent
Graham Dark	Councillor	Angela Crowe	Independent
Richard Davies	Councillor	Andre Dezonie	Independent
Robert Palmer	Councillor	Fred Mann	Independent
Paul Przyszlak	Councillor	Rodney Must	Independent
Raymond Sellars	Councillor	John Walker	Independent
Kelly Smith	Councillor	Brian Wookey	Independent
Christopher Underwood-Frost	Councillor		

Independent lay members of the Ethical Standards Committee:
David Lomas
Sarah Skelton
Dennis Bambridge

Independent members of Police Misconduct Panels:
Andrew Smith
David Subden

The Officers of the Police Authority on 31st March 2012 were:

Malcolm Burch	Chief Executive to the Police Authority
Julie Flint, MSc CPFA	Treasurer to the Police Authority
Annette Wood	Monitoring Officer to the Police Authority

Further Information

Further information about the Financial Statements is available from the Police Authority Chief Finance Officer, Police Headquarters, Deepdale Lane, Nettleham, Lincoln, LN5 7PH. In addition interested members of the public have a statutory right to inspect the accounts before the audit is completed. The availability of the accounts for inspection has been advertised in the local press.

Prepared and published by:
Finance Department
Lincolnshire Police
PO Box 999
Lincoln
LN5 7PH

Lincolnshire Police Authority

APPROVAL OF ACCOUNTS

In accordance with Regulation 8(3)c of the Accounts and Audit (England) Regulations 2011, I certify that the Audit, Risk and Governance Committee approved the Statement of Accounts on 25th September 2012.

Signed on behalf of Lincolnshire Police Authority.

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

Dated : ………………………………….

DATE OF ISSUE OF ACCOUNTS

The Authority is required to disclose the date that the financial statements are authorised for issue. This establishes the date after which events will not have been recognised in the Statement of Accounts.

Date of Issue of Accounts

25th September 2012

Chief Finance Officer's Foreword to the Statement of Accounts

This section highlights some of the more important issues that are reported in the Accounts. Commentary is included on any issues that have had a major effect on the Authority's finances during the year being reported and the factors that may impact in the future.

Introduction

I am pleased to present the Statement of Accounts for Lincolnshire Police Authority for the financial year 2011/12. The accounts have been compiled in accordance with, and as required by, the Accounts and Audit Regulations 2003, 2006 and 2011, the Code of Practice on Local Authority Accounting 2011/12 and also the new Service Reporting Code of Practice (SeRCOP) 2011/12. The accounts show the financial affairs of Lincolnshire Police Authority during 2011/12 and the financial position as at 31st March 2012.

The accounts are prepared to provide the reader with a "true and fair" view of the financial position at the year end and the income and expenditure for the year. In order to achieve this view the accounts are prepared in accordance with the codes detailed above. This is the second year that the code is based on the requirements of International Financial Reporting Standards (IFRS). This was a major development in 2010/11 and therefore 2011/12 has been a period of consolidation in the way the accounts are prepared and disclosed with no significant changes to be highlighted in this foreword.

International Financial Reporting Standards are primarily drafted for the commercial sector and are not designed to address all the accounting issues relevant to local authorities. The code of practice has therefore been developed based on a hierarchy of alternative standards including International Accounting Standards (IAS), Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and International Public Sector Accounting Standards (IPSAS).

For 2011/12 the major changes in presentation and disclosure introduced in 2010/11 have been continued with the transitional arrangements determined for the first year of adoption no longer being required and removed from the disclosures.

This foreword provides a brief explanation of the main financial aspects of the Police Authority's activities.

Background

The Lincolnshire Police Authority was established under the Police and Magistrates Court Act 1994, and began operation as a freestanding corporate body from 1st April 1995. It is responsible for providing policing services to a population in excess of 690,000 dispersed across a large geographical area of 590,000 hectares.

The Authority:

- sets its own budget;
- holds its own Reserves;

- receives its share of Police Grant (paid by the Home Office in accordance with a detailed formula) and specific grants (for example, Neighbourhood Policing Grant);

- receives Revenue Support Grant paid by the Department for Communities and Local Government (DCLG);

- receives National Non Domestic Rates paid by the DCLG;

- receives precepts for the proportion of the budget to be met by the residents of Lincolnshire as part of the overall council tax collected by District Councils.

The Financial Statements for Lincolnshire Police Authority consist of:

- Statement of Responsibilities;
- Annual Governance Statement;
- Statement of Accounts, comprising the Accounting Statements and notes to the accounts (including accounting policies);
- Independent Auditor's Report.

Statement of Responsibilities – Page 12
This explains the Authority's responsibility for its financial affairs and how it ensures these responsibilities are carried out.

Annual Governance Statement – Page 13
The Authority must prepare and publish an annual governance statement in accordance with the "Good Governance Framework" and in order to meet the statutory requirements set out in the Accounts and Audit Regulations 2003 and 2006. This statement was adopted by the Authority's Audit, Risk and Governance Committee in June 2012.

The Statement of Accounts begin with the Accounting Statements as follows:

Movement in Reserves Statement – Page 27
A summary of the different reserves held by the Authority, distinguishing between those that are usable and unusable. It shows the overall financial result for the year in terms of movement in the Authority's reserves.

Comprehensive Income and Expenditure Statement – Page 28
A summary of the resources generated and consumed by the Authority in accordance with accounting policies rather than the amount required from taxation.

Balance Sheet– Page 29
This represents the financial position of the Police Authority as at 31st March 2012. It shows the balances and reserves at the Authority's disposal together with the long term and current assets employed in its operation.

Cash Flow Statement– Page 30
This summarises the movement of the Police Authority's cash balances arising from transactions during the year and has been based on the indirect method of production.

The Statement of Accounts continues with the Notes to the Accounts:

Notes to the Accounts – Page 31
Detailed notes supporting each of the main accounting statements, together with additional information to help in describing the Authority's financial transactions. Note 1 contains the

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

Relationship between accounting statements

The different accounting statements are linked in several important ways.

- The relationship between the Comprehensive Income and Expenditure Statement and the movement in the Authority's total reserves is shown in the Movement in Reserves Statement.
- The Cash Flow statement describes the movement in the Balance Sheet cash and cash equivalents in terms of the balance on the Comprehensive Income and Expenditure Statement adjusted for non cash and capital transactions.

The Statement of Accounts provides an opportunity to present more information to support the details in the Local Policing Plan.

The Policing Plan document is available from the Police Authority website www.lincolnshire-pa.gov.uk.

The Police Authority's spending is planned and controlled through a lengthy and consultative budget process, which leads to the setting of its precept. Expenditure on the day to day running costs of the service is charged against the Revenue Budget and is recorded in the Comprehensive Income and Expenditure Statement. This is analysed by type of spending in Note 41 to the accounts. IFRS also requires the disclosure of "Budget Accounting Information" which provides a link between the statements and the management accounting information normally used by the Authority for the monitoring and control of the revenue budget (Note 40).

Expenditure on assets, which will be of benefit over a period of years, is dealt with in the capital programme initially. The expenditure incurred is subsequently added to Property, Plant and Equipment in the Balance Sheet; although the annual cost of financing capital expenditure is reflected in the Revenue Budget and the Comprehensive Income and Expenditure Statement. A full revaluation of the Authority's Property Assets was undertaken during the year, with the results of the revaluation being included in the Balance Sheet. There was an overall decrease in value of £2.6 million.

The Comprehensive Income and Expenditure Statement is charged with capital charges for all long term assets used in the delivery of services. Capital financing costs are not shown on the face of the statement but included across the services provided. Total charges are given in Note 6. The presentation of these details serves to highlight the value of the Authority's asset portfolio and the cost of using them in the delivery of services.

Revenue Budget Outturn 2011/12

At its meeting on the 22nd February 2011, the Police Authority approved a total Revenue Budget of £120.2 million and a budget requirement of £109.8 million. The Authority in making this decision noted the offer by the Government to provide additional grant equivalent to a 2.5% increase and resolved that the council tax be frozen at its 2010/11 level of £179.28 for a Band D property.

The Authority's Grant Settlement for 2011/12 reflected the overall reductions being experienced in public sector funding. Specific grants previously received in relation to Crime Fighting Fund, Basic Command Unit Fund, Special Priority Payments, Forensic Grant and the Police Learning and Development Project were all included within the main grant settlement for the first time. Overall in line with other Police Authorities the grant to be received was reduced by 5.14% when compared to the 2010/11 figure, a cash reduction of £3.6 million.

Financial Performance

A summarised statement of the actual net expenditure for the year is set out below and compared to the approved original budget for the year:

	Original Budget	Actual	(Under) / Over Spend
	£m	£m	£m
Services			
Police Force	115.2	112.6	(2.6)
Police Authority	1.1	0.9	(0.2)
Service Expenditure	**116.3**	**113.5**	**(2.8)**
Other Operating Costs			
Appropriation to Specific Reserves		2.4	2.4
Appropriation from Specific Reserves	(0.7)	(0.9)	(0.2)
Total Net Expenditure	**115.6**	**115.0**	**(0.6)**
Financed By			
Additional Grant Rule 2			-
Specific Grants	(4.2)	(4.2)	-
Neighbourhood Policing Contribution	(1.5)	(1.5)	-
Police Grant	(42.9)	(42.9)	-
Revenue Support Grant	(5.8)	(5.8)	-
National Non Domestic Rates	(18.8)	(18.8)	-
Council Tax Payers	(42.4)	(42.4)	-
Total Funding	**(115.6)**	**(115.6)**	**-**
Contribution from General Reserve			-
Contribution to General Reserve		0.6	0.6
Transfer To General Reserve	**-**	**0.6**	**0.6**

Actual spending for 2011/12 was £0.6m (0.5%) less than the original budget. The financial year was marked by unprecedented organisational change. The operational policing model was redesigned with a loss of 70 officer posts. The Authority also entered into a strategic partnership for the provision of mid and back office functions. These two projects together with careful and prudent management of the budget enabled significant reductions in expenditure to be achieved. Savings have therefore been principally achieved across the devolved budgets totalling £2.1m. These savings include police staff and running costs. Other significant savings include police officer pensions (£275k).
Provisions totalling £0.491 million have also been included in the accounts. Details of these amounts are given in Note 24 to the accounts.

The Service Reporting Code of Practice (SeRCOP) 2011/12 requires the disclosure of Police Service Expenditure across nine divisions of service. This has been shown within the Comprehensive Income and Expenditure Statement. In order to assign monetary values to each of the nine divisions of service, apportionments of expenditure have been necessary. Apportionments have been based primarily upon the allocation of officers and staff across services, together with a proportional share of their overheads. A further allocation of central support service costs has been made across all services based on an appropriate allocation method.

At its meeting in February 2012 the Police Authority considered its approach to reserves in the light of the “Guidance on Local Authority Reserves and Balances“ issued by CIPFA. The Authority considered the risks it was facing and their corresponding financial consequences.

This approach provided a range of minimum and maximum reserve levels between £5.2 million and £10.8 million. The Authority agreed to work towards reserves at the mid point of this range at £8.0 million. Any unplanned underspend at the end of each financial year will be transferred to the General Reserve until such time as the level is reached.

At 31st March 2012, the General Reserve was £5.7 million, an increase of £0.6 million from 31st March 2011. This increase resulted from the transfer of the balance on the Comprehensive Income and Expenditure Statement in 2011/12 after allowing for adjustments for items not required to be funded. This has resulted in the risk assessed reserves of £8 million being equal to the target level.

Earmarked Reserves (including the Authority's share of the East Midlands Special Operations Unit) totalled £5.8 million, of which £2.350 million has been risk assessed (see table below). The movements are detailed in Note 7 to the accounts.

	Lincolnshire Police £k	EMSOU £k	Total £k
General Reserves	5,629	38	5,667
Earmarked Reserves: risk assessed	2,350	-	2,350
	7,979	**38**	**8,017**
Other Earmarked Reserves	3,313	117	3,430
Total	**11,292**	**155**	**11,447**

Pensions

The reporting requirement known as IAS 19 "Retirement Benefits" features in the Authority's accounting statements. This is a complex accounting standard, but is based on a simple principle; that an organisation should account for retirement benefits when the commitment to give them is made, even if the actual liability will be many years into the future. The Authority operates two schemes, one of which is funded and has assets to meet the future liabilities; the other for Police Officers is unfunded (or "pay as you go") with payments being made from the Home Office Police Officer pensions account as they become due.

From 2004/05, there was a requirement to disclose in the financial statements the full effect of IAS 19. The Comprehensive Income and Expenditure Statement has been designed to include the cost of retirement benefits when they are earned by employees rather than when the benefits are eventually paid as pensions. This has had a major impact on the statement, with the bottom line usually showing a large deficit (£63 million in 2011/12).

The total pension liability for the two schemes is shown in the Balance Sheet. This has been achieved by the creation of a Pensions Reserve and Pension Liability Account. Full details of the accounting entries are shown in the notes to the accounts. The effect of including this liability has a significant impact in terms of the overall value of the Balance Sheet. It is important to note that these are not new liabilities; they have always existed and been paid for by the Authority on an annual basis from the revenue budget and funded separately by the Home Office in the case of the police officer scheme. The physical and cash reserves of the Authority are unaffected.

From 1st April 2006, a new method of financing the annual cost of Police Officer pensions was introduced by the Government with the Authority creating a separate memorandum Pensions Account. All payments are made to retired officers out of this account, and income received from Government to offset the net cost of the account after serving officer contributions have been deducted. This has smoothed the burden on the Authority of budgeting for the increasing costs of police officer pensions.

Capital Expenditure

Capital expenditure for the year totalled £4.3 million. This comprised of £1.2 million on vehicles, £0.6 million for the Force Control Room extension and upgrade with the remaining £2.5 million being largely on a variety of smaller property projects. This was financed from:

- Home Office Grants and other grants of £0.8 million;
- borrowing of £3.0 million;
- contribution from Revenue of £0.5 million.

The Prudential Code for Capital Finance in Local Authorities came into being on 1st April 2004. The Authority has embraced these changes to the capital regime. Under this system, individual authorities are responsible for deciding the level of their borrowing, having regard to the Prudential Code. Borrowing in 2011/12 amounted to £3.0 million, which was used to finance capital expenditure with £2.2 million repayable over 5 years and £0.8 million over 25 years in accordance with the anticipated life of the asset. Total debt outstanding at 31st March 2012 was £20.4 million, with £0.19 million interest owing.

Assets and Liabilities

These are summarised in the table below:

	2010/11 £m	2011/12 £m
Assets:		
Long-Term Assets	31.4	28.5
Current Assets	21.3	23.2
Liabilities:		
Current Liabilities	(14.6)	(14.8)
Long-Term Liabilities	(818.7)	(881.0)
Total Net Assets	**(780.6)**	**(844.1)**
Financed by:		
Usable Reserves	10.5	11.9
Unusable Reserves	(791.1)	(856.0)
Total Reserves	**(780.6)**	**(844.1)**

The current assets of the Authority include the site of the former police station in Grantham. This building is being actively marketed and classified in the Balance Sheet as an asset held for sale in less than a year.

Prospects for 2012/13 and beyond

For the financial year 2012/13, the Authority set a budget against the background of major organisational change and the continuation of reductions in public sector spending. With effect from the 1st April 2012 the Authority entered into a Strategic Partnership with the private sector company G4S for the provision of mid and back office services. This was the largest commercial contract in UK Policing with a contract being signed for an initial 10 year period.

This contract together with a major reorganisation of operational policing and a continuation of the realisation of significant savings in the revenue budget combined to meet a significant proportion of the forecast deficit for 2012/13. In order to provide for a balanced budget the Authority resolved to issue a precept increase of 3.96%. In doing so the Authority declined the

Government's one year only offer of grant in return for a council tax freeze. The decision was taken in the light of future forecast deficits and the impact accepting the freeze would have, resulting in a significant increase in precept the following year and/or further reductions in police officer numbers.

The Government has not formally announced a grant settlement for the period beyond 2012/13. Earlier provided guidance on future years' grants payable up to 2014/15 has been factored into future plans. The Authority faced reductions in formula grant of £3.66 million (5.1%) in 2011/12 and a further £4.5 million (6.8%) in 2012/13. The Authority is assuming that further reductions of 3.8% and 2.2% will occur in 2013/14 and 2014/15 respectively. It is considered likely that further reductions in central government funding may occur as part of the overall reduction of the public sector deficit. These possibilities are being considered in future planning. The Authority is also undertaking work to assess the impact of the Government's changes to the financing of Council Tax Benefit. Early indications are that the potential impact will result in a cost to the Authority in the region of £0.5 million with effect from 2013/14.

The reductions in funding have led to the identification of significant future funding deficits across the period of the medium term financial plan. This has led to the creation of a number of savings plans in order to address the situation. These include:

- further changes to operational arrangements;
- VFM Programme and examination of the Revenue Budget to identify savings;
- regional collaboration in a number of key areas.

Despite these activities the Authority is forecasting a significant unfunded deficit in 2014/15 in excess of £3 million. Future activities are centred on methods of addressing this budget gap.

The Authority has approved a capital programme of £14.4 million in 2012/13. The programme includes:

- capital element of the Strategic partnership arrangements;
- significant investment in the Force estate;
- replacement and upgrade of the Force Control Room;
- replacement programme for vehicles.

The proposal is to finance this from:

- Home Office Grants and other grants of £1.5 million;
- borrowing of £11.1 million;
- use of capital receipts of £1.8 million.

The financial situation requires that this level of expenditure be reviewed to identify savings in order to reduce future capital financing charges in the revenue account.

Impact of the current economic climate

The Authority has, as part of its activities, taken actions to reflect the current economic climate. The public sector funding deficit has led to the Force undertaking a programme of transformational change in order to ensure future budgetary balance.

The worldwide banking crisis has resulted in the Authority making radical changes in its approach to the investment of cash flow funds. The continuing uncertain nature of the banking sector particularly with regard to the difficulties being experienced in the Euro zone has resulted in the Authority continuing its policy of limiting exposure to a small number of UK based institutions. This policy coupled with the continuation of historical low interest rates has however resulted in lower returns from investments.

Implementation of IFRS

Last year's accounts were the first completed under the new IFRS based code. Despite the significant level of change involved, these were completed successfully. The accounts will continue to be developed as the IFRS processes become embedded and further requirements are introduced.

Police and Crime Commissioners

Elections will be held in November for a Police and Crime Commissioner for Lincolnshire. This will replace the current Police Authority. This will result in significant changes to the accounting and governance arrangements. A project has been established to plan for the transition to the new regime. Accounting requirements will be dealt with under merger accounting rules which will not require a separate set of accounts to be produced in November. Group accounting arrangements will be introduced to deal with the new structure at 31st March 2013.

Julie Flint, MSc CPFA
Chief Finance Officer of the Police Authority

Statement of Responsibilities for the Statement of Accounts

This section explains the Authority's responsibilities for its financial affairs and how it makes sure it carries out these responsibilities properly.

The Police Authority's Responsibilities

The Police Authority is required to

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs, which for Lincolnshire Police Authority is the Chief Finance Officer to the Police Authority;
- to manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets;
- to approve the Statement of Accounts.

Responsibilities of the Chief Finance Officer to the Police Authority

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

In preparing this Statement of Accounts, the Chief Finance Officer has:

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

The Chief Finance Officer has also:

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

CHIEF FINANCE OFFICER'S CERTIFICATE

I certify that the Financial Statements present a true and fair view of the financial position of the Lincolnshire Police Authority as at 31st March 2012 and its income and expenditure for the year then ended.

…………………………………………….
Julie Flint, MSc CPFA
Chief Finance Officer

Date: …………………..

Annual Governance Statement

This section details the Authority's governance arrangements in operation during 2011/12 including plans for the financial year 2012/13.

1. SCOPE OF RESPONSIBILITIES

1.1 The Lincolnshire Police Authority is responsible for ensuring its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

1.2 The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

1.3 In discharging this overall responsibility, the Authority is also responsible for putting in place proper arrangements for the governance of its affairs and facilitating the exercise of its functions, which includes ensuring a sound system of internal control is maintained through the year and that arrangements are in place for the management of risk. In exercising this responsibility the Authority places reliance on the Chief Constable of Lincolnshire Police to support the governance and risk management processes.

1.4 The Authority has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework: Delivering Good Governance in Local Government. A copy is on our website at www.lincolnshire-pa.gov.uk or can be obtained from Malcolm Burch, Chief Executive, Lincolnshire Police Authority, Police Headquarters, Deepdale Lane, Nettleham, Lincoln, LN2 3LT. Telephone 01522 558022. Email **police.authority@lincs.pnn.police.uk**.

1.5 This statement explains how the Authority has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

1.6 A more detailed Statement of Assurance for the Force signed by the Chief Constable supports this overarching Governance Statement.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

2.1 The governance framework comprises the systems and processes, and culture and values by which the Authority is directed and controlled and its activities through which it accounts to and engages with the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services, including achieving value for money.

2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable and foreseeable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, to manage them effectively, efficiently and economically.

2.3 The governance framework has been in place at the Authority for the year ended 31 March 2012 and up to the date of approval of the statement of accounts.

3. THE GOVERNANCE FRAMEWORK

3.1 The key elements of the systems and processes that comprise the governance arrangements put in place for the Authority and Force are measures:

- for identifying and communicating the Authority's vision of its purpose and intended outcomes;
- for reviewing the Authority's vision and its implications for governance arrangements;
- for measuring the quality of services for users, for ensuring they are delivered in accordance with the Authority's objectives and for ensuring that they represent the best use of resources;
- for defining and documenting the roles and responsibilities of the Authority and Force and the senior members and officers within each, setting out clear delegation arrangements and protocols for effective communication, and arrangements for challenging and scrutinizing Force activity;
- for developing, communicating and embedding codes of conduct, defining the standards of behaviour for members, officers and staff;
- for reviewing and updating standing orders, standing financial instructions, a scheme of delegation, contract/procurement regulations, and supporting procedure notes/ manuals, which clearly define how decisions are taken and the processes and controls required to manage risks;
- for undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committee – Practical Guidance for Local Authorities;
- for ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful;
- for whistle blowing and for receiving and investigating complaints from the public and handling redress;
- for identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training;
- for establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation;
- for incorporating good governance arrangements in respect of partnerships and other group working and reflecting these in the Authority's overall governance arrangements.

4. REVIEW OF EFFECTIVENESS

4.1 The Authority has responsibility for conducting, at least annually, a review of the effectiveness of the governance framework, including:

- the system of internal audit
- the system of internal control.

4.2 This review has been informed by the work of the Chief Executive, Deputy Chief Executive and the Chief Finance Officer, internal auditors, and also members of staff within the Authority Secretariat who have the responsibility for the development and maintenance of the governance environment. It has also been informed by the work of the Authority's Committees. In addition comments made by the external auditors and other review agencies and inspectorates have informed this review.

4.3 The Authority has overall responsibility for Corporate Governance, including adopting a Code of Corporate Governance. It is advised by the Audit, Risk and Governance Committee on corporate governance and by the Ethical Standards Committee on ethical governance issues.

4.4 The Audit, Risk and Governance Committee has received and considered reports from both Internal and External Audit and monitored the implementation of action plans drawn up to address identified internal control weaknesses. The Finance and Performance Committee has received and considered reports on Force performance.

4.5 The Force has undertaken its own review of governance and the Annual Assurance Statement has informed and supports this Statement and is attached as an Annex.

4.6 Internal Audit have completed their programme of work for 2011/12 and reported the outcome of their work to the Audit, Risk and Governance Committee.

4.7 The results of the review of the effectiveness of the governance framework have informed the development of a plan to address weaknesses and to ensure continuous improvement.

5. SIGNIFICANT GOVERNANCE ISSUES

5.1 There have been two major external factors informing the Authority's approach to governance during 2011/12 and these will continue to drive activity during 2012/13; HM Treasury's Spending Review 2010 and the major changes to police governance embodied in the Police Reform and Social Responsibility Act 2011.

5.2 The challenges presented by the financial landscape resulting from HM Treasury's Spending Review 2010 have led to significant Force and Authority activity. These have impacted, and will continue to impact, upon the future shape of policing in the County. This continuing and substantial change presents on-going governance risks to the Authority and its successor body which are being closely monitored and managed via the Authority's governance framework.

5.3 Significant work was undertaken during 2010/11 to align and develop the timetables for the drafting of the policing plan and budget in order to define key milestones, deliverables and decision points for the Authority. This approach has continued during 2011/12. During the planning process the Authority reviewed its vision and strategic priorities for policing in Lincolnshire and, as previously, the Authority and Force agreed key performance indicators (KPIs) which are used to monitor Force performance. The use of KPIs has improved our ability to measure the quality of service for users and aid the communication of service outcomes, as well as hold the Force and Chief Constable to account on behalf of the communities of Lincolnshire. Additionally a Strategy and Operations Plan drives the work of the Authority Secretariat and aids in the delivery of key business objectives which support the Authority's governance role.

5.4 Historically the Authority conducted detailed formal scrutinies of areas of Force business. Whilst effective in driving improvement in specific areas, a more holistic approach was considered to be more effective in informing the level of assurance the Authority has at any one time of the Force's ability to discharge all of its key functions and services. During 2010/11, therefore, an assurance framework was introduced to provide this continuous assessment. 2011/12 was its first full year of operation and it has now become embedded in the day to day business of the Authority and its committees. The assurance framework has enabled the Authority to clearly articulate to the Force areas of concern as well as recognise success and continuous improvement.

5.5 In order to maintain and improve service levels and to achieve a balanced budget for 2011/12, the Force instigated the Policing Change Programme. Lincolnshire Police remains the lowest funded Force per head of population in England and Wales. Our financial standing therefore remains of prime concern to the Authority and over the course of the Spending Review period it is anticipated that savings of £19.7m are required in order to achieve a balanced budget. Significant contributors to these savings are elements of the Policing Change Programme which continued to deliver positive outcomes during 2011/12. A major project within the Programme was the Business Transformation Project. This sought to contribute to the financial savings required whilst also identifying capital investment in ICT infrastructure and bringing transformation that would lead to efficiencies whilst maintaining and where possible improving service levels. Given the importance of this project, a distinct governance framework was created which recognised the Authority's primacy in decision making and direction setting. Governance arrangements included the use of external independent project assurance and assessment of the Project was also sought from a joint team from Her Majesty's Inspectorate of Constabulary and the Commercial Directorate of the Home Office. The project led to the Authority entering into a ten year strategic partnership with an external provider who will deliver services on the Authority's behalf. The contract was awarded by the Authority during 2011/12 and commenced on 1 April 2012. A Commercial Partnership Team has been created within the Force to manage the contract on a day to day basis. This is overseen by a formal governance framework which enables the Authority to hold the partner to account effectively. A range of delegations have been put in place to enable efficient operation of the contract, with the Authority and its successor body retaining control over key contractual levers.

5.6 The Authority's medium term financial strategy has been refreshed during the year and will be revisited during 2012/13 in order to inform budget preparations for 2013/14.

5.7 The Authority continues to operate a risk based reserves policy which seeks to establish the General Reserve at a level which is commensurate with the midpoint of an acceptable range. The range of required reserves is assessed as £5.2m to £10.8m. This range of acceptability is wide and results in a mid-point of £8.0m. At its meeting in February 2012, the Authority reaffirmed its policy of automatically transferring unplanned underspends to the General Reserve until such time as the target level is achieved. Following the establishment of the outturn for 2011/12, the level of the General Reserve is £8.0m, in line with the target. The Reserves policy will be reviewed as part of the budget setting process for 2013/14.

5.8 The joint Authority and Force Anti-fraud and Corruption Policy has been reviewed and incorporates reference to the Bribery Act 2010 which came into Force on 1 July 2011.

5.9 The Authority carried out wide-ranging engagement activity throughout the year to inform the development of policing priorities, and to consult and communicate with the public. This work resulted in close to 6,000 individual engagements including the collation of public views on the Authority's budget via the online budget simulator.

5.10 Following the disestablishment of the post of Assistant Chief Officer - Director of Resources, a review was completed of the Authority's Scheme of Delegation, Finance and Contract Regulations. During the year, the Authority's policy framework was strengthened further by the implementation of strategies for asset management, ICT and procurement.

5.11 The Authority's risk management strategy is now well embedded. The Audit, Risk and Governance Committee continues to monitor the Force's evolving methodology, its implementation and effectiveness. An Authority Risk Task and Finish Group carried out a full review of risks facing the Authority in the light of revisions to its strategic objectives. The Internal Auditor Service also carried out a review of risk maturity.

5.12 The Authority commissioned an internal audit report into the Force's approach to partnership working. This has led to the development of a more structured risk based approach to the management and monitoring of partnership activity. The Authority will continue to monitor the Force's work in this area during 2012/13, especially in the light of the likelihood of increased importance being placed upon partnership working by the Authority's successor body.

5.13 The Authority has continued to provide secretariat support to the East Midlands collaboration arrangements between the region's forces and authorities. As part of this work, the Authority is leading the strengthening of the governance arrangements for collaboration, both in the short term and following police authority abolition. Further development of collaboration in the region remains central to the Authority's strategy for policing in the County and is likely to be so for the police and crime commissioners; therefore, risks related to this complex area of governance will be managed closely in the coming year.

5.14 2011/12 saw Her Majesty's Inspectorate of Constabulary (HMIC) continue its programme of Valuing the Police inspections. All 43 police authorities and forces were inspected in Spring 2011 to assess how they were planning to meet the financial challenge set by the Spending Review and what the impact might be on the service they provide to the public. The report on Lincolnshire (published in July 2011) noted that both the Authority and Force clearly understood the scale of the spending review challenge and had considered a range of options in developing the Policing Change Programme. HMIC observed that the Authority and Force had a clear vision for the Force in future and a clear governance framework around the Policing Change Programme. The inspection team noted that the introduction of the new whole force policing model took six months to implement; this was seen as a significant achievement in such a short timescale and provided confidence in the rigour of the Authority and Force's governance arrangements. Additionally, HMIC observed that proportionately there will be a higher number of police officer post reductions in the first year of the Spending Review period in frontline response and neighbourhood teams in Lincolnshire than had been observed elsewhere. They concluded this represented a heightened risk of there being an adverse impact on the service to the people of Lincolnshire. The Authority is cognisant of this risk, its management and mitigation has been an area of focus in the Authority and Force's on-going strategy and will continue to be so in the coming year.

5.15 The Police Reform and Social Responsibility Act 2011 provides for the abolition of police authorities, replacing them with directly elected Police and Crime Commissioners. During 2011/12, the Authority initiated its Police Reform Project to manage the transition process.

The project has a clear governance structure with the Local Governance Transition Board reporting to the Strategic Planning Committee and the full Authority. The first elections take place on 15 November 2012 with the Police and Crime Commissioner for Lincolnshire taking up office on 22 November 2012. During 2012/13, a major focus of Police Authority Secretariat activity will be preparing for and then delivering a smooth transition to the new governance arrangements. This is being done alongside the on-going delivery of the Authority's business as usual, securing the effective discharge of the Police Authority's statutory responsibilities whilst planning for the future. The legislation requires a PCC to have two statutory officers, a Chief Executive (who will be designated as Monitoring Officer) and a Chief Finance Officer (CFO). A Chief Finance Officer has been appointed, and the Chief Executive from the Police Authority has transferred to the PCC.

5.16 The Authority's outsourced legal provision currently includes monitoring officer services. During 2012/13, the Authority will commence a procurement process for a revised legal services specification to meet the needs of the PCC. The Police Reform Project includes workstreams that will ensure fit for purpose arrangements are in place for the new policing body from day one of operation, including areas of governance, finance and internal control. A new performance framework will be introduced prior to the dissolution of the Authority in order to ensure it is embedded before the transfer of governance responsibilities. The project was reviewed as part of the internal audit plan 2011/12 and a further review forms part of the 2012/13 audit timetable. HMIC also include inspection of police authorities' PCC transition arrangements in their 2012/13 work plan, visiting the Authority in May 2012. They concluded that transition plans were sound, that the Authority had a mature approach to assessing and managing the process and that further reviews would be done in September.

5.17 We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. These steps will address the need for improvements that were identified in our review of effectiveness and we will monitor their implementation and operation as part of our next annual review.

SIGNED

Barry Young Chairman of Police Authority	Malcolm Burch Chief Executive of Police Authority
DATE ______________________	DATE ______________________

On behalf of the members and senior officers of the Lincolnshire Police Authority and Lincolnshire Police Force.

Force Annual Assurance Statement

Position as at 31st March 2012 including plans for the financial year 2012/13.

1. SCOPE OF RESPONSIBILITIES

The Chief Officer of the Lincolnshire Force is responsible for the direction and control of the Force. In discharging his functions, the Chief Officer shall have regard to the local policing plan issued by the Police Authority for his area. In addition the Chief Officer will have responsibility where the Police Authority delegates its functions in respect of securing an efficient and effective police force. In this regard the Chief Officer is responsible for ensuring the Force's business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

The Chief Officer is also responsible for putting in place proper arrangements for the governance of the Force and facilitating the exercise of its role, which includes ensuring that arrangements are in place for the management of risk.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems, processes, culture and values through which the Force manages its activities. It enables the Chief Officer to monitor the achievement of Force objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services, including achieving value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable and foreseeable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable assurance of effectiveness. The system of internal control is based on an ongoing process designed to: identify and prioritise the risks to the achievement of the Force's policies, aims and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised, and; to manage them effectively, efficiently and economically.

The governance framework has been in place at the Force for the year ended 31st March 2012 and up to the date of approval of the Statement of Accounts.

3. THE GOVERNANCE FRAMEWORK

This section describes the key elements of the systems and processes of the governance arrangements that have been put in place for the Force. In doing so it reflects the overarching structures that have been developed to deliver objectives and manage risk.

- Processes for setting objectives and targets that support the policing priorities outlined in the Annual Policing Plan, including reporting to Police Authority:
    - daily management meetings of frontline officers in accordance with the National Intelligence Model;
    - Tactical Tasking and Coordinating Group aligns day to day work with strategic objectives;
    - Interim Service Delivery meetings;
    - Operational commanders conference where operational matters can be discussed, risks identified and solutions found.

- Decision making structures for establishing priorities and considering strategic issues facing the Force:
  - internal departmental management teams establishing business plans;
  - Chief Officer / Command Group;
  - The Forum, where Chief Officers share and discuss key issues with senior staff;
  - reporting to Police Authority committees;
  - feedback from the public and other local stakeholders.

- The monitoring processes by which performance against operational, financial and other strategic plans are considered and key issues identified and tasked:
  - departmental meetings monitoring business plans for the year;
  - Force performance meetings;
  - performance indicators;
  - Establishment Management Board, controlling the police officer and staff establishments;
  - Major Programme Board planning capital developments and monitoring their completion;
  - Value For Money Board, working jointly with the Police Authority to develop programmes of work to make the Force more economic, efficient and effective;
  - Policing Change Programme Steering Group.

- The Risk Management process by which the Force identifies and seeks to mitigate key risks:
  - Risk Management Board leads the monitoring of risk and implementation of the resultant actions.

- Developing, communicating and embedding codes of conduct and defining the standards of behaviour for officers and staff:
  - regular publications;
  - sharing best practice and case studies;
  - setting standards for new staff at their induction;
  - PRIDE and leadership charters;
  - Professional Standards Department independently reviewing the behaviour and conduct of officers.

- Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks and resources:
  - review by Internal Audit;
  - scrutiny by the Police Authority;

  The Police Authority approved the scheme of delegation / finance and contract regulations at their meeting in July 2011. These were further updated in January 2012.

- Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful:
  - review by Internal Audit and External Audit;
  - appointment of professionally qualified staff throughout the organisation;
  - promotion of a culture of professionalism and integrity through the staff charter and the PRIDE values;
  - advice from our own Legal Services department ;
  - monitoring and oversight through the Professional Standards Department.

- Processes for receiving, investigating, and reporting upon complaints from the public, and other stakeholders:
  - clear communication with the public through the Neighbourhood Policing model, and through the Force Control Room;

- customer service teams to respond to feedback from the public;
- Professional Standards Department to follow up complaints against police officers;
- HR to lead and advise on disciplinary issues against police staff;
- compliance with national standards and processes.

- Determining the conditions of employment and remuneration of officers and staff, within appropriate national frameworks:
  - professional advice from qualified HR and Finance staff.

- Identifying the development needs of officers and staff in relation to their roles, supported by appropriate training and linked to the priorities of the Force:
  - Personal Development Reviews for all staff;
  - ensuring that training needs are fully integrated into project implementation plans.

- Establishing clear channels of communication with all sections of the community and other stakeholders on priorities and plans:
  - clear communication with the public through the Neighbourhood Policing model;
  - partnership working to find the best agency for interacting with the public;
  - use of Key Individual Networks to direct the work of Neighbourhood Policing Teams;
  - use of Problem Solving Plans to record priorities for local communities.

- Incorporating good governance arrangements in respect of partnerships and other group working:
  - established terms of reference, minutes and delivery plans;
  - multi-agency boards for managing partnerships;
  - scrutiny by all members, local and central government;
  - regional collaboration through the Deputy Chief Constables' Board.

- Preparedness for dealing with emergency situations:
  - use of risk registers across the public sector in Lincolnshire;
  - Business Continuity Management Policy;
  - dedicated resources allocated to Emergency Planning, working to develop and maintain relationships with other Lincolnshire based organisations and regional colleagues.

4. REVIEW OF EFFECTIVENESS

The Chief Officer has responsibility for conducting, at least annually, a review of the effectiveness of the governance framework and the system of internal control within the Force. The review of the effectiveness was initially informed by the work of the Assistant Chief Officer & Director of Resources, and subsequently by the Chief Financial Officer together with managers within the Force who have the responsibility for the development and maintenance of the governance environment. In addition, comments made by the external auditors and other review agencies and inspectorates informed the review.

On an on-going basis governance is monitored and reviewed via a range of mechanisms. These range from formal meetings (in areas such as Force performance, project management arrangements and conduct oversight from the Professional Standards Department) to the operation of management teams at a corporate, divisional and service level.

I have relied upon the assurance received from the Chair of the East Midlands Police Authority Joint Committee and the Deputy Chief Constable (East Midlands) on the controls and procedures in place to manage the Regional Collaboration within the East Midlands.

5. SIGNIFICANT GOVERNANCE ISSUES

Budget position

Despite undertaking an unprecedented level of business change during the year, the medium term financial forecast for the Force still shows a deficit in excess of £3m by 2014/15. Addressing this issue whilst ensuring service levels are maintained in accordance with the Policing Plan is a major challenge. Work is ongoing to assess how this may be achieved.

Information security

During 2011/12 the Force has progressed its work on information security. There is a 3-year accreditation programme in place for IT systems, of which several systems have been accredited during this period. The Force has put significant work into ensuring compliance in aspects of the Security Policy Framework, Information Security Standard 6 and the Information Assurance Maturity Model. Work will continue to ensure full compliance in these areas over the next year.

Business continuity

Over the coming year the Chief Officer intends to take steps to continue working to enhance the Force's approach to business continuity and risk management. Following the completion of a Business Continuity Management Policy, work has progressed on the establishment of business continuity plans. These have been influenced by the creation of a strategic partnership with G4S, particularly in the area of ICT.

1) Back up Force communications and control

A project has been in progress throughout 2011/12. The project is controlled by the Major Programme Board and reviewed by the Force Risk Management Board. Good progress has been made during the year. The large scale of the work means that it will continue into 2012/13, with an anticipated completion in the autumn of 2012.

2) ICT servers

The Force completed the virtualisation of its main servers during 2011/12 as part of its business continuity strategy. The business continuity / disaster recovery plans continue to be developed as part of the strategic partnership arrangements with G4S. The intention is to relocate the virtualised servers to a hosted data centre. This should be complete in 2012/13.

Business transformation

The Force's response to government funding cuts will be central to the quality of services over the coming years. As a consequence, policing in Lincolnshire is changing. Lincolnshire Police have embarked upon a two year programme to radically reshape and reorganise the Force to improve efficiency and the quality of service provided to our community.

In order to deliver our planned change, the work has been divided into six projects, overseen and coordinated by the Policing Change Programme Steering Group. The steering group meets on a bi-weekly basis. Chaired by the Deputy Chief Constable, supported by two members of the Police Authority, it comprises the senior officers responsible for the delivery of the projects and their business leads, along with senior managers of a number of key organizational departments such as Finance, Human Resources and Information Technology.

Significant changes have been made during 2011/12.

1) The Force structure has been simplified, moving to a county-wide “whole force” model.

Policing in Lincolnshire was historically organised on a geographically split basis, with services being provided by three separate basic policing command units covering the East, West and South areas of the county. Building on community policing in our neighbourhood areas, the new structure will strengthen the relationship between the public and the Force. Arrangements came into effect in May 2011 and have been the subject of ongoing review in order to ensure that they are fit for purpose and flexible to meet the requirement to reduce officer numbers.

2) Increased regional collaboration.

Working more closely with other forces across the East Midlands increases our ability to respond to serious and organized crime. Specifically, it will:

- increase resilience in our ability to protect the public from organised crime groups through involvement in regional opportunities for providing protection;
- bolster current resources in areas such as kidnap by sharing specialist resources with other forces in the region;
- ensure local processes are streamlined and able to take full advantage of collaboration, increase specialist resilience and deliver efficiency savings.

The scope of work has increased in during the last year. Services now managed on a regional basis include Major Crime and Technical Support. In 2012/13 this will be extended further for work in Occupational Health, Intelligence and Forensics.

3) Strategic partnership with G4S

The authority has agreed to enter into a 10-year-contract with G4S to deliver services detailed below:

Operational Services

- Custody & ID Unit(excludes custody sergeant role)
- Force Control Room (excludes inspector role)
- Town Enquiry officers
- Crime Management Bureau
- Central Ticket Office and Collisions Unit
- Criminal Justice Unit
- Firearms Licensing (excluding manager and initially licensing officers)
- Resource Management Unit

Business Support

- ICT
- HR Services (excluding Occupational Health Unit)
- HR Learning & Development
- Assets and Facilities Management (including Fleet Management)
- Finance & Procurement
- Support Services

Assurance on the work of the partner is provided by the newly created Commercial Partnership Team. They will ensure services are delivered and developed in future in partnership with G4S.

Conclusions

The reductions to funding and the consequent impact on service provision continues to be an ongoing issue and will be reflected within the Force's risk management arrangements. The Force is committed to regular review of its resource allocation to ensure that future policing arrangements are fit for purpose. Governance requirements will be a fundamental element of the reviews.

Signed

Neil Rhodes
Chief Constable of Lincolnshire Police

Lincolnshire Police Authority
Statement of Accounts
2011/12
Index

Lincolnshire Police Authority
Statement of Accounts
2011/12
Index – continued

Lincolnshire Police Authority
Movement in Reserves Statement
2011/12

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other services. The true economic cost of providing the Authority's services is shown as the Surplus / Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. However, this value is different from the statutory amounts required to be charged to the General Fund Balance. Hence, the statutory General Fund Balance is shown in the Authority's Movement in Reserves Statement.

	Capital Receipts Reserve £000	Earmarked Reserves £000	General Fund Balance £000	**Total Usable Reserves £000**	Unusable Reserves £000	**Total Authority Reserves £000**
Restated Balance at 31 March 2010	**93**	**5,004**	**3,859**	**8,956**	**(909,426)**	**(900,470)**
Movement in Reserves during 2010/11						
Surplus on the provision of services	-	-	61,154	61,154	-	61,154
Other Comprehensive Income and Expenditure	-	-	-	-	58,754	58,754
Total Comprehensive Income and Expenditure	**-**	**-**	**61,154**	**61,154**	**58,754**	**119,908**
Adjustments between accounting basis and funding basis under regulations (Note 6)	(93)	-	(59,441)	(59,534)	59,534	-
Net Increase / Decrease before Transfers to Earmarked Reserves	**(93)**	**-**	**1,713**	**1,620**	**118,288**	**119,908**
Transfers to/from Earmarked Reserves (Note 7)	-	508	(508)	-	-	-
Restated Increase/(Decrease) in 2010/11	**(93)**	**508**	**1,205**	**1,620**	**118,288**	**119,908**
Restated Balance at 31 March 2011 carried forward	**-**	**5,512**	**5,064**	**10,576**	**(791,138)**	**(780,562)**
Movement in Reserves during 2011/12						
Surplus on the provision of services	-	-	(50,684)	(50,684)	-	(50,684)
Other Comprehensive Income and Expenditure	-	-	-	-	(12,495)	(12,495)
Total Comprehensive Income and Expenditure	**-**	**-**	**(50,684)**	**(50,684)**	**(12,495)**	**(63,179)**
Adjustments between accounting basis and funding basis under regulations (Note 6)	545	-	51,555	52,100	(52,100)	-
Net Increase / Decrease before Transfers to Earmarked Reserves	545	**-**	**871**	**1,416**	**(64,595)**	**(63,179)**
Transfers to/from Earmarked Reserves (Note 7)	-	268	(268)	-	-	-
Increase/(Decrease) in 2011/12	**545**	**268**	**603**	**1,416**	**(64,595)**	**(63,179)**
Balance at 31 March 2012 carried forward	**545**	**5,780**	**5,667**	**11,992**	**(855,733)**	**(843,741)**

Lincolnshire Police Authority
Comprehensive Income and Expenditure Statement
2011/12

This 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 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 of Reserves Statement.

Restated 2010/11			Note		2011/12		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000			Gross Expenditure £000	Gross Income £000	Net Expenditure £000
59,104	(9,965)	49,139		Local Policing	55,596	(5,329)	50,267
6,430	(84)	6,346		Dealing with the Public	9,034	(120)	8,914
9,580	(1,536)	8,044		Criminal Justice Arrangements	9,505	(586)	8,919
7,952	(424)	7,528		Road Policing	7,941	(1,323)	6,618
7,119	(462)	6,657		Specialist Operations	6,607	(88)	6,519
5,051	(525)	4,526		Intelligence	4,548	(60)	4,488
29,952	(927)	29,025		Specialist Investigation	30,963	(724)	30,239
3,622	(387)	3,235		Investigative Support	3,369	(45)	3,324
2,813	(358)	2,455		National Policing	2,902	(368)	2,534
1,187	-	1,187	**42**	Corporate and Democratic Core	1,068		1,068
(106,020)	-	(106,020)	**42**	Non Distributed Costs: Change from RPI to CPI within IAS 19 Pensions			-
1,352	-	1,352	**42**	Non Distributed Costs: Other	10,065		10,065
28,142	**(14,668)**	**13,474**	**41**	**Cost of Services**	**141,598**	**(8,643)**	**132,955**
1,111	(1,071)	40	**8**	Other Operating Expenditure	1,448	(1,334)	114
45,982	(330)	45,652	**9**	Financing and Investment Income and Expenditure	44,207	(308)	43,899
-	(120,320)	(120,320)	**10**	Taxation and Non-Specific Grant Income	-	(126,284)	(126,284)
75,235	**(136,389)**	**(61,154)**		**(Surplus) or Deficit on the Provision of Services**	**187,253**	**(136,569)**	**50,684**
		333	**27**	(Surplus) / Deficit on Revaluation of Non-Current Assets			(151)
		(59,087)	**55**	Actuarial (Gains) or Losses on Pension Assets and Liabilities			12,646
		(58,754)		**Other Comprehensive Income and Expenditure**			**12,495**
		(119,908)		**Total Comprehensive Income and Expenditure**			**63,179**

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

Lincolnshire Police Authority
Balance Sheet as at 31st March 2012

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

Restated 31 March 2010 £000	**Restated 31 March 2011 £000**	**Note**		**31 March 2012 £000**
34,612	30,441	**11**	Property, Plant and Equipment	27,883
725	780	**13**	Investment Property	825
49	19	**14**	Intangible Assets	2
141	131	**20**	Long-Term Debtors	122
35,527	**31,371**		**Long-Term Assets**	**28,832**
-	5,010	**18**	Short-Term Investments	-
393	413	**19**	Inventories	494
6,927	4,945	**20**	Short-Term Debtors	8,216
11,788	9,717	**21**	Cash and Cash Equivalents	13,294
-	1,250	**22**	Assets Held for Sale (< 1 yr)	1,229
19,108	**21,335**		**Current Assets**	**23,233**
(1,890)	(2,153)	**18**	Short-Term Borrowing	(2,395)
(12,108)	(11,047)	**23**	Short-Term Creditors	(11,469)
(889)	(780)	**24**	Short-Term Provisions	(351)
(40)	(577)	**48**	Capital Grants Receipts in Advance (< 1 yr)	(629)
(14,927)	**(14,557)**		**Current Liabilities**	**(14,844)**
(17,269)	(17,213)	**18**	Long-Term Borrowing	(18,031)
(922,460)	(801,402)	**55**	Other Long-Term Liabilities	(862,791)
(111)	(96)	**24**	Long-Term Provisions	(140)
(338)	-	**48**	Capital Grants Receipts in Advance (> 1 yr)	-
(940,178)	**(818,711)**		**Long-Term Liabilities**	**(880,962)**
(900,470)	**(780,562)**		**Net Assets**	**(843,741)**
8,956	10,576	**25**	Usable Reserves	11,992
(909,426)	(791,138)	**26**	Unusable Reserves	(855,733)
(900,470)	**(780,562)**		**Total Reserves**	**(843,741)**

Lincolnshire Police Authority
Cash Flow Statement
2011/12

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 or capital (i.e. borrowing) to the Authority.

Restated 2010/11 £000	Note		2011/12 £000
(61,154)		Net (Surplus) or Deficit on the Provision of Services	50,684
55,429	**33**	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(52,418)
(74)	**34**	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	558
(5,799)	**35**	**Net Cash Flows from Operating Activities**	**(1,176)**
8,291	**36**	Investing Activities	(1,275)
(421)	**37**	Financing Activities	(1,126)
2,071		**Net (Increase) or Decrease in Cash and Cash Equivalents**	**(3,577)**
11,788	**21**	Cash and Cash Equivalents at the Beginning of the Reporting Period	9,717
9,717	**21**	Cash and Cash Equivalents at the End of the Reporting Period	13,294

Lincolnshire Police Authority
Notes to the Accounts
2011 / 2012

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 year end of 31st March 2012. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011 which require the statements to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the Service Reporting Code of Authority Accounting 2010/11, supported by International Financial Reporting Standards.

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.

All accounting policies that are material to the production of the accounts are described in this section.

Changes in Accounting Policies

Changes in accounting policy may arise through changes to the Code or changes instigated by the Authority. For changes brought in through the Code, the Authority will disclose the information required by the Code.

For other changes we will disclose:

- the nature of the change;
- the reasons why the change has been made;
- report the changes to the current period and each prior period presented and the amount of the adjustment relating to periods before those presented.

If retrospective application is impracticable for a particular prior period (or for periods before those presented), we will disclose the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.

Prior Period Adjustments

The Code requires prior period adjustments to be made when material omissions or misstatements are identified. Such errors include the effects of arithmetical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

The following disclosures will be made for each prior period adjustment:

- the nature of the prior period error;
- for each prior period presented, to the extent practicable, the amount of the correction for each financial statement line item affected, and;
- the amount of the correction at the beginning of the earliest prior period presented.

Accruals of Income and Expenditure

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

- revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority;
- revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority;
- supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;
- expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;
- interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure 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 revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor fo the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Non-Current Assets – Property, Plant and Equipment

Property, plant and equipment are tangible items that:

- are held for operational use, for rental to others, or for administrative purposes; and
- are expected to be used during more than one period.

Classification

Property, plant and equipment is classified under the following headings in the Authority's balance sheet:

Operational Assets:

- Land and Buildings;
- Vehicles, Plant, Furniture and Equipment;
- Non-Operational Assets:
- Surplus Assets; and
- Assets Under Construction.

a) Initial Recognition

To be recognised as an item of property, plant and equipment an asset must:

- yield benefits to the Authority for more than a year; and
- have a cost which can be measured reliably.

Assets are initially measured at cost on an accruals basis, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use and costs incurred subsequently to enhance, replace part of, or service it as long as the above criteria are met. This excludes expenditure on training, routine repairs and maintenance, which are charged directly to the Comprehensive Income & Expenditure Statement.

Further details relating to capital expenditure are set out in the Authority's Capitalisation Policy.

De minimis level

The Authority has no de minimis level for recognising property, plant and equipment. This means that any item or scheme which meets the above criteria could be treated as capital. This relates to initial recognition and subsequent expenditure on assets.

Subsequent expenditure

Where subsequent expenditure enhances an asset beyond its original specification, the directly attributable cost is added to the asset's carrying value. Where subsequent expenditure is simply restoring the asset to the specification assumed by its economic useful life then the expenditure is charged to operating expenses. Where considered appropriate, the cost of the replacement is capitalised if it meets the criteria for recognition above.

Where material, the carrying value of the component replaced is de-recognised. Where the value is not known the value of the enhancement is used as a proxy. Indexation is used to deduce historic cost and a revaluation reserve. De-recognition costs are charged initially against any revaluation reserve for the asset and then to the Comprehensive Income & Expenditure Statement.

b) Measurement after Recognition – Valuation Approach

Property, Plant and Equipment assets are valued on the basis recommended by CIPFA and in accordance with the Practice Statements in the Appraisal and Valuation Standards published by The Royal Institution of Chartered Surveyors (RICS), in particular UK Practice Statement 1.1 – 1.3. Land and building valuations have been carried out by Lambert Smith Hampton, members of The Royal Institution of Chartered Surveyors. The Authority may rely on the advice of other relevant expert managers to value other assets.

Property, Plant and Equipment assets are classified into the groupings required by the Code of Practice on Local Authority Accounting. All operational and non-operational land and properties (including Investment Properties) were subjected to a full revaluation exercise at 1st April 2011. This valuation has been updated for the 31st March 2012 by way of a desktop revaluation of all assets.

All valuations are in accordance with the capital accounting rules on the following basis:

Operational Assets

- Land and operational properties – where the assets are considered by valuers to be "specialist" in nature (for example custody suites in operational police stations) they are valued at depreciated replacement cost (DRC), reflecting their value to the Police Authority in their current use. Because of the specialist nature of these buildings, the DRC value is normally higher than open market value. Where the assets are not considered to be "specialist" in nature, they are valued at fair value. Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arms length transaction. For this section of the Code, fair value (for land and buildings) is to be interpreted as the amount that would be paid for the asset in its existing use. This requirement is met by providing a valuation on the basis of existing use value (EUV) in accordance with UKPS 1.3 of the RICS Valuation Standards. Also note that

- vehicles, plant and equipment are determined to have short asset lives and are measured at historic cost; and
- furniture and non-specialist equipment are valued as a proportion of the building and have also been revalued in accordance with the movement in value of the host building.

Non-Operational Assets

- Surplus assets (being assets which the Authority no longer operates/are no longer used for service delivery, but are not investment properties or meet the definition for held for sale) are valued, measured and depreciated in line with the operational asset class; and
- Assets Under Construction are held at historical cost. When these assets are operationally complete they will be reclassified into the appropriate asset class and valued under the adopted approach.

Valuation Programme

In years when there is a full revaluation (every 5 years) the steps to account for assets involve valuing assets at the start of the financial year, and then considering impairment issues at the end of the year. This is the case in the current year, with valuations as at 1st April 2011 being refreshed and updated to 31st March 2012.

In all other years the year end valuation will encompass all changes in value, whether from additions, disposals, changes in market value, impairment or other consumption of economic benefits.

Component Accounting for Property, Plant and Equipment

The Code requires that assets included within property, plant and equipment are broken down into significant component parts. Where a large asset, for example a building, includes a number of components with significantly different asset lives e.g. plant and equipment, then these components are treated as separate assets and depreciated over their own useful economic lives. Only those components with significantly different useful lives or depreciation methods and the cost of the component is significant in relation to the overall cost of the asset are included. A de minimis level has been set so that a part of an asset will be subject to componentisation if the replacement value to the asset is in excess of £250k, and the expected life of the component is at least half that of the main asset.

Further details for component accounting are set out in the Authority's Componentisation Policy.

c) Revaluation Gains and Losses

Movements in value arising from revaluation of assets are reflected in the value of these assets held on the balance sheet.

Recognising a Revaluation Gain or Loss

Increases as a result of revaluations are debited to the appropriate asset account, with the opposite entry going to the Revaluation Reserve to recognise unrealised gains, except to the extent where it reverses a previous revaluation loss that was charged to a service revenue account within the Comprehensive Income & Expenditure Statement. In this case the revaluation gain will first be used to offset the previous loss and any further gain is then taken to the Revaluation Reserve. Revaluation gains charged to Surplus or Deficit on Provision of Services are transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

Decreases as a result of revaluation which are not specific to one asset but affect several are revaluations losses as opposed to impairments. The decrease is recognised in the Revaluation Reserve up to the balance in respect of each asset affected and then in Surplus or Deficit on Provision of Services. Any such charge taken to Surplus or Deficit on Provision of Services is then transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

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

d) Depreciation

Depreciation is charged on all assets with a finite useful life (which can be determined at the time of acquisition or revaluation). It is Authority policy that six months of depreciation is charged against assets in the year of acquisition and also in the year of disposal.

The policy on asset lives is as follows:

- Operational buildings (other than temporary buildings) are depreciated over their estimated useful life of between 20 and 50 years as estimated by the valuer.

- Furniture and non-specialist equipment is depreciated over 15 years.

- Vehicles, plant and specialist equipment (including computing equipment) are depreciated over their estimated useful lives, varying between 3 and 5 years.

Depreciation is calculated as the current cost of the asset divided by the useful existing life of the asset. Hence, revaluation gains are depreciated as well as the historic cost of the asset, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on the historic cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

For surplus assets awaiting disposal, depreciation is not charged to services. Rather, it is charged to non distributed costs in the Income & Expenditure Statement. No depreciation is charged on: land; asset under construction; and assets held for sale. Depreciation of an asset begins when the asset becomes available for use and ceases when the asset has been de-recognised.

e) Disposal of Property, Plant and Equipment

An item of property, plant and equipment shall be de-recognised on disposal; or when no future economic benefits are expected from its use or disposal.

The gain or loss arising from disposals is shown in the Comprehensive Income and Expenditure Statement (netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts in excess of £10k are categorised as capital receipts and can then only be used for new capital investment or to repay the principal of any amounts borrowed. Sale proceeds below £10k are below the de-minimis and are credited to the Comprehensive Income and Expenditure Statement.

f) Impairment of Non-Current Assets

If an asset's carrying amount is more than its recoverable amount, the asset is described as impaired. Circumstances that indicate an impairment has occurred include:

- a significant decline in an asset's market value during the period, that is specific to the asset;
- evidence of obsolescence or physical damage of an asset;
- a commitment by the authority to undertake a significant reorganisation; or
- a significant change in the statutory environment in which the authority operates.

Recognising an Impairment

Impairment losses are initially recognised against the revaluation reserve for that asset, up to the balance available. Any remaining loss is charged in the Surplus or Deficit on provision of services. This is then reversed through the Movement in Reserves Statement and charged to the Capital Adjustment Account.

Intangible Assets

Intangible assets are defined as an identifiable non-financial (monetary) asset without physical substance, but are under the control of the Authority, and expected to provide future economic or service benefits.

For Lincolnshire Police Authority the most common classes of intangible assets are software licences. Software which is integral to the operation of hardware, e.g., an operating system, is capitalised as part of the relevant item of property, plant or equipment. Software which is not integral to the operation of hardware, e.g., application software, is capitalised as an intangible asset.

a) Recognition and Measurement

Recognition of assets that qualify as an intangible asset shall be measured at cost. Costs that are directly associated with the development of intangible assets for internal use by the Authority are recognised under this heading, including employee costs.

Intangible assets are determined to have short asset lives and will continue to be carried at depreciated historic cost in the balance sheet after initial recognition.

De minimis level

The Authority has no de minimis level for recognising intangible assets. This relates to initial recognition and subsequent expenditure on assets.

b) Subsequent Expenditure

Costs associated with maintaining intangible assets are recognised as an expense when incurred in the Comprehensive Income and Expenditure Statement.

c) Amortisation

The carrying value of intangible assets with a finite life is amortised on a straight line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. Amortisation is charged to the relevant service area.

Intangible assets are all depreciated over an estimated useful life of 5 years.

Investment Properties

An investment property is defined as a property that is solely held to earn rental income or for capital appreciation or both.

a) Initial Recognition

As with Property, Plant and Equipment, initial recognition includes the costs associated with the purchase.

b) Measurement after Recognition

Investment properties are measured at fair value. Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's-length transaction.

c) Revaluation Gains and Losses

A gain or loss arising from a change in the fair value of investment property shall be recognised in Surplus or Deficit on provision of service.

d) Depreciation

Depreciation is not charged on investment properties.

e) Disposal of Investment Properties

Gains or losses arising from the disposal of an investment property shall be recognised in Surplus or Deficit on Provision of Services. As with all capital receipts, on de-recognition of an investment property the charge to the Surplus or Deficit on Provision of Services shall be reversed out of the General Fund.

Non-Current Assets Held for Sale

Non current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the following criteria are met as at the balance sheet date:

- the asset is available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets;
- the sale is highly probable (with management commitment to sell and active marketing of the asset initiated);
- it is actively marketed for a sale at a price that is reasonable in relation to its current fair value; and
- the sale should be expected to qualify for recognition as a completed sale within one year.
-

a) Measurement

Non-Current Assets Held for Sale are measured at the lower of carrying value and fair value less costs to sell (fair value here is the amount that would be paid for the asset in its highest and best use, i.e., market value).

b) Depreciation

Depreciation is not charged on non-current assets held for sale.

c) Disposal

Receipts from disposals are recognised in the Surplus or Deficit on provision of services.

Amounts in excess of £10k are categorised as capital receipts and can then only be used for new capital investment or to repay the principal of any amounts borrowed.

Charges to Revenue for the use of Non-Current Assets

Police services and central support services are charged with a capital charge for all non-current assets used in the provision of services to record the real cost of holding fixed assets during the year. The total charge covers:

- the annual provision for depreciation;
- impairment losses; and
- amortisation of intangible assets.

The Authority is not required to raise council tax to cover depreciation, impairment losses or amortisation. However, it is required to make a prudent annual provision from revenue to contribute towards the reduction in its overall borrowing requirement.

Depreciation, impairment losses and amortisation are therefore replaced by a revenue provision in the Movement in Reserves Statement, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

Minimum Revenue Provision

The Authority makes provision for the repayment of debt in accordance with the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008. This requires the Authority to set a Minimum Revenue Provision (MRP) which it considers to be prudent.

The accounts are charged with a capital charge for all fixed assets used in the provision of services. The total charge covers:

- the annual provision for depreciation;
- impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the Authority and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off;
- amortisation of intangible fixed assets attributable to the service.

In accordance with the Authority's approved policy, the annual contribution towards the reduction in overall borrowing is equal to:

- 4% of the Capital Financing Requirement as at 31st March 2008, adjusted for repayments made since that date;
- 4% of any additional borrowing from 2008/09 onwards within our allocation of supported capital expenditure;

- for any other borrowing from 2008/09 onwards, a repayment based on the asset life method.

Depreciation, impairment losses and amortisations are therefore replaced by a revenue provision in the Movement in Reserves Statement, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

Revenue Expenditure Financed through Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset in the balance sheet has been charged as expenditure to the relevant service revenue account in the year.

Statutory provision reverses these charges from the Surplus or Deficit on provision of services by debiting the Capital Adjustment Account and crediting the General Fund Balance through the Movement in Reserves Statement.

Borrowing Costs

The Authority recognises borrowing costs of qualifying assets in the Comprehensive Income & Expenditure Statement (disclosed within Interest Payable) in the year in which the payments are made.

Classification of Leases

Leases are classified as a finance lease or an operating lease depending on the extent to which risks and rewards of ownership (substance of the transaction over its legal form) of a leased asset lie with the lessor (landlord) or the lessee (tenant).

IAS 17 ‘Leases’ includes indicators for the classification of leases as a finance lease. Within these indicators the Authority has set the following criteria: the ‘major part’ of the asset life is determined to be 75%; and ‘substantially all’ of the value is determined to be 75%.

Finance Lease

A lease is classified as a finance lease when the lease arrangement transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee.

Operating Lease

All other leases are determined to be operating leases.

a) Finance Leases

i) Lessee – Vehicles, Plant & Equipment

Where a lease arrangement is identified as a finance lease and where the Authority is the lessee, the asset is recognised on the balance sheet at cost, and depreciated on a straight line basis over the term of the lease (in line with the Authority’s capitalisation and depreciation policy for Vehicles, Plant and Equipment).

ii) Lessee – Property

Where a property lease arrangement is identified as a finance lease and where the Authority is the lessee, the asset is recognised on the balance sheet at an amount equal to the fair value of the property, or if lower, the present value of the minimum lease payments, determined at the inception of the lease.

In both cases above, a liability is also recognised at the asset value. This is reduced as lease payments are made.

Minimum lease payments are to be apportioned between the finance charge (interest) and the reduction of the deferred liability.

The finance charge (interest) will be charged to the surplus or deficit on the Provision of Services, and then transferred to the Capital Adjustment Account through the Movement In Reserves statement.

iii) Lessor – Property

Where a property lease arrangement is identified as a finance lease and where the Authority is the lessor, an asset is recognised on the balance sheet as a debtor at an amount equal to the net investment in the lease. The lease payment is treated as repayment of principal and finance income (interest).

Initial direct costs are included in the initial measurement of the debtor and recognised as an expense over the lease term on the same basis as the income.

Rental income from finance leases entered into after 1 April 2010 should be treated as a capital receipt.

b) Operating Leases

i) Lessee – Property, Vehicles, Plant & Equipment

Where a lease arrangement is identified as an operating lease and where the Authority is the lessee, the lease payments are treated as revenue expenditure on a straight line basis over the term of the lease.

ii) Lessor – Property, Vehicles, Plant & Equipment

Where a lease arrangement is identified as an operating lease and where the Authority is the lessor, an asset is shown within non-current assets according to the nature of the asset. (See above Property, Plant & Equipment policy.)

Lease income from operating leases shall be recognised as income on a straight line basis over the lease term.

Capital Government Grants and Contributions (for the acquisition of non-current assets)

Capital grants and contributions are used for the acquisition of non-current assets. The treatment of these grants is as follows:

a) Capital grants where there are no conditions attached to the grant. The income is recognised immediately in the Comprehensive Income & Expenditure Statement.

Capital grant income is not a proper charge to the General Fund. It is accounted for through the Capital Financing Requirement (set out in statue) so it does not have an effect on council tax. To reflect this, the income is credited to the Capital Adjustment Account through the Movement in Reserves Statement.

b) Capital grants where the conditions have not been met at the balance sheet date. At the balance sheet date the grant is recognised as a Capital Grant Receipt in Advance in the top part of the balance sheet. When the conditions have been met, the grant is recognised as income in the Comprehensive Income & Expenditure Statement and the appropriate statutory accounting requirements for capital grants are applied.

c) Capital grants where no conditions remain outstanding at the balance sheet date, but expenditure has not been incurred. The income is recognised immediately in the Comprehensive Income & Expenditure Statement. As the expenditure being financed from the grant has not been incurred at the balance sheet date, the grant is transferred to the Capital Grants Unapplied Account (within usable reserves in the balance sheet), reflecting its status as a capital resource available to finance expenditure, through the Movement in Reserves Statement. When the expenditure is incurred the grant is transferred from the Capital Grants Unapplied Account to the Capital Adjustment Account to reflect the application of capital resources to finance expenditure.

Debtors

Debtors are recognised in the accounts when the ordered goods or services have been delivered or rendered by the Authority by the 31st March but the income has not yet been received.

Debtors are recognised and measured at fair value in the accounts. There is no de-minimis for capital or revenue income accruals.

Creditors

Creditors are recorded where goods or services have been supplied to the Authority by 31st March but payment is not made until the following financial year.

Creditors are recognised and measured at fair value in the accounts. There is no de-minimis for capital or revenue accruals.

Debt impairment

The Authority makes a provision for debts which may go bad or not be paid in full. Where it is doubtful that debts will be settled, the fair value of that debt is written down accordingly and a charge made to the Comprehensive Income & Expenditure Statement for the income that might not be collected.

The Authority's policy is to review outstanding debts annually in order to allow for debt impairment.

Inventories

Inventory assets include materials or supplies to be consumed or distributed in the rendering of services. This includes fuel, uniforms, equipment, vehicle supplies and catering produce. These are carried at the lower of cost (calculated as an average price) or current replacement cost (at the balance sheet date for an equivalent quantity).

A de minimis of £5k is set before a group of stock items would need to be accounted for at the year end.

Investments and Cash Equivalents

a) Investments

Lincolnshire Police Authority will classify these as follows:

- Short term deposits (due to be returned within any period from a day to a year after 31 March) held for investment purposes for the returns offered are classed as Short Term Investments.
- Deposits held for investment purposes for the returns offered which are due for return more than a year after 31 March are classed as Long Term Investments.

b) Cash and Cash Equivalents:

Cash Equivalents are held for the purpose of meeting short term cash commitments rather than for investment or other purposes. Lincolnshire Police Authority will classify these as follows:

- Other cash, on-call deposit accounts or banking facilities set up for the purpose of meeting short term liquidity requirements are classed as Cash and Cash Equivalents.

c) Bank Overdrafts:

Bank overdrafts are shown separately from Cash and Cash Equivalents. They are recorded as liabilities within Creditors

Provisions

The Authority sets aside provisions for future expenses where:

- an event has taken place on or before the balance sheet date that creates an obligation for the Police Authority;
- it is probable that the obligation requires settlement by a transfer of economic benefits;
- the value of settlement can be reliably estimated; but
- the timing of the transfer is uncertain.

Provisions are charged to the Comprehensive Income & Expenditure Statement in the year that the Authority becomes aware of the obligation based on the best estimate of the likely settlement. When payments are eventually made they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. When it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made) the provision is reversed and credited back to the Comprehensive Income & Expenditure Statement.

Where some or all of the payment required to settle a provision is expected to be met by another party (e.g. from an insurance claim) the income is only recognised in the Comprehensive Income & Expenditure Statement if it is virtually certain that reimbursement will be received when the obligation is settled.

Provisions contained within the balance sheet are split between current liabilities (those which are estimated to be settled within the next 12 months) and non-current liabilities (those which are estimated to be settled in a period greater than 12 months).

Contingent Liabilities

A contingent liability is where there is a possible obligation to transfer economic benefits due to a past event, but the possible obligation will only be confirmed by the occurrence or non-occurrence of one or more events in the future. These events may not wholly be within the control of the Authority.

The Authority discloses these obligations in the narrative notes to the accounts if greater than £100k.

These amounts are not recorded in the Authority's accounts because:

- it is not probable that an outflow of economic benefits or service potential will be required to settle the obligation, or
- the amount of the obligation cannot be measured with sufficient reliability at the year end.

Contingent Assets

A contingent asset is where there is a possible transfer economic benefit to the Authority from a past event, but the possible transfer will only be confirmed by the occurrence or non-occurrence of one or more events in the future. These events may not wholly be within the control of the Authority.

The Authority discloses these rights in the narrative notes to the accounts if greater than £100k.

Events after the Reporting Date

These are events that occur between the end of the reporting period and the date when the financial statements are authorised for issue. The Authority will report these in the following way if it is determined that the event has had a material effect on the Authority's financial position:

- events which provide evidence of conditions that existed at the end of the reporting period will be adjusted and included within the figures in the accounts; and
- events that are indicative of conditions that arose after the reporting will be reported in the narrative notes to the accounts.

Recognition of Revenue (Income and Expenditure)

Revenue shall be measured at the fair value of the consideration received or receivable.

Revenue is recognised only when it is probable that the economic benefits or service potential associated with the transaction will flow to the Authority.

Costs of Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice for Local Authorities 2011/12. The full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Police Authority's status as a multi-functional democratic organisation;
- Non Distributed Costs – the historic costs of retirement benefits and the costs of supporting non operational assets.

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

Revenue Government Grants and Contributions

Government grants and other contributions are accounted for on an accruals basis and recognised in the accounts when it is expected that the conditions for their receipt will be complied with and there is reasonable assurance that the grant or contribution will be received.

Revenue grants are recognised in full in the year of their receipt. For grants not spent within the same financial year, the impact on the General Fund is negated by a transfer to Earmarked Reserves in the Movement in Reserves Statement.

Specific revenue grants are matched in the Net Cost of Services with the service expenditure to which they relate.

Grants which cover general expenditure (e.g. Revenue Support Grant) are credited to the foot of the Comprehensive Income & Expenditure Statement.

Value Added Tax (VAT)

The Authority's Comprehensive Income & Expenditure Statement excludes VAT. All VAT must be passed on (where output tax exceeds input tax) or repaid (where input tax exceeds output tax) to HM Revenue and Customs.

The net amount due to or from HM Revenue and Customs for VAT at the year end shall be included as part of creditors or debtors balance.

Council Tax Income

The collection of council tax is in substance an agency arrangement with the seven Lincolnshire district authorities (billing authorities) collecting council tax on behalf of Lincolnshire Police Authority. The assessment of whether the Authority is acting as principal or agent is in line with IAS 18 Revenue, IPSAS 9 Revenue from Exchange Transactions and IPSAS 23 Revenue from Non Exchange Transactions.

The council tax income is included in the Comprehensive Income & Expenditure Statement on an accruals basis and includes the precept for the year plus Lincolnshire Police Authority's share of Collection Fund surpluses and deficits from the billing authorities.

The difference between the income reported in the Comprehensive Income & Expenditure Statement and the amount required by regulation to be credited to the General Fund shall be taken to the Collection Fund Adjustment Account through the Movement in Reserves Statement.

The year end balance sheet includes Lincolnshire Police Authority's share of year end debtors (arrears and collection fund surpluses) and creditors (prepayments, overpayments and collection fund deficits).

Reserves

a) Usable Reserves

The Authority's general revenue balances are held in the General Fund. The Authority also maintains a number of specific 'earmarked' reserves for future expenditure on either target service areas or to cover contingencies. They are described in more detail in notes to the accounts.

b) Unusable Reserves

Certain reserves are kept to maintain the accounting processes for non-current assets, financial instruments and retirement benefits. These accounts do not represent usable resources for the Authority.

Employee Benefits – Benefits Payable during Employment

a) Short Term Benefits

These are amounts expected to be within 12 months of the balance sheet date. They include:

- salaries, wages and expenses accrued up to the balance sheet date;
- annual leave and flexi hours earned, but not yet taken at the balance sheet date, and;
- 'back rest days' allocated to police officers when scheduled rest days are cancelled.

These items will be accrued in the balance sheet at the year end and charged to the relevant service revenue account. Statutory provision reverses these charges from the Surplus or Deficit on provision of services by debiting the Capital Adjustment Account and crediting the General Fund Balance through the Movement in Reserves Statement.

b) Long Term Benefits

These are amounts which are payable beyond 12 months. The Authority does not have any material long term benefits to be declared within the financial statements.

Employee Benefits – Termination Benefits

Termination benefits arise from the Authority's obligation to pay redundancy costs to employees. These costs will be recognised in the Authority's financial statements when the obligation to pay these benefits arises. For example; when there is a formal plan for redundancies approved by the full Police Authority (including the location, function and approximate number of employees affected; the termination benefits offered, and the time of implementation).

These items will be accrued in the Balance Sheet at the year end and charged to the relevant service revenue account. If payments are likely to be payable in more than 12 months from the year end then these costs will be discounted at the rate determined by reference to market yields.

Employee Benefits – Post Employment Benefits (Pensions)

In accordance with IAS19, the Balance Sheet includes recognition of the net asset/liability and a pensions reserve. The Comprehensive Income & Expenditure Statement shows movements in the asset/liability relating to defined benefit schemes (with reconciling entries back to contributions payable for council tax purposes in the Movement in Reserves Statement).

Accounting for retirement benefits is complex but has a simple principle:

"An organisation should account for retirement benefits when it is committed to give them, even if the actual giving will be many years into the future."

The important distinction for pension schemes is whether they are "defined contribution" or "defined benefit". As the police pension scheme and police staff superannuation scheme are both based on employees earning benefits from years of service they are both "defined benefit schemes".

IAS 19 relies on the recognition of pension assets and liabilities.

Liabilities - being the retirement benefits promised measured on an actuarial basis

Assets – being the Authority's share of investments (if any)

Movements on these assets and liabilities have been recorded in the Comprehensive Income & Expenditure Statement. The Authority has commissioned the actuaries Hymans Robertson LLP to determine the relevant figures. More explanatory notes on each scheme are given below.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme. The liabilities of the Lincolnshire County Council pension scheme attributable to the Police Authority are included in the Balance Sheet on an actuarial basis using the projected unit method. (This is an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projected earnings of future employees). Liabilities are discounted to their value at current prices, using a discount rate of 4.8%. This rate is based on market yields of high quality corporate bonds as at 31st March 2012, but is no longer equivalent to the iBoxx Index yield at the accounting date.

In assessing liabilities for retirement benefits at 31st March 2012 for the 2011/12 Statement of Accounts, the actuary made assumptions about inflation, salary increases, pension increases, expected return on assets and the discount rate. These are discussed further in Note 4.

The assets of the Lincolnshire County Council pension scheme attributable to the Police Authority are included in the Balance Sheet at their fair value as at 31st March 2012. The asset values are at bid value as required under IAS 19.

The Police Officer Pension Scheme

The police officer pension schemes (both the old and new schemes) are accounted for as defined benefits schemes. The liabilities of the police officer pension schemes are included in the Balance Sheet on an actuarial basis using the projected unit method. (This is an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projected earnings of future employees). Liabilities are discounted to their value at current prices, using a discount rate of 4.8%. This rate is based on market yields of high quality corporate bonds as at 31st March 2012, but is no longer equivalent to the iBoxx Index yield at the accounting date.

In assessing liabilities for retirement benefits at 31st March 2012 for the 2011/12 Statement of Accounts, the actuary made assumptions about inflation, salary increases, pension increases, and the discount rate. These are discussed further in Note 4.

Pension Scheme Policies

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

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated to the Cost of Services in the Comprehensive Income and Expenditure Statement;
- past service cost / gains or losses on curtailment - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of non distributed costs;
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid - debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- gains/losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of non distributed costs;
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve;

- contributions paid to the Lincolnshire County Council Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

The Authority also has some restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

Police Officer Pensions - Home Office Memorandum Account

From 1st April 2006 the Home Office changed the method of financing police pensions. Effectively the Authority has continued to make payments but accounts for these outside of its own accounts in a separate memorandum account, which is reported as a supplementary statement in these accounts.

Group Relationships

The Authority assesses on an annual basis relationships with other bodies to identify the existence of any group relationships. A de-minimis level of £1million annual turnover has been set for considering bodies to be included within group accounts.

The Authority has not identified, and does not in aggregate have any a material interest in subsidiaries, associated companies or joint ventures and therefore is not required to prepare group accounts.

Financial Instruments

a) Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to 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. For all of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

The authority has not undertaken any repurchasing or early settlement of borrowing.

b) Financial Assets

Financial assets are classified into four types: loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market; available-for-sale assets –

assets that have a quoted market price and/or do not have fixed or determinable payments; fair value through profit and loss – assets that are held for trading and derivatives with a positive value; and held for maturity – assets that have fixed or determinable payments and a fixed maturity.

The Authority only has loans and receivables.

Loans and Receivables

Loans and receivables are included in current assets. The Authority's loans and receivables comprise: short term investments, trade debtors, accrued income and 'other receivables'.

Loans and receivables are recognised initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using an effective interest method.

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

The adoption by the Code of amendments to *IFRS 7 Financial Instruments: Disclosures* will take effect for the accounting periods beginning 1 April 2012. The standard focuses on the significance of financial instruments and the risks arising from them. The impact of the policy on the financial statements of the Authority is not expected to be material.

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.

The critical judgements made in the Statement of Accounts are:

- There is uncertainty about service provision following government decisions to reduce future levels of funding for the Authority by £19.7m over 4 years. 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.

- The potential creation of Police and Crime Commissioners in November 2012 will change the governance structures of the Authority but will not affect its purpose or provision of services. Hence, there is no need to question the 'going concern' status of the organisation.

- Similarly, the partnerships with G4S and with other forces in the East Midlands change the manner of service provision but not the services themselves. Again, the 'going concern' status of each function managed by the Authority in 2011/12 is not in question.

- For retirement benefits, the interpretation of CIPFA guidance differs from that of the Code itself. CIPFA guidance expects plan assets to be included in our financial statements, but the Code says not to include them. This means that by following the CIPFA guidance, the Authority has treated £14.6m pension top up as an employee contribution, reducing the overall pension liability. The impact of this on the General Reserve is reversed through the Movement in Reserves Statement, with a corresponding entry in the Pensions Reserve.

- Masts are treated as investment properties as they are not used directly by the Authority for operational purposes. The Force may make incidental use of them via third party suppliers, but ownership and control of the assets is not relevant to our policing requirements.

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 historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The 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 described below. The main area of fluctuation is the assessment of pensions assets and liabilities. Hence, these are considered separately.

Pensions assumptions

Item	Uncertainties	Effect if actual results differ from assumptions
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. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions have been measured and described in the tables below. The tables give an indication of the impact of changes in the main assumptions but are not an exhaustive list of the variables involved.
Pensions liability	A report from the Office of Budget Responsibility indicates that RPI is likely to be around 0.8% higher than CPI in future. The observed difference in the past has been 0.5%. However, the actuaries have continued to assume that CPI will be approximately 0.8% p.a. below RPI on average.	The impact is estimated to be a reduction in future service costs from April 2011 onwards of around 6%.

The sensitivities regarding the Police Pension Scheme liabilities are set out below.

Change in financial assumptions	Approximate percentage increase likely to employer liability	Approximate monetary amount (£m)
0.1% decrease in the Real Discount Rate	2%	13.9
1 year increase in member life expectancy	3%	24.7
0.5% increase in the Salary Increase Rate	1%	9.3
0.5% increase in the Pensions Increase Rate (CPI)	8%	62.0

The sensitivities regarding the Police Pension Scheme current service costs are set out below.

Change in financial assumptions	Approximate percentage increase to projected current service cost	Approximate monetary amount (£m)
0.1% decrease in the Real Discount Rate	3%	0.5
1 year increase in member life expectancy	3%	0.5
0.5% increase in the Salary Increase Rate	4%	0.6
0.5% increase in the Pensions Increase Rate (CPI)	11%	2.0

The sensitivities regarding the principal assumptions used to measure the liabilities in the Local Government Pension Scheme are set out below.

Change in financial assumptions	Approximate percentage increase likely to employer liability	Approximate monetary increase (£m)
0.5% decrease in the Real Discount Rate	12%	11.3
1 year increase in member life expectancy	3%	2.9
0.5% increase in the Salary Increase Rate	4%	4.2
0.5% increase in the Pensions Increase Rate	7%	6.8

Other areas of estimation uncertainty

Item	Uncertainties	Effect if actual results differ from assumptions
Property, plant and equipment	Valuations are provided at a specific date. Market conditions can change with at short notice.	The last 5 years has seen a 25% drop in the general property market. However, much of this fall was anticipated by our annual desktop reviews, so the quinquennial revaluation only saw a fall of £1.1m. It is considered unlikely that there would be material reductions in value in future given the falls of recent years.
Reserves	Reductions to government funding will put more pressure on financial resources in general, and in particular may lead to further redundancy payments.	Earmarked Reserves are more likely to be used quickly if revenue savings are hard to find in the coming years. It is also possible that General Reserves could be used if the Force revenue budgets fall into deficit.
Classification of leases	There is some subjective interpretation of contract information when classifying some arrangements as finance or operating leases. For some equipment, the nature of the agreement points to a finance lease, but the details in the contract do not allow accurate calculations to be performed.	We have treated some arrangements as operating leases in the absence of the necessary information to account for them as finance leases. Assets and liabilities may be understated in the Balance Sheet by around £70k. We expect to correct this anomaly in future year accounts.

Collection fund balances	Estimates have been used to show the proportion of income due to the Authority for council tax, but held by the district councils in their collection fund account. Some Councils have estimated their year end surplus and the associated Balance Sheet figures, but have had to do so several months before the collection fund accounts are prepared.	There is no impact on the General Fund Balance. The surplus in the Comprehensive Income and Expenditure Statement and the associated Balance Sheet figures could vary by up to £200k.
Employee benefits: measurement of short term accumulating absences accrual	Measurement covers most staff for leave and time in lieu, but not all. It is possible that some staff not covered by the current approach may have time owing which is significantly different to the average.	There is no impact on the General Fund Balance. The surplus in the Comprehensive Income and Expenditure Statement and the associated Balance Sheet figures could vary by up to £100k.

5. Material Items of Income and Expense

This note sets out the nature and amount of material items not disclosed on the face of the Comprehensive Income and Expenditure Statement.

Note 10 taxation and non-specific grant incomes gives details of material income. Note 41 gross expenditure and income gives a breakdown by service expenditure. There are no material items not disclosed on the face of the Comprehensive Income and Expenditure Statement.

6. 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.

The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.

2010/11 Comparative Figures	Usable Reserves		Movement in Unusable Reserves £000
	Capital Receipts Reserve £000	General Fund Balance £000	
Adjustments primarily involving the Capital Adjustment Account:			
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:			
Charges for depreciation and impairment of non-current assets		4,193	(4,193)
Amortisation of lease prepayment		10	(10)
Revaluation losses on Property Plant and Equipment		1,529	(1,529)
Movements in the market value of Investment Properties		(55)	55
Amortisation of intangible assets		29	(29)
Capital grants and contributions applied		(875)	875
Revenue expenditure funded from capital under statute		1	(1)
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		59	(59)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:			
Statutory provision for the financing of capital investment		(1,360)	1,360
Voluntary provision for the financing of capital investment		(328)	328
Capital expenditure charged against the General Fund		(300)	300
Adjustments primarily involving the Capital Receipts Reserve:			
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	14	(14)	-
Use of the Capital Receipts Reserve to finance new capital expenditure	(107)		107
Adjustments primarily involving the Pensions Reserve:			
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement		(32,168)	32,168
Employer's pensions contributions and direct payments to pensioners payable in the year		(29,925)	29,925
Adjustments primarily involving the Collection Fund Adjustment Account:			
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		(114)	114
Adjustments primarily involving the Accumulated Absences Account:			
Amount by which officer 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		(234)	234
Adjustments primarily involving the Termination Benefits Adjustment Account:			
Recognition of pension liabilities created under past accounting arrangements (see Note 32)		111	(111)
Total Adjustments	(93)	(59,441)	59,534

2011/12	Usable Reserves		Movement in Unusable Reserves £000
	Capital Receipts Reserve £000	General Fund Balance £000	
Adjustments primarily involving the Capital Adjustment Account:			
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:			
Charges for depreciation and impairment of non-current assets		3,971	(3,971)
Amortisation of lease prepayment		10	(10)
Revaluation losses on Property Plant and Equipment		2,534	(2,534)
Movements in the market value of Investment Properties		(45)	45
Amortisation of intangible assets		16	(16)
Capital grants and contributions applied		(798)	798
Revenue expenditure funded from capital under statute		4	(4)
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		506	(506)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:			
Statutory provision for the financing of capital investment		(1,604)	1,604
Voluntary provision for the financing of capital investment		(362)	362
Capital expenditure charged against the General Fund		(448)	448
Adjustments primarily involving the Capital Receipts Reserve:			
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	545	(545)	-
Use of the Capital Receipts Reserve to finance new capital expenditure			-
Adjustments primarily involving the Pensions Reserve:			
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 55)		78,144	(78,144)
Employer's pensions contributions and direct payments to pensioners payable in the year		(29,356)	29,356
Adjustments primarily involving the Collection Fund Adjustment Account:			
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		3	(3)
Adjustments primarily involving the Accumulated Absences Account:			
Amount by which officer 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		(475)	475
Adjustments primarily involving the Termination Benefits Adjustment Account:			
Recognition of pension liabilities created under past accounting arrangements (see Note 32)			-
Total Adjustments	545	51,555	(52,100)

7. Transfers to / from Earmarked Reserves

This note sets out the amounts set aside from the General Fund into 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 at 1 April 2010 £000	Transfers Out 2010/11 £000	Transfers In 2010/11 £000	Transfer Between Reserves 2010/11	Balance at 31 March 2011 £000	Transfers Out 2011/12 £000	Transfers In 2011/12 £000	Transfer Between Reserves 2011/12	Balance at 31 March 2012 £000
Major Incidents	1,600				1,600		250		**1,850**
Insurance	363		224		587		163		**750**
Protective Services	57	(46)			11			(11)	**-**
Community safety	-				-				**-**
IFRS	20	(6)			14			(14)	**-**
Seconded Officers Ill Health	-				-				**-**
Specific Time Limited Posts	1,083	(635)		(89)	359	(264)		(86)	**9**
Business Change Fund	586	(199)	100	89	576	(363)			**213**
Crime and Intelligence	125	(62)	15		78	(23)		(51)	**4**
Bank Holiday Reserve	211				211	(74)		(137)	**-**
Police Authority Reserve	40				40				**40**
Mobile Data reserve	27	(27)			-				**-**
ANPR South Division	75				75	(52)		(23)	**-**
Case & Custody Carry Forward	60				60			(60)	**-**
PRIDE	90	(13)			77	(54)			**23**
POCA	141	(79)			62	(80)	79		**61**
POCA 2010/11	-		93		93				**93**
Employee Welfare Reserve	36		3		39		3		**42**
Funded Fleet Vehicles	72	(27)	4		49	(22)	4		**31**
Uniforms Project	30	(30)			-				**-**
Operations Fusion & Nova	15				15			(15)	**-**
Business Transformation Project	-	(45)	750		705	(705)	60		**60**
Migration Impact	-		219		219	(133)			**86**
2 Project Assistants	-		50		50	(50)			**-**
Farm & Country Watch	-		7		7				**7**
Moorland Youth Warden	-		1		1				**1**
Earlsfield Youth Project	-		4		4	(4)			**-**
Neighbourhood Watch Signs	-		9		9				**9**
Grantham Cadets	-		1		1				**1**
Harrowby Youth Project	-		1		1	(1)			**-**
PPO Delivery Groups	-		18		18	(18)			**-**
Redundancy Reserve	-	(606)	800		194	(194)			**-**
Special Priority Payment	163				163	(100)		(63)	**-**
Crime Commissioner	-		60		60		90		**150**
Crime Prevention Payments	-		3		3				**3**
SARC Grant from LCC	118	(75)			43	(43)			**-**
Consultancy					-		8		**8**
IMU Agency C/fwd					-		17		**17**
Reserve to bal 13/14 Budget					-		1,040	460	**1,500**
Police Officer Reserve					-		449		**449**
Contingency					-		244		**244**
Skirbeck Skate Park					-		1		**1**
Domestic Violence Admin	-		2		2		9		**11**
Subtotal	**4,912**	**(1,850)**	**2,364**	**-**	**5,426**	**(2,180)**	**2,417**	**(0)**	**5,663**
EMSOU	92	(6)			86		31		117
Total	**5,004**	**(1,856)**	**2,364**	**-**	**5,512**	**(2,180)**	**2,448**	**- 0**	**5,780**

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

8. Other Operating Expenditure

2010/11				2011/12		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
22	-	22	(Gains) or Losses on the Disposal of Property, Plant & Equipment		(179)	(179)
21	-	21	(Gains) or Losses on the Disposal of Assets Held for Sale		-	-
-	-	-	Levies	313		313
1,068	(1,071)	(3)	Seconded Officers	1,135	(1,155)	(20)
1,111	**(1,071)**	**40**		**1,448**	**(1,334)**	**114**

9. Financing and Investment Income and Expenditure

2010/11				2011/12		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
767	-	767	Interest Payable on Debt	773		773
45,199	-	45,199	Pensions Interest Cost and Expected Return on Pensions Assets	43,434		43,434
-	(156)	(156)	Investment Interest Income		(154)	(154)
-	(119)	(119)	Rentals Received on Investment Properties		(127)	(127)
16	-	16	Expenses Incurred on Investment Properties		18	18
-	(55)	(55)	Changes in Fair Value of Investment Properties		(45)	(45)
45,982	**(330)**	**45,652**		**44,207**	**(308)**	**43,899**

10. Taxation and Non Specific Grant Incomes

2010/11				2011/12		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
-	(875)	(875)	Recognised Capital Grants and Contributions	-	(798)	(798)
-	(40,762)	(40,762)	General Government Grants	-	(42,863)	(42,863)
-	(3,238)	(3,238)	Revenue Support Grant	-	(5,812)	(5,812)
-	(22,301)	(22,301)	Non Domestic Rates Redistribution	-	(18,802)	(18,802)
-	-	-	Council Tax Freeze Grant	-	(1,059)	(1,059)
-	(42,109)	(42,109)	Council Tax Income	-	(42,354)	(42,354)
-	(11,035)	(11,035)	Home Office Grant Payable towards the Cost of Retirement Benefits	-	(14,596)	(14,596)
-	**(120,320)**	**(120,320)**		**-**	**(126,284)**	**(126,284)**

11. Property, Plant and Equipment

Comparative Movements in 2010/11	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation					
At 1 April 2010	23,040	9,772	1,800	-	34,612
Additions	262	2,642	-	375	3,279
Revaluation Increases/ (decreases) recognised in the Revaluation Reserve	(36)	(37)	-	-	(73)
Revaluation Increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,553)	(3)	27	-	(1,529)
Derecognition - Disposals	-	(39)	-	-	(39)
Assets reclassified to/from Held for Sale	-	-	(1,530)	-	(1,530)
Other movements in cost or valuation	(88)	-	-	-	(88)
At 31 March 2011	**21,625**	**12,335**	**297**	**375**	**34,632**
Accumulated Depreciation and Impairment					
At 1 April 2010	-	-	-	-	-
Depreciation charge	(429)	(3,760)	(2)	-	(4,191)
At 31 March 2011	**(429)**	**(3,760)**	**(2)**	**-**	**(4,191)**

Supplementary information on leases can be found in note 52.

Movements and closing balances in 2011/12	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation					
At 1 April 2011	21,196	20,801	295	375	42,667
Additions	2,310	1,916	55		4,281
Revaluation Increases/ (decreases) recognised in the Revaluation Reserve	139	12			151
Revaluation Increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,347)	(36)	(150)		(2,533)
Derecognition - Disposals		(144)			(144)
Assets reclassified to/from Held for Sale	(60)		(375)		(435)
Other movements in cost or valuation			375	(375)	-
At 31 March 2012	**21,238**	**22,549**	**200**	**-**	**43,987**
Depreciation and Impairment					
At 1 April 2011		(12,226)			(12,226)
Derecognition - Disposals		93			93
Depreciation charge in year	(433)	(3,538)			(3,971)
At 31 March 2012	**(433)**	**(15,671)**	**-**	**-**	**(16,104)**
Net Book Value:					
At 31 March 2012	**20,805**	**6,878**	**200**	**-**	**27,883**
At 31 March 2011	**21,196**	**8,575**	**295**	**375**	**30,441**

12. Valuation of Non-Current Assets

Non-current assets have been revalued on the basis described in Note 1 and in accordance with the principles of the Accounting Code of Practice. Property, plant and equipment and investment properties were revalued in the form of a full valuation exercise as at the 1st April 2011 by Mr A Martin BSc MRICS, Mr R Smalley BSc MRICS and Mr D Chambers BSc MRICS of the independent firm of Chartered Surveyors Lambert Smith Hampton. This formed the full quinquennial review which was followed by a desktop review as at 31st March 2012 to ensure that these values were still relevant. The revaluation resulted in increases and decreases to the Authority's assets. In accordance with the required accounting practice these revaluations have been written back to the Revaluation Reserve (to the extent possible), and then to the Comprehensive Income and Expenditure Statement. The Authority has no Private Finance Initiative (PFI) arrangements.

Investment Properties are also valued by Lambert Smith Hampton as described above who are independent of the Authority and have recent experience of the location and category of our investment properties.

13. Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	2010/11 £000	2011/12 £000
Rental income from investment property	(119)	(127)
Direct operating expenses arising from investment property	16	18
Net gain/(loss)	**(103)**	**(109)**

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

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

	2010/11 £000	2011/12 £000
Balance at start of the year	725	780
Net gains/(losses) from fair value adjustments	55	45
Revaluation Increases/ (decreases) recognised in the Revaluation Reserve	-	-
Balance at end of the year	**780**	**825**

14. Intangible Assets

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

	2010/11 Other Assets £000	2011/12 Other Assets £000
Balance at start of year:		
Gross carrying amounts	154	153
Accumulated amortisation	(105)	(134)
Net carrying amount at start of year	49	19
Amortisation for the period	(29)	(17)
Additions:		
Purchases	-	-
Other changes	(1)	-
Net carrying amount at end of year	**19**	**2**
Comprising:		
Gross carrying amounts	153	153
Accumulated amortisation	(134)	(151)
	19	**2**

Amortisation of intangible assets is apportioned across all the service categories on the face of the Comprehensive Income and Expenditure Statement. It has no impact on Corporate & Democratic Core or Non Distributed Costs.

The Authority has no internally generated assets. All other assets have finite useful lives and amortised in line with the Authority's accounting policies, note 1.

15. Major Non Current Assets

An analysis of major non current assets is:

	31st March 2011 (Numbers)	31st March 2012 (Numbers)
Force Headquarters	1	1
Police Stations	41	40
Sexual Assault Referral Centre	1	1
Major Aerial sites	3	3
Vehicles	413	455
Police dog training establishment	1	1
Divisional HQ including houses awaiting disposal	1	1

16. Capital Expenditure

The main items of capital expenditure during the year were:

	£000
Vehicles including EMSOU	1,224
FCR Extension & Upgrade	651
ICT Infill Floor	540
Gainsborough Record Management Facilities	479
Other Projects across all areas	310
Estates Minor Building Works	171
Headquarters Roof	157
Business Continuity Server FCCC	136
Orangery and conference facilities	130
Rolling Replacement of PC's	120
LRSP Cameras	110
Skegness Roof Works	95
Refurbishment of Bracebridge Heath Pol Stat	87
Replacement WAN	70

17. Capital Commitments

The Force is making substantial changes to the Force Control Room to improve security and support business continuity. It is estimated that the total cost of this work is £2.2 million. Payments and accruals to the 31st March 2012 totalled £0.8 million, leaving further payments of £1.4 million during 2012/13.

Further, the Force signed a strategic partnership arrangement with G4S in February 2012. This included to upgrade and develop the Authority's assets:

- £1.3 million on new buildings (fleet workshop, cell extensions and a data centre);
- £5.5 million on replacement and upgraded ICT equipment and software;
- £4.9 million on new ICT systems.

18. Financial Instruments

Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

	Long-term		Current	
	31 March 2011 £000	31 March 2012 £000	31 March 2011 £000	31 March 2012 £000
Investments				
Loans and receivables - Short Term Investments	-	-	5,010	-
Total investments	**-**	**-**	**5,010**	**0**
Cash				
Loans and receivables	-	-		12,995
Total cash	**-**	**-**	**-**	**12,995**
Debtors				
Loans and receivables	131	0	2,467	3,422
Total debtors	**131**	**0**	**2,467**	**3,422**
Borrowings				
Financial liabilities at amortised cost - PWLB	16,797	17,667	2,101	2,343
Financial liabilities at amortised cost - Deferred Liabilities	416	364	52	52
Total borrowings	**17,213**	**18,031**	**2,153**	**2,395**
Creditors				
Financial liabilities at amortised cost	-	-	7,324	4,024
Total creditors	**-**	**-**	**7,324**	**4,024**
Capital Grants / Receipts in advance				**99**

In 2010/11 the Police Authority invested its surplus cash in temporary investments and short-term deposits with a range of UK banks, financial institutions and other local authorities and in accordance with LAAP 81, the figures above included investment interest capitalised of £10k. However the Police Authority is now exposed to minimum risk and no temporary lending took place by the end of 2011/12. Any short-term deposits are included in the cash and cash equivalents note 21.

Financial Liabilities is borrowing with the Public Works Loan Board (PWLB) and Deferred Liabilities. Total PWLB outstanding at 31st March 2012 is £20.010m. The table also includes capitalisation of interest payable of £187k in 2010/11 and £173k in 2011/12 (as required by LAAP 81).

Total Deferred Liabilities outstanding at 31st March 2012 is £0.416m. These represent the balance of loans outstanding as at 31st March 1995 which were transferred to the new Police Authority as established under the Police and Magistrates' Court Act 1994. The loans are administered by Lincolnshire County Council on behalf of the Police Authority. Repayments of £52k were made in 2011/12.

Total borrowing in 2011/12 amounted to £3.04 million which was used to finance capital expenditure, with £0.84 million repayable over 5 years and £2.2 million over 25 years. After making normal repayments of principal totalling £1.966 million and a decrease in loan interest accrual of £0.014 million, this increased the Police Authority's borrowing from £19.366 million to £20.426 million in the year.

The debtors and creditors figures have been adjusted for non-contractual obligations. For debtors these are VAT debtors, Statutory Maternity Pay debtors, payments in advance, grant income and collection fund adjustments. For creditors these are receipts in advance, grant income, tax and NI and collection fund adjustments.

	Range of Interest rates Payable %	31st March 2011 £000	31st March 2012 £000
PWLB	1.60-8.25	(18,898)	(20,010)
Transferred Debt - Lincolnshire CC	Variable	(468)	(416)
		(19,366)	**(20,426)**

A full analysis of loans by maturity is shown in note 57 under 'liquidity risk exposure'.

Income, Expense, Gains and Losses

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

	2010/11			2011/12		
	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Total £000	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Total £000
Interest expense	(767)	-	(767)	(773)	-	(773)
Total expense in Surplus or Deficit on the Provision of Services	**(767)**	**-**	**(767)**	**(773)**	**-**	**(773)**
Interest income	-	156	156	-	154	154
Total income in Surplus or Deficit on the Provision of Services	**-**	**156**	**156**	**-**	**154**	**154**
Net gain/(loss) for the year	**(767)**	**156**	**(611)**	**(773)**	**154**	**(619)**

Fair Values of Assets and Liabilities

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

- the fair value of PWLB has been calculated by reference to the 'premature repayment' set of rates as at 31st March 2012
- no early repayment or impairment is recognised

- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- deferred liabilities have been accounted for on the basis of outstanding principal amounts as defined by statutory arrangements

Financial Liabilities

The fair values calculated are as follows

	31 March 2011		31 March 2012	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Financial liabilities - PWLB	18,898	20,280	20,010	23,526
Financial liabilities - Deferred Liabilities	468	468	416	416
Financial liablitities - Current Creditors	7,324	7,324	4,024	4,024

The fair value of PWLB loans is more than the carrying amount because the Authority's portfolio of loans is based on fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date.

The table above excludes other Financial Liabilities such as cash overdrawn and other liabilities. The carrying amount as shown in the Balance Sheet is assumed to approximate to fair value, as the instrument will mature in the next 12 months.

Financial Assets

The fair values calculated are as follows

	31 March 2011		31 March 2012	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Loans and receivables - Investments	5,010	5,010	-	-
Loans and receivables - Current Debtors	2,467	2,467	3,422	3,422
Loans and receivables - Cash			12,995	12,995
Loans and receivables - Long Term Debtors	131	131	0	0
Capital Grants / Receipts in Advance			99	99

The fair value has been assessed as being the same as the carrying value.

19. Inventories

An analysis of inventories is given below:

	Uniform and Equipment		Diesel		Vending and Catering		Fleet Maintenance		Other		Total	
	2010/11 £000	2011/12 £000	2010/11 £000	2011/12 £000	2010/11 £000	2011/12 £000	2010/11 £000	2011/12 £000	2010/11 £000	2011/12 £000	2010/11 £000	2011/12 £000
Balance outstanding at start of year	**268**	**290**	**92**	**93**	**5**	**5**	**22**	**21**	**6**	**4**	**393**	**413**
Purchases	293	311	770	855	2	2	92	60	11	7	1,168	1,235
Recognised as an expense in the year	(271)	(260)	(769)	(816)	(2)	(7)	(91)	(60)	(13)	(11)	(1,146)	(1,154)
Written off balances	-	(1)	-	(2)	-	-	(2)	2	-	1	(2)	0
Balance outstanding at year-end	**290**	**340**	**93**	**130**	**5**	**0**	**21**	**23**	**4**	**1**	**413**	**494**

20. Debtors

An analysis of debtors is shown below:

	31 March 2011 £000	31 March 2012 £000
Amounts falling due within one year:		
Central government bodies	1,903	3,358
Other entities and individuals	3,042	4,858
Total Debtors falling due within one year	**4,945**	**8,216**

	31 March 2011 £000	31 March 2012 £000
Amounts falling due after one year:		
Other entities and individuals	131	122
Total Debtors falling due after one year	**131**	**122**

The other entities and individuals figure is presented net of impairment as per LAAP 88. Central government bodies balances include government grants such as Pension top up grant which were outstanding at the Balance Sheet date.

The funding arrangements for the police station at Market Rasen amount to a lease prepayment. Each year, a proportion of the prepayment is amortised as the useful life of the building reduces.

21. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

	31 March 2011 £000	31 March 2012 £000
Cash held by the Authority	49	34
Bank current accounts	250	869
Confiscated account	(6)	(12)
Short-term deposits with building societies	9,424	12,403
Total Cash and Cash Equivalents	**9,717**	**13,294**

The cash and cash equivalents figure represents a total amount of £13,294k in hand. The actual cash position at the bank and held as petty cash was a balance of £903k. £12,215k represents short-term deposits, including an interest accrual of £115k.

22. Assets Held for Sale

The analysis of Assets Held for Sale is shown below:

	2010/11 £000	2011/12 £000
Balance outstanding at start of year	**-**	**1,250**
Assets newly classified as held for sale:	-	435
- Property, Plant and Equipment	1,530	-
Revaluation Increases/ (decreases) recognised in the Revaluation Reserve	(260)	0
Cost to Sell	(20)	-
Assets sold in the year	-	(456)
Balance outstanding at year end	**1,250**	**1,229**

Property

2011/12

In 2006 the Police Authority decided to build a new Police Headquarters for the South of the county. The old facility in the centre of Grantham was secured and classified as a surplus asset with NBV of £1530k as at 31st March 2010. In February 2011, the Authority took steps to put the property on the market and the asset was reclassified as an asset held for sale. At this point the asset was removed from non-operational assets and moved into non current assets held for sale. The property revaluation went down by £280k.

The Authority expects to dispose of the asset within the year. As at 31st March 2012, negotiations with a potential bidder were being held regarding the sale of the premises. Old Grantham Police Station was vacated on the 7th November 2007. Hodgson Elkington estate agents were appointed by the Authority to sell the property. The property is currently being marketed by Hodgson Elkington with a guide price of £1,250k based on estate agents market value. Cost to sell is estimated at £20k.

Vehicles

2011/12

All Force vehicles are depreciated over 3 years. Fleet review all vehicles on an ongoing basis throughout the year to identify any vehicles that need to be sold i.e. older than 3 years or with excessive mileage. Vehicles are sent to auction six at a time.

As soon as a vehicle is identified for decommissioning the tax disc is removed and livery removed. At this point the asset is classified as non-operational and available for sale. As at 31st March 2012, there were no vehicles held awaiting auction.

23. Creditors

An analysis of creditors is given below. Other entities and individuals include: supplies and services, pay accruals, receipts in advance, other creditors and employee benefits. Employee benefits are the theoretical value of annual leave/time owed to staff at the Balance Sheet date.

	31 March 2011 £000	**31 March 2012 £000**
Central government bodies	(1,837)	(2,088)
Other local authorities	(459)	(405)
Other entities and individuals	(8,751)	(8,976)
Total Short-Term Creditors	**(11,047)**	**(11,469)**

24. Revenue Provisions

The Authority has made provisions to meet the costs of the liabilities described below. They are classified as provisions because there is uncertainty about the value and timing of the liabilities, and whether there was an obligation to transfer economic benefits at the Balance Sheet date. The factors affecting the Authority's provisions at 31st March 2012 are set out in the second table.

	Major Incidents £000	**Legal Services £000**	**Ill Health Retirements £000**	**Termination Benefits of Employment £000**	**Total £000**
Restated Balance at 31 March 2010	**(334)**	**(389)**	**(155)**	**(122)**	**(1,000)**
Additional Provisions Made In 2010/11	(360)	(142)	(241)	-	(743)
Amounts Used In 2010/11	334	319	155	10.00	818
Unused amounts reversed in 2010/11	-	49	-	-	49
Restated Balance at 31 March 2011	**(360)**	**(163)**	**(241)**	**(112)**	**(876)**
Additional Provisions Made In 2011/12	-	(135)	(149)	(56)	(340)
Amounts Used In 2011/12	360	52	157	11	580
Unused amounts reversed in 2011/12	-	61	84	-	145
Balance at 31 March 2012	**0**	**(185)**	**(149)**	**(157)**	**(491)**

All provisions are expected to be used in 2012/13. The termination benefits of employment is split between short-term provisions (£16k) and long-term provisions (£140k).

Provision	Description of the obligation	Expected timing of payments	An indication of the uncertainties	Amount of any expected reimbursement
Legal Services	A number of claims are being pursued against the authority, both public and employer's liability.	No certainty, but expected during 2012/13	As with any legal claim, the final outcome will depend upon many factors.	Insurers bear any costs above the excess on our policy.
Ill Health Retirements	Officers were being considered for ill health retirement at the Balance Sheet date.	June 2012	Appeals are possible within the process of ill health retirements.	None.
Termination Benefits of Employment	Amounts to be paid in relation to Police Staff previously retired.	These liabilities are met on a monthly basis, they will continue for the lifetime of the claimant.	Actual costs will vary with the lifespan of the claimant.	None

25. Usable Reserves

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statements. The Authority keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans. Usable Capital Receipts are the proceeds from the sale of capital assets, which are used to fund future capital expenditure.

	Capital Receipts Reserve £000	Earmarked Reserves (LPA)	Earmarked Reserves (EMSOU)	**Earmarked Reserves Total £000**	General Fund Balance (LPA) £000	General Fund Balance (EMSOU) £000	**General Reserve Total £000**	**Total Usable Reserves £000**
Balance as at 31 March 2011	**-**	**5,426**	**86**	**5,512**	**5,030**	**34**	**5,064**	**10,576**
Movements during the year								
Surplus on the provision of services	-	-	-	-	(50,709)	25	(50,684)	(50,684)
Adjustments between accounting basis and funding basis under regulations	545	-	-	-	51,545	10	51,555	52,100
Income and Expenditure contribution	-	2,417	31	2,448	(2,417)	(31)	(2,448)	0
Used in the year	-	(2,180)	-	(2,180)	2,180	-	2,180	0
Total reserve movements 2011/12	**545**	**237**	**31**	**268**	**599**	**4**	**603**	**1,416**
Balance as at 31 March 2012	**545**	**5,663**	**117**	**5,780**	**5,629**	**38**	**5,667**	**11,992**

26. Unusable Reserves

	Restated 31 March 2010 £000	Restated 31 March 2011 £000	31 March 2012 £000
Revaluation Reserve	772	438	488
Capital Adjustment Account	15,954	13,159	9,477
Pensions Reserve	(922,582)	(801,513)	(862,948)
Collection Fund Adjustment Account	61	175	172
Accumulated Absences Account	(3,631)	(3,397)	(2,922)
Total Unusable Reserves	**(909,426)**	**(791,138)**	**(855,733)**

27. Revaluation Reserve

The Revaluation Reserve records the accumulated gains on the long-term assets held by the Authority arising from increases in value. The Reserve is also debited with amounts equal to the part of depreciation charges on assets that have been incurred only because the asset has been revalued. 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.

2010/11 £000			2011/12 £000
772	**Balance at 1 April**		**439**
9	Upward revaluation of Property, Plant and Equipment	177	
(82)	Downward revaluation of Property Plant and Equipment, and impairment losses not charged to the Surplus or Deficit on the Provision of Services	(26)	
(280)	Downward revaluation of Assets Held for Sale and impairment losses not charged to the Surplus or Deficit on the Provision of Services	-	
20	Upward valuation of Assets Held for Sale	-	
-	Upward revaluation of Investment Properties	-	
(333)	**Deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**		**151**
-	Difference between fair value depreciation and historical cost depreciation and adjustment on revaluation reserve	(2)	
-	Accumulated gains on assets sold or scrapped	(100)	
0	**Amount written off to the Capital Adjustment Account**		**(102)**
439	**Balance at 31 March**		**488**

28. 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.

2010/11 £000			2011/12 £000
15,954	**Balance at 1 April**		**13,159**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(4,193)	Charges for depreciation and impairment on non-current assets	(3,971)	
(10)	Market Rasen Station Prepayment	(10)	
(1,529)	Revaluation losses on Property, Plant and Equipment	(2,534)	
(29)	Amortisation of intangible assets	(16)	
(1)	Revenue expenditure funded from capital under statute	(4)	
(59)	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	(506)	
(5,821)			**(7,041)**
1	Amounts written out of the Revaluation Reserve		102
(5,820)	**Net written out amount of the cost of non-current assets consumed in the year**		**(6,939)**
	Capital financing applied in the year:		
107	Use of Capital Receipts Reserve to finance new capital expenditure	-	
300	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	448	
875	Application of capital grants and contributions to capital financing transferred to the CAA	798	
1,282			**1,246**
55	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	45	
55			**45**
	Items not debited or credited to the Comprehensive Income and Expenditure Statement:		
1,688	Revenue provision for the repayment of debt	1,966	
1,688			**1,966**
13,159	**Balance at 31 March**		**9,477**

The Account contains accumulated gains and losses on Investment Properties. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date 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.

29. Pensions Reserve

The Pensions 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 pensions for which it is directly responsible. The debit balance on the Pensions Reserve 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 have been set aside by the time the benefits come to be paid.

Restated 2009/10 £000	Restated 2010/11 £000		2011/12 £000
(603,309)	**(922,582)**	**Balance at 1 April**	**(801,513)**
(289,187)	59,087	Actuarial gains or losses on pensions assets and liabilities	(12,646)
(44,999)	43,081	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	(63,503)
15,035	18,890	Employer's pensions contributions and direct payments to pensioners payable in the year	14,760
(122)	11	Other unfunded termination benefits	(46)
(922,582)	**(801,513)**	**Balance at 31 March**	**(862,948)**

30. 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.

2010/11 £000		2011/12 £000
61	**Balance at 1 April**	**175**
114	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	(3)
175	**Balance at 31 March**	**172**
	Represented by:	
1,713	Council tax arrears	1,735
(514)	Impairment for doubtful debts	(547)
(689)	Council tax overpayments and prepayments	(663)
(335)	Creditors, billing authorities	(353)
175	**Collection fund surplus / (deficit)**	**172**

31. Accumulated Absences Account

The Accumulated Absences 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, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2010/11 £000			2011/12 £000
(3,631)	**Balance at 1 April**		**(3,397)**
3,631	Settlement or cancellation of accrual made at the end of the preceding year	3,397	
(3,397)	Amounts accrued at the end of the current year	(2,922)	
234	**Amount by which officer 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**		**475**
(3,397)	**Balance at 31 March**		**(2,922)**

32. Termination Benefits Adjustment Account

The Termination Benefits Adjustment Account no longer exists. It was created to recognise movements in unfunded pension benefits during the year. It relates to the annual review of liabilities to 13 individuals who left the Authority under past accounting arrangements. These pension strain costs are now recorded within the Pensions Reserve. £157k was the estimated present value to the Authority of future liabilities arising from the 13 individuals.

33. Cash Flow – Adjustments on Provision of Services for Non Cash Movements

2010/11 £000		2011/12 £000
(4,206)	Depreciation of Non-Current Assets	(3,981)
(1,523)	Impairment and Downward Valuations of Non-Current Assets	(2,533)
(31)	Amortisation of Intangible Assets	(16)
-	Amortisation of Government Grant and Other Contributions	-
(1)	Increase in Impairment Provisions for Bad Debts	-
1,061	Increase/(Decrease) in Creditors	(422)
(1,981)	(Increase)/Decrease in Debtors	3,271
20	(Increase)/Decrease in Stock	81
62,107	Pension Liability	(48,743)
(60)	Carrying Amount of Non-Current Assets Sold	(506)
(134)	Contributions to Provisions	386
55	Other Non-Cash Items Charged to the Net Surplus or Deficit on the Provision of Services	45
55,307	**Non Cash Movements**	**(52,418)**

34. Cash Flow – Adjustment on Provision of Services for Investing and Financing Activities

2010/11 £000		2011/12 £000
14	Proceeds from the Sale of Property, Plant and Equipment and Investment Property	559
(88)	Capital Grants credited to Surplus or deficit on the provision of services	(1)
(74)		**558**

35. Cash Flow – Operating Activities

The cash flows for operating activities include the following items:

2010/11 £000		2011/12 £000
(156)	Interest received	(154)
782	Interest paid	773

36. Cash Flow Statement – Investment Activities

2010/11 £000		2011/12 £000
3,281	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	4,280
5,010	Purchase of Short-Term and Long-Term Investments	0
-	Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(545)
-	Proceeds from Short-Term and Long-Term Investments	(5,010)
8,291	**Net Cash Flows from Investing Activities**	**(1,275)**

37. Cash Flow Statement – Financing Activities

2010/11 £000		2011/12 £000
(1,910)	Cash Receipts of Short and Long-Term Borrowing	(3,040)
(199)	Other Receipts from Financing Activities	(52)
1,688	Repayments of Short and Long-Term Borrowing	1,966
-	Other Payments for Financing Activities	-
(421)	**Net Cash Flow from Financing Activities**	**(1,126)**

38. Proceeds from Short-Term Investments

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

2010/11 £000		2011/12 £000
-	Balance Sheet Opening Balance	5,010
5,010	Transactions during the year reported in the Cash Flow Statement	(5,010)
5,010	**Balance Sheet Closing Balance**	**0**

39. Police Property Act Fund

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

	2010/11 £000	2011/12 £000
Balance as at 1st April	(24)	(20)
Income	(14)	(26)
Expenditure	20	15
Balance as at 31st March	**(18)**	**(30)**
Cash balance held by Lincolnshire Police as at 31st March	**(18)**	**(30)**

40. 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, decisions about resource allocation are taken by the Police Authority on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. 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;
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year.

The income and expenditure of the Authority’s principal directorates recorded in the budget reports for the year is as follows:

Reconciliation of Directorate Income and Expenditure to Net Cost of Services in the Comprehensive Income and Expenditure Statement

Directorate Income and Expenditure 2010/11 Comparative Figures	**Police Officer Pay Costs £000s**	**Operational Devolved Budgets £000s**	**Support Devolved Budgets £000s**	**Central Budgets £000s**	**Police Authority £000s**	**Seconded Officers £000s**	**General Government Grants £000s**	**NNDR £000s**	**Council Tax £000s**	**Other Grants £000s**	**Other Income / Funding £000s**	**Total £000s**
Fees, charges & other service income	-	(1,535)	(2,343)	(82)	(21)	-	-	-	-	-	(316)	**(4,297)**
Government grants	-	-	-	-	-	-	(44,000)	(22,301)	(41,995)	(9,721)	-	**(118,017)**
Total Income	**-**	**(1,535)**	**(2,343)**	**(82)**	**(21)**	**-**	**(44,000)**	**(22,301)**	**(41,995)**	**(9,721)**	**(316)**	**(122,314)**
Employee expenses	60,204	17,807	17,127	910	374	(3)	-	-	-	-	-	**96,419**
Other operating expenses	-	7,502	10,569	3,808	637	-	-	-	-	-	-	**22,516**
Support services	-	1,744	426	-	-	-	-	-	-	-	-	**2,170**
Total Expenditure	**60,204**	**27,053**	**28,122**	**4,718**	**1,011**	**(3)**	**-**	**-**	**-**	**-**	**-**	**121,105**
Net Expenditure	**60,204**	**25,518**	**25,779**	**4,636**	**990**	**(3)**	**(44,000)**	**(22,301)**	**(41,995)**	**(9,721)**	**(316)**	**(1,209)**

Directorate Income and Expenditure 2011/12	**Police Officer Pay Costs £000s**	**Operational Devolved Budgets £000s**	**Support Devolved Budgets £000s**	**Central Budgets £000s**	**Police Authority £000s**	**Seconded Officers £000s**	**General Government Grants £000s**	**NNDR £000s**	**Council Tax £000s**	**Other Grants £000s**	**Other Income / Funding £000s**	**Total £000s**
Fees, charges & other service income	-	(1,869)	(2,526)	(393)	(5)	-	-	-	-	-	(228)	**(5,021)**
Government grants	-	-	-	-	-	-	(48,667)	(18,810)	(42,357)	(5,755)	-	**(115,589)**
Total Income	**-**	**(1,869)**	**(2,526)**	**(393)**	**(5)**	**-**	**(48,667)**	**(18,810)**	**(42,357)**	**(5,755)**	**(228)**	**(120,610)**
Employee expenses	59,846	22,311	11,273	17	400	(20)	-	-	-	-	-	**93,827**
Other operating expenses	-	3,890	12,960	5,813	489	-	-	-	-	-	-	**23,152**
Support services	-	1,345	1,683	-	-	-	-	-	-	-	-	**3,028**
Total Expenditure	**59,846**	**27,546**	**25,916**	**5,830**	**889**	**(20)**	**-**	**-**	**-**	**-**	**-**	**120,007**
Net Expenditure	**59,846**	**25,677**	**23,390**	**5,437**	**884**	**(20)**	**(48,667)**	**(18,810)**	**(42,357)**	**(5,755)**	**(228)**	**(603)**

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2010/11 £000s	2011/12 £000s
Net Expenditure in the Directorate Analysis	**(1,209)**	**(603)**
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis.	(91,717)	22,544
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement, Cost of Services.	106,400	111,014
Cost of Services in Comprehensive Income and Expenditure Statement	**13,474**	**132,955**

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of directorate 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.

2010/11 Comparative Figures	Directorate Analysis £000s	Services and Support Services not in Analysis £000s	Amounts not reported to management for decision making £000s	Amounts not included in I&E £000s	Other Adjustments £000s	Cost of Services £000s	Corporate Amounts £000s	Total £000s
Fees, charges & other service income	(4,142)	-	-	-	439	**(3,703)**	(2,237)	**(5,940)**
Surplus or deficit on associates and joint ventures	-	-	-	-	-	**-**	-	**-**
Interest and investment income	(155)	-	-	155	-	**-**	(211)	**(211)**
Income from council tax	(41,995)	-	-	41,995	-	**-**	(42,109)	**(42,109)**
Government grants and contributions	(76,022)	-	-	65,057	-	**(10,965)**	(65,057)	**(76,022)**
Total Income	**(122,314)**	**-**	**-**	**107,207**	**439**	**(14,668)**	**(109,614)**	**(124,282)**
Employee expenses	96,419	(96,393)	-	3	777	**806**	34,161	**34,967**
Other service expenses	19,187	1,433	-	-	(1,201)	**19,419**	16	**19,435**
Support services	2,170	-	-	-	(15)	**2,155**	-	**2,155**
Capital financing	2,519	3,243	-	-	-	**5,762**	-	**5,762**
Interest payments	767	-	-	(767)	-	**-**	767	**767**
Precepts & levies	-	-	-	-	-	**-**	-	**-**
Gain or (loss) on disposal of non current assets	43	-	-	(43)	-	**-**	42	**42**
Total Expenditure	**121,105**	**(91,717)**	**-**	**(807)**	**(439)**	**28,142**	**34,986**	**63,128**
(Surplus) or Deficit on the Provision of Services	**(1,209)**	**(91,717)**	**-**	**106,400**	**-**	**13,474**	**(74,628)**	**(61,154)**

2011/12	**Directorate Analysis £000s**	**Services and Support Services not in Analysis £000s**	**Amounts not reported to management for decision making £000s**	**Amounts not included in I&E £000s**	**Other Adjustments £000s**	**Cost of Services £000s**	**Corporate Amounts £000s**	**Total £000s**
Fees, charges & other service income	(4,867)	-	-	995	(174)	**(4,046)**	(926)	**(4,972)**
Surplus or deficit on associates and joint ventures	-	-	-	-	-	**-**	-	**-**
Interest and investment income	(154)	-	-	154	-	**-**	(199)	**(199)**
Income from council tax	(42,357)	-	-	42,357	-	**-**	(42,354)	**(42,354)**
Government grants and contributions	(73,232)	-	-	68,535	-	**(4,697)**	(68,535)	**(73,232)**
Total Income	**(120,610)**	**-**	**-**	**112,041**	**(174)**	**(8,743)**	**(112,014)**	**(120,757)**
Employee expenses	93,827	19,988	-	20	806	**114,641**	28,818	**143,459**
Other service expenses	19,509	(933)	-	-	467	**19,043**	18	**19,061**
Support services	3,028	-	-	(313)	(1,099)	**1,616**	-	**1,616**
Capital financing	2,909	3,489	-	-	-	**6,398**	-	**6,398**
Interest payments	773	-	-	(773)	-	**-**	773	**773**
Precepts & levies	-	-	-	-	-	**-**	313	**313**
Gain or (loss) on disposal of non current assets	(39)	-	-	39	-	**-**	(179)	**(179)**
Total Expenditure	**120,007**	**22,544**	**-**	**(1,027)**	**174**	**141,698**	**29,743**	**171,441**
(Surplus) or Deficit on the Provision of Services	**(603)**	**22,544**	**-**	**111,014**	**-**	**132,955**	**(82,271)**	**50,684**

41. Gross Expenditure and Income

The Comprehensive Income and Expenditure Statement has been prepared using the service expenditure analysis for Police Services as detailed in the 2011/12 Service Reporting Code of Practice (SerCOP).

The following table is intended to aid the reader in understanding where the money is spent and in making comparisons between Forces in terms of the type of expenditure incurred.

Restated 2010/11 £000	Description	2011/12 £000
61,875	Police Pay and Allowances	61,032
23,872	Police Staff Pay and Allowances	32,470
843	Other Employee Expenses	560
1,381	Police Pensions - Ill Health Retirements	1,183
(87,165)	IAS 19 pension costs	19,396
3,176	Premises	3,572
2,853	Transport	2,931
13,251	Supplies and Services	12,395
139	Third Party Payments	145
2,155	Support Services	1,616
5,762	Capital Financing	6,398
(14,668)	Income from Grants, Fees and Charges	(8,743)
13,474	**Net Cost of Services**	**132,955**

The Cost of Services is split across police services on the face of the Comprehensive Income & Expenditure Statement. The split is based on the "Police Objective Analysis" (POA), which has been developed by the Police Service following the end of Activity Based Costing. This method of allocating costs across services is based on a series of apportionments of expenditure in accordance with the actual functions carried out by police officers and staff. However, SerCOP also requires the allocation of central support service costs and other adjustments, which are not considered in the POA.

42. Corporate and Democratic Core and Non Distributed Costs

Corporate and democratic core expenditure represents those costs of operating an organisation such as a Police Authority, which cannot be directly attributed to a particular function as defined in the Best Value Accounting Code of Practice.

Non distributed costs are a classification from the Best Value Accounting Code of Practice. They are costs which do not require allocation as police service costs. Rather, they are an overhead cost for the organisation. They come from two sources: the historic cost of retirement benefit, and the costs of non operational assets.

	Restated 2010/11 £000	2011/12 £000
Police Services	116,955	121,822
Corporate and Democratic Core	1,187	1,068
Change from RPI to CPI within IAS19 Pensions	(106,020)	-
Non Distributed Costs	1,352	10,065
Net Cost of Services	**13,474**	**132,955**

Historic costs of retirement benefits

The liabilities as at 31st March 2012 are based on the current benefit structure of both the Local Government Pension Scheme and the Police Pension Scheme. The liabilities include an allowance for the change in commutation factors with effect from 20th April 2011. The effective of this change is a £10.4m past service cost in the revenue account. There is also £36k in respect of losses on curtailments.

Costs of non operational assets

A new police station was completed in Grantham during 2007/08. The sale of the old site has been delayed, leading to costs of £65k for maintaining the current condition of the property (£119k in 2010/11). Costs for maintaining three other sites were £11k. Impairment costs for non-operational assets, is (£447k) in 2011/12 (depreciation costs were £2k in 2010/11).

43. Jointly Controlled Assets

Sexual Assault Referral Centre

Spring Lodge, Sexual Assault Referral Centre (SARC) opened in April 2010. The SARC is a one stop location where victims of sexual assault can receive medical care and counselling whilst at the same time having the opportunity to assist the police investigation into alleged offences. It is a partnership between Lincolnshire Police and Lincolnshire Partnership NHS Foundation Trust, with Lincolnshire Police acting as the lead Authority. The financial statements include the Authority's share of capital expenditure, primarily the purchase and refurbishment costs associated with Spring Lodge (Lincolnshire Police Authority share is 65%). The financial statements also include the Authority's share of revenue expenditure (Lincolnshire Police Authority share is 50%).

Regional Collaboration (EMSOU; EMSOU Major Crime; EMSOU TSU)

The East Midlands Special Operations Unit (EMSOU) is responsible for undertaking special operations across Leicestershire, Nottinghamshire, Derbyshire, Lincolnshire and Northamptonshire (including the Regional Asset Recovery Team and the Regional Review Unit). Leicestershire acts as the lead Authority. During 2011/12 this collaboration has been extended to include EMSOU MC (Major Crime) with Leicestershire acting as the lead force and EMSOU TSU (Technical Support Unit) with Derbyshire acting as the lead force. The following table shows the total balance sheet for this jointly controlled asset together with the balances attributable to Lincolnshire. The transactions relating to Lincolnshire's 12.6% share of revenue expenditure have been included in the Comprehensive Income and Expenditure Statement. The Balance Sheet and Cash Flow also incorporate Lincolnshire's share of EMSOU transactions.

Lincolnshire Police Authority's contribution to EMSOU was £631,613 in 2011/12 (£540,957 in 2010/11). The contribution to EMSOU MCU was £90,646 and to EMSOU TSU was £197,775.

Lincolnshire share of regional Balance Sheet as at 31st March 2012

31 March 2011 £000		31 March 2012 £000
82	Property, Plant & Equipment	80
4	Intangible Assets	2
86	**Long Term Assets**	**82**
-	Payments In Advance	3
153	Cash and Cash Equivalents	77
67	Short-Term Debtors	238
220	**Current Assets**	**318**
(110)	Short-Term Creditors	(179)
(110)	**Current Liabilities**	**(179)**
196	**Net Assets**	**221**
34	General Fund Balance	50
86	Earmarked Reserves	82
120	**Usable Reserves**	**132**
86	Capital Adjustment Account	106
(10)	Accumulated Absences Account	(17)
76	**Unusable Reserves**	**89**
196	**Total Reserves**	**221**

Lincolnshire share of regional Comprehensive Income and Expenditure Statement

2010/11 £000		2011/12 £000
297	Police Pay and Allowances	351
204	Police Staff Pay and Allowances	373
16	Other Employee Expenses	13
163	Supplies and Services	168
92	Premises	110
49	Transport	49
5	Support Services	27
67	Capital Financing	36
893	**Gross Operating Expenditure**	**1,127**
(41)	Other Income	(12)
(1)	(Gains) or Losses on Disposal of Non Current Assets	4
851	**Amount to be met from Partners**	**1,119**
	Financed by:	
(541)	Contributions from Partners	(921)
(262)	External Grants	(221)
0	Capital Grants & Contributions	(5)
48	**Deficit on the Provision of Services**	**(28)**
-	(Surplus) or Deficit on Revaluation of Non-Current Assets	-
-	**Other Comprehensive Income and Expenditure**	-
48	**Total Comprehensive Income and Expenditure**	**(28)**

44. Jointly Controlled Operations

<u>Lincolnshire Road Safety Partnership</u>
Lincolnshire Road Safety Partnership (LRSP) was formed in June 2000 in order to reduce the number of people killed or injured on Lincolnshire's roads. LRSP is a unique multi-agency partnership that brings together road safety professionals from the Police Authority, Lincolnshire County Council, Fire & Rescue, the NHS, the Highways Agency and the Probation Service. As well as the time of Roads Policing Officers, Lincolnshire Police made a cash contribution of £51k to the partnership (£50k in 2010/11).

<u>Drug and Alcohol Action Team (DAAT)</u>
The Lincolnshire DAAT is a virtual partnership of all the statutory services in the area and some other significant organisations responsible for delivering the National Drugs Strategy. Previously named the Lincolnshire DAT (Drugs Action Team), the organisation's remit has been widened to incorporate responsibility for the National Alcohol Harm Reduction Strategy and is now called the Lincolnshire Drug and Alcohol Action Team. Drugs Referral Officers work in the Force's custody suites to provide support and advice to individuals and families affected by substance misuse. Lincolnshire Police made a contribution of £55k to DAAT in 2011/12 (£55k in 2010/11).

45. Members' Allowances and Expenses

During 2011/12 payments were made to Members of the Police Authority amounting to £178,776 (2010/11: £241,132) in respect of allowances and £24,183 (2010/11: £23,738) as a contribution towards expenses necessarily incurred in the course of their duties.

46. Remuneration of Senior Staff and Exit Packages

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

The table below excludes senior employees who are shown in more detail in the following tables for Senior Officers' Remuneration. It includes 5 Chief Superintendents for 2010/11 and 4 Chief Superintendents for 2011/12.

The table includes 3 employees who received redundancy payments in the year for 2010/11 and 6 employees who received redundancy payments in the year for 2011/12.

Remuneration Range	2010/11 Number of employees	2011/12 Number of employees
£50,000 to £54,999	63	61
£55,000 to £59,999	25	28
£60,000 to £64,999	10	8
£65,000 to £69,999	5	2
£70,000 to £74,999	1	5
£75,000 to £79,999	5	5
£80,000 to £84,999	4	3
£85,000 to £89,999	1	2
£90,000 to £94,999	-	1
£100,000 to £104,999	-	1
£105,000 to £109,999	-	1

2010/11 Senior Employees' Remuneration

Post title	Notes	Salaries, fees or allowances £	Performance related pay £	Cost of early retirement under the Rule of 85 £	Other benefits receivable in the role £	**Total remuneration excluding pension contributions 2010/11 £**	Employer's pension contribution £	**Total remuneration including pension contributions 2010/11 £**
Police officers								
Chief Constable		134,122			7,307	**141,429**	28,522	**169,951**
Deputy Chief Constable		112,362	13,271		3,483	**129,116**	26,074	**155,190**
Assistant Chief Constable 1	29/11/10 to 31/03/11	24,220			738	**24,958**	5,612	**30,570**
Assistant Chief Constable 2	01/04/10 to 31/03/11	117,914	5,000		3,704	**126,618**	27,496	**154,114**
Assistant Chief Constable 3	01/04/10 to 25/05/10	15,349				**15,349**	3,186	**18,535**
Assistant Chief Constable 4	01/04/10 to 31/03/11	101,702			3,419	**105,121**	23,544	**128,665**
Police staff								
Director of Human Resources	01/04/10 to 16/01/11	74,666	9,526	125,778	3,803	**213,773**	13,454	**227,227**
Director of Finance & Administration	*	100,637	8,122		5,735	**114,494**	17,401	**131,895**
Officers of the Authority								
Chief Finance Officer**								
Chief Executive	06/04/10 to 31/03/11	76,056			1,304	**77,360**	11,960	**89,320**
Monitoring Officer***								

* With effect from the 17/01/11 the Director of Finance & Administration became Assistant Chief Officer Director of Resources with a revised portfolio including HR.
** The Chief Finance Officer's services were provided via a third party. During the year, payments amounting to £56,107 were made to the third party for the Chief Finance Officer's services.
*** The Monitoring Officer services were provided via a third party. During the year, payments amounting to £6,000 were made to the third party for Monitoring Officer services.

2011/12 Senior Employees' Remuneration

Post title	Notes	Salaries, fees or allowances £	Performance related pay £	Compensation for loss of office £	Other benefits receivable in the role £	**Total remuneration excluding pension contributions 2011/12 £**	Employer's pension contribution £	**Total remuneration including pension contributions 2011/12 £**
Police officers								
Chief Constable		134,381			6,695	**141,076**		**141,076**
Deputy Chief Constable		113,613	5,387		3,048	**122,048**	26,347	**148,395**
Temporary Deputy Chief Constable*		137,364				**137,364**	23,504	**160,868**
Assistant Chief Constable 1		108,089			3,192	**111,281**	25,249	**136,530**
Assistant Chief Constable 2	01/04/2011 to 25/03/12	93,150	3,154		2,380	**98,684**	21,602	**120,286**
Police staff								
Director of Resources	01/04/2011 to 31/12/11	79,386	1,200	137,879	4,400	**222,865**	12,894	**235,759**
Officers of the Authority								
Chief Finance Officer**						**-**		**-**
Chief Executive		80,122			1,239	**81,361**	12,621	**93,982**
Monitoring Officer***								

* This Officer has been seconded from Lincolnshire Police to the post of Chief Executive of the Child Exploitation and Online Protection Centre (CEOP).

** The Chief Finance Officer's services were provided via a third party. During the year, payments amounting to £66,873 were made to the third party for the Chief Finance

*** The Monitoring Officer services were provided via a third party. During the year, payments amounting to £6,000 were made to the third party for Monitoring Officer

Exit Packages

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12
£0,000 to £20,000	1	2	23	6	24	8	235,008	78,949
£20,001 to £40,000	1	1	9	1	10	2	277,543	45,935
£40,001 to £60,000	-	-	-	3	-	3	-	150,173
£60,001 to £80,000	-	-	-	-	-	-	-	-
£80,001 to £100,000	-	-	-	-	-	-	-	-
£100,000 to £150,000	-	-	-	1	-	1	-	137,879
Total	**2**	**3**	**32**	**11**	**34**	**14**	**512,552**	**412,936**

The number of exit packages, analysed between compulsory redundancies and other departures and total cost of exit packages are set out in the table above.

47. Audit Costs

In 2011/12 the following fees related to external audit were incurred and paid to the Audit Commission.

	2010/11 £000	2011/12 £000
Fees payable to Audit Commission with regard to external audit services carried out by the appointed auditor for the year	80	74
Rebate from the Audit Commission with regard to External Audit Services	-	(6)
Total	**80**	**68**

48. Grant Income

The Authority credited the following grants to the Comprehensive Income and Expenditure Statement.

	2010/11 £000	2011/12 £000
Credited to Taxation and Non Specific Grant Income		
Central Government:		
Police Grant	(40,762)	(42,863)
National Non Domestic Rates	(22,301)	(18,802)
Home Office Pension Grant	(11,035)	(14,596)
Revenue Support Grant	(3,238)	(5,812)
Capital Grants and Contributions	(875)	(798)
Council Tax Freeze Grant	-	(1,059)
Other Bodies:		
Council Tax Precept	(42,109)	(42,354)
Total	**(120,320)**	**(126,284)**

	2010/11 £000	2011/12 £000
Credited to Services		
Central Government:		
Neighbourhood Policing Fund	(2,868)	(2,867)
Additional Rule 2 Grant	(2,333)	-
Crime Fighting Fund	(2,189)	-
Counter Terrorism	(305)	(330)
Serious and Organised Crime Grant	(125)	-
Prevent	(52)	-
Proceeds of Crime Act	(93)	(99)
Local Surveys Grant	(31)	-
Mobile Data	(27)	-
Other Home Office Grants	(51)	-
Other Bodies:		
LCC Neighbourhood Policing	(1,500)	(1,500)
Basic Command Unit	(310)	-
Migration Impact Fund	(224)	(4)
Special Constabulary Funding Initiative	(13)	0
Total	**(10,121)**	**(4,800)**

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

	31 March 2011 £000	31 March 2012 £000
Capital Grants Receipts in Advance <1 year		
Mobile Data	(338)	(324)
Body Worn Video Device	(99)	(99)
Home Office Capital Grant	(140)	(206)
Total	**(577)**	**(629)**

49. Related Party Transactions

The Authority is required to disclose details of any 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 the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority.

UK Central Government

The UK central government has effective control over the general operations of the Authority. It is responsible for establishing the statutory framework within which the Authority operates. It provides a large proportion of the Authority's funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties. Grants received from government departments are included in the subjective analysis in Note 41 on reporting for resources allocation decisions. Home Office Grants credited to the Comprehensive Income and Expenditure Statement in 2011/12 amounted to £87,226k (Note 48). Grant receipts outstanding at 31 March 2012 are also shown in Note 48.

Members
Members of the Authority have direct control over the Authority's financial and operating policies. The total members' allowance paid in 2011/12 is shown in Note 45. There are 9 County Council members of the Police Authority, of which since March 2011, 7 are Conservative members, 1 Liberal Democrat member and 1 Independent.

The Authority maintains a Register of Members' Interests, open to public inspection at the Authority during office hours. In addition, Members are required to declare personal and, or prejudicial interests before any discussion or decision on a subject is made by the Authority.

All Members have completed a related party transaction declaration for the financial year in respect to themselves and close family members to identify any business dealings with the Authority that fall into this category. No further disclosures are required.

Officers
The total remuneration to senior staff in 2011/12 is shown in Note 46. All senior officers employed by the Authority at the 31st March 2012 have completed a related party transaction declaration for the financial year in respect to themselves and close family members to identify any business dealings with the Authority that fall into this category. No further disclosures are required.

Other Public Bodies
Jointly controlled assets and operations are disclosed in Notes 43 and 44 respectively.

The table below sets out material transactions between all other public bodies and the Police Authority.

	Income £000	Expenditure £000
Boston Borough Council	-	96
East Lindsey District Council	-	196
Lincoln City Council	-	201
North Kesteven District Council	-	57
South Holland District Council	-	47
South Kesteven District Council	-	225
West Lindsey District Council	-	390
Lincolnshire County Council	(1,504)	473
National Policing Improvement Agency	-	955
Forensic Science Service	-	128

50. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in 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.

	2010/11 £000	2011/12 £000
Opening Capital Financing requirement	18,812	19,034
Capital Investment		
Land and Buildings	262	2,365
Plant & Equipment	2,642	1,916
Assets under Construction	375	-
Intangible Assets	-	-
Revenue Expenditure Funded from Capital Under Statute	1	4
Sources of Finance		
Capital Receipts	(107)	-
Government grants and other contributions	(1,026)	(798)
Revenue Provision (including MRP)	(1,925)	(2,413)
Closing Capital Financing Requirement	**19,034**	**20,108**
Explanation of Movements in Year		
Increase in underlying need to borrow (Supported by Government Financial Assistance)	-	-
Increase in underlying need to borrow (Unsupported by Government Financial Assistance)	222	1,074
Increase/(decrease) in Capital Financing Requirement	**222**	**1,074**

51. Minimum Revenue Provision (MRP)

The Authority is required to adopt a "prudent" approach to the repayment of long term borrowing. Various methods are authorised for the calculation of the Minimum Revenue Provision. The Authority must set an annual policy describing its calculation.

For capital expenditure before 1st April 2008 or which forms part of its Supported Capital Expenditure, the Authority applies option 2, with MRP equal to 4% of these balances. For other capital borrowing on or after 1st April 2008 the Authority applies option 3, calculating MRP over the life of the assets created.

On this basis the MRP for 2011/12 was £1.604 million (2010/11:MRP was £1.360million).

52. Leases

Authority as Lessee

<u>Finance Leases</u>

The Authority has acquired a Police dog training establishment with kennels and a radio mast under a 99-year finance lease. The asset acquired under this lease is carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	31 March 2011 £000	31 March 2012 £000
Land and Buildings	148	157
	148	**157**

There is no corresponding liability to recognise as the Authority paid the full costs of constructing the premises at the inception of the lease. If demanded the annual rent is one peppercorn per annum, so there are no minimum lease payments to disclose.

<u>Operating Leases</u>

The Authority has acquired a number of assets (properties, photocopiers and Livescan devices) by entering into operating leases, typically on a short-term basis. The future minimum lease payments due under non-cancellable leases in future years are:

	31 March 2011 £000	31 March 2012 £000
Not later than one year	149	83
Later than one year and not later than five years	130	105
Later than five years	118	94
	397	**282**

The expenditure charged against the cost of services section of the Comprehensive Income and Expenditure Statement during the year in relation to leases was:

	2010/11 £000	2011/12 £000
Minimum lease payments	203	169
	203	**169**

The Authority has 7 additional licenses to occupy premises on a peppercorn rent basis, which are cancellable by either party at between 1 and 3 months notice. These premises are typically utilised by Neighbourhood Police Teams. No payments are made for these licenses and as such no value is recorded in the tables above in relation to them.

The Authority held an operating lease for premises in Long Bennington Business Park, Nottinghamshire. The annual rental was £30k, of which £15.6k is the onerous portion for 2011/12 – see Note 53.

The EMSOU Headquarters building is also leased. Leicestershire manage EMSOU arrangements. Derbyshire are the Tenant, although Lincolnshire pays a percentage of the cost each year.

Authority as Lessor

Operating Leases

The Authority leases out office accommodation and space on radio masts under operating leases for the following purposes:

- office accommodation for the provision of probation services
- office accommodation for the provision of UK immigration services.
- space on radio masts for telecommunication services

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

	31 March 2011 £000	31 March 2012 £000
Not later than one year	113	117
Later than one year and not later than five years	118	106
Later than five years	76	76
	307	**299**

53. Onerous Contracts

The Authority rented a ground floor unit at Long Bennington Business Park in Nottinghamshire which became non operational in December 2011. At that time there was a non-cancellable commitment of £15.6k (£7.5k relating to 2011/12 and £8.1k relating to 2012/13). The rental terminated on 8th July 2012. All outstanding costs have been included in the 2011/12 accounts in compliance with IAS 37.

54. Termination Benefits

The Authority terminated the contracts of 14 employees in 2011/12, incurring liabilities of £421k. This is made up of:

- £26k in compulsory redundancy payments (£28k in 2010/11);
- £374k in voluntary redundancy payments (£424k in 2010/11);
- £21k for enhanced retirement benefits (£196k in 2010/11)

Further, the Authority has recognised the potential liability of £157k for 13 employees who had their contracts terminated in the past under different accounting arrangements. For these employees, the impact on the General Fund is restricted to the £30k cash payment made in 2011/12.

55. Retirement Benefits

Participation in pension schemes

As part of the terms and conditions of employment of its officers and other employees, the Authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to disclose the cost of future pension liabilities at the time that employees earn their future entitlement.

The Authority participates in two pensions schemes:

The Local Government Pension Scheme is for police staff, and is administered by Lincolnshire County Council. This is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

The Police Pension Scheme for police officers – this is an unfunded defined benefit final salary scheme, meaning that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due. Under the Police Pension Fund Regulations 2007, if the amounts receivable by the pensions fund for the year are less than amounts payable, the Police Authority must annually transfer an amount required to meet the deficit to the pension fund. Subject to parliamentary scrutiny and approval, up to 100% of this cost is met by a central government pension top up grant. If however the pension fund is in surplus for the year, the surplus is required to be transferred from the pension fund to the Police Authority who then must repay the amount to central government.

Transactions Relating to Retirement Benefits

In order to comply with IAS 19, employer's pension contributions have been replaced with current service costs as estimated by the independent actuary. Lincolnshire Police Authority recognise the cost of retirement benefits in the Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The reversal of the IAS 19 transactions ensures that there is no effect on the amounts to be met from government grant and the local taxpayers.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	Local Government Pension Scheme		Police Pension Scheme		Total	
	2010/11 £000	2011/12 £000	2010/11 £000	2011/12 £000	2010/11 £000	2011/12 £000
Comprehensive Income and Expenditure Statement						
Cost of Services:						
Current service cost	(4,847)	(4,129)	(22,700)	(20,100)	(27,547)	(24,229)
Past service costs	9,905	-	95,000	(10,400)	104,905	(10,400)
Curtailments	(113)	(36)	-	-	(113)	(36)
Financing and Investment Income and Expenditure						
Interest cost	(5,496)	(4,727)	(44,100)	(43,500)	(49,596)	(48,227)
Expected return on scheme assets	4,397	4,793	-	-	4,397	4,793
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**3,846**	**(4,099)**	**28,200**	**(74,000)**	**32,046**	**(78,099)**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement						
Actuarial gains and (losses)	20,287	(6,646)	38,800	(6,000)	59,087	(12,646)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**24,133**	**(10,745)**	**67,000**	**(80,000)**	**91,133**	**(90,745)**
Movement in Reserves Statement						
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(3,846)	4,099	(28,200)	74,000	(32,046)	78,099
Actual Amount charged against the General Fund Balance for pensions in year:						
Employers contributions payable to scheme	(4,025)	(3,656)	-	-	(4,025)	(3,656)
Retirement benefits payable to pensioners	-	-	(25,900)	(25,700)	(25,900)	(25,700)
Movement from Comprehensive Income and Expenditure Statement to the General Fund	**(7,871)**	**443**	**(54,100)**	**48,300**	**(61,971)**	**48,743**

Assets and Liabilities in relation to Retirement Benefits

In addition to the recognised gains and losses included in the Comprehensive Income and Expenditure Statement, there were also actuarial losses of £12.6 million (compared with gains of £59.1 million in 2010/11). The cumulative amount of actuarial losses recognised in the Balance Sheet is £268.0 million.

Reconciliation of present value of the scheme liabilities

	2007/08 £000	2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000
Present value of liabilities					
Local government pension scheme	(56,659)	(57,315)	(105,343)	(84,230)	(95,281)
Police pension scheme	(535,100)	(589,900)	(878,100)	(785,200)	(839,500)
Fair value of assets in the local government pension scheme	50,826	43,906	60,983	68,028	71,990
Surplus / (deficit) in the scheme					
Local government pension scheme	(5,833)	(13,409)	(44,360)	(16,202)	(23,291)
Police pension scheme	(535,100)	(589,900)	(878,100)	(785,200)	(839,500)
Total surplus / (deficit) in the scheme	**(540,933)**	**(603,309)**	**(922,460)**	**(801,402)**	**(862,791)**

Reconciliation of fair value of the scheme assets

	Local Government Pension Scheme	
	2010/11 £000	**2011/12 £000**
1st April	60,983	68,028
Expected rate of return	4,397	4,793
Actuarial gains and (losses)	(1,165)	(3,787)
Employer contributions	4,025	3,656
Contributions by scheme participants	1,589	1,500
Benefits paid	(1,801)	(2,200)
Settlements	-	-
31st March	**68,028**	**71,990**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was a gain of £1.0 million. (2010/11: a gain of £4.7 million).

Scheme history

	2007/08 £000	2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000
Present value of liabilities					
Local government pension scheme	(56,659)	(57,315)	(105,343)	(84,230)	(95,281)
Police pension scheme	(535,100)	(589,900)	(878,100)	(785,200)	(839,500)
Fair value of assets in the local government pension scheme	50,826	43,906	60,983	68,028	71,990
Surplus / (deficit) in the scheme					
Local government pension scheme	(5,833)	(13,409)	(44,360)	(16,202)	(23,291)
Police pension scheme	(535,100)	(589,900)	(878,100)	(785,200)	(839,500)
Total surplus / (deficit) in the scheme	**(540,933)**	**(603,309)**	**(922,460)**	**(801,402)**	**(862,791)**

Figures for 2006/07 and 2007/08 are also still stated at mid market value since there is no material difference with bid value. Figures from 2008/09 onwards are shown at bid value.

The liabilities show the underlying commitments for retirement benefits that the Authority has to pay in the long run. The total liability of £863 million has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance of £844 million. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary;
- finance is only required to be raised to cover police pensions when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31st March 2013 is £4.3 million. Expected contributions for the Police Pension Scheme in the year to 31st March 2013 are £9.6 million.

Basis for Estimating Assets and Liabilities

Both the Police Scheme and the Local Government Scheme liabilities have been assessed by Hymans Robertson (an independent firm of actuaries). The value of the liabilities is an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

For the Local Government Pension Scheme, liabilities have been assessed on an actuarial basis using the projected unit method. Estimates are based on the latest full valuation of the scheme as at 31st March 2010.

For the police schemes (both the 1987 Police Pension Scheme and the 2006 new Police Pension Scheme) liabilities have been assessed on an actuarial basis by performing a full actuarial valuation as at 31st March 2012 based on data as at 31st December 2011. Again, the projected unit method of valuation has been used.

The principal assumptions used by the actuary are set out in the table below.

	Local Government Pension Scheme		Police Pension Scheme	
	2010/11	2011/12	2010/11	2011/12
Long term expected rate of return on assets in the scheme:	**%**	**%**	**%**	**%**
Equity investments	7.5	6.2	n/a	n/a
Bonds	4.9	4.4	n/a	n/a
Property	5.5	4.4	n/a	n/a
Cash	4.6	3.5	n/a	n/a
Mortality assumptions	Longevity at 65 for LGPS pensioners		Longevity at 60 for police pensioners	
	Years	Years	Years	Years
Longevity for current pensioners:				
Men	21.2	21.2	27.9	27.9
Women	23.4	23.4	30.8	30.8
Longevity for future pensioners:				
Men	23.7	23.7	29.5	29.5
Women	25.7	25.7	32.3	32.3
Financial assumptions	**%**	**%**	**%**	**%**
Market derived RPI	3.6	3.3	3.6	3.3
Rate of increase in salaries	5.1	4.8	4.6	3.5
Rate of increase in pensions	2.8	2.5	2.8	2.5
Rate of discounting for scheme liabilities	5.5	4.8	5.5	4.8

For the local government scheme, note that an allowance is included for future retirements to elect to take 25% of the maximum additional tax free cash up to HMRC limits for pre-April 2008 service and 63% of the maximum tax free cash for post-April 2008 service. These assumptions are unchanged from the 2010/11 accounts.

It is assumed that 90% of future retirees elect to exchange pension for additional tax free cash up to HMRC limits in the old police pension scheme. No allowance for commutation of lump sum for additional pension has been made in the new police pension scheme. These assumptions are also unchanged from the 2010/11 accounts.

The police pension schemes have no assets to cover their liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	31 March 2011 %	31 March 2012 %
Equity investments	76.0	74.0
Bonds	12.0	13.0
Property	11.0	12.0
Cash	1.0	1.0
Total	**100.0**	**100.0**

History of experience gains and losses

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

	2007/08 %	2008/09 %	2009/10 %	2010/11 %	2011/12 %
LGPS					
Differences between the expected and actual return on assets	(12.7)	(30.8)	17.2	0.4	(5.2)
Experience gains and losses on liabilities	0.2	-	-	(7.3)	0.8
Police Pension Scheme 1987					
Differences between the expected and actual return on assets	n/a	n/a	n/a	n/a	n/a
Experience gains and losses on liabilities	8.4	(7.9)	-	1.3	3.7
Police Pension Scheme 2006					
Differences between the expected and actual return on assets	n/a	n/a	n/a	n/a	n/a
Experience gains and losses on liabilities	(16.7)	(21.4)	-	(1.3)	(3.7)

56. Contingent Liabilities

Legal claims against the Authority

A number of legal claims are being pursued against the Authority. They are all being rigorously defended.

- The claims are motor, public liability, employer's liability and employment tribunal cases brought against the Authority.
- It is not expected that any material awards will be made against the Authority.
- As with any legal claim, the final outcome and timing of each case will depend upon many factors, some of which had not been determined at the Balance Sheet date.
- The Authority will be reimbursed for any costs which exceed the insurer's excess for an individual case.

Ill health retirements

The medical condition of some staff may mean that they qualify for ill health retirements under the rules of their pension scheme. In such cases, the Authority is required to make a contribution to the pension scheme to fund the additional payments to the individual.

- Each case is considered individually, with professional medical advice being sought.
- As at 31st March, there were 3 staff that were being considered for medical retirement but where no provision had been made.
- Key factors in the assessment process are the nature of the condition, illness or disability, the prognosis for its development in the future and the impact on the individual's ability to work for the police.
- The total cost to the Authority for all 3 staff would be around £215k, but there is no certainty that any of the staff will retire.

Potential tax liability for the Authority

The Authority has included the costs of tax liabilities in its accounts as appropriate. A further possible liability exists for costs associated with police officers re-employed as police staff. This could amount to £350k. The Authority is seeking advice.

57. Nature and Extent of Risks arising from Financial Instruments

Credit Risk Exposure

This is the risk that one party to a financial instrument will fail to meet their contractual obligations, causing a loss for the other party. Exposure to this risk is managed through the Authority's Treasury Management Strategy. The Authority only invests in approved institutions with secure credit ratings, there are also limits in place on how much can be invested with counterparties.

In the current climate an interim set of operating procedures have been implemented. These are:

i) Weekly review of Fitch IBCA rating for each counterparty. Loan limits are based on the following:

Rating AA+ to AA-	£5,000,000
Rating A+ to A	£4,000,000
Rating A-	£3,000,000

The rating is also amended by the Fitch Rating outlook so that a negative outlook would result in the institutions banding being reduced by one level.

ii) The loan activities have been further limited by no longer using Banks who are not based in the UK.

iii) All loans where possible are placed in on call accounts with the main UK clearing banks. This has resulted in a reduced level of interest being received but is seen as lower risk.

In the event that there is insufficient head room within the loan limits for placing on call money with these counterparties then loans will be placed with other UK based counterparties on the approved list for a period of no greater than one month.

The Authority does not generally allow extended credit for customers such that £121k of the £401k for 2011/12 balance is past its due date for payment. The amounts not impaired can be analysed by age as follows:

	2010/11 £000	**2011/12 £000**
Current	757	231
Up to one month	59	49
Up to six months	17	50
Up to one year	14	8
More than one year	51	63
Total:	**898**	**401**
Other debtors	4,178	8,125
Total:	**5,076**	**8,526**

Note this table only shows the aged debt analysis from the trade debtors account.

Liquidity Risk Exposure

This is the risk that a party will be unable to raise funds to meet its commitments associated with financial instruments. As the authority currently has ready access to borrowings from the Public Works Loan Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The financial liabilities however all mature at different times. The maturity analysis of financial liabilities is as follows:

2010/11 long term borrowing	PWLB	Deferred Liabilities	Total
	£000	£000	£000
Less than 1 year	2,101	52	2,153
Between one and two years	1,914	52	1,966
Between two and five years	3,853	156	4,009
More than five years	11,030	208	11,238
Total	**18,898**	**468**	**19,366**

2011/12 long term borrowing	PWLB	Deferred Liabilities	Total
	£000	£000	£000
Less than 1 year	2,343	52	2,395
Between one and two years	1,850	52	1,902
Between two and five years	3,779	156	3,935
More than five years	12,038	156	12,194
Total	**20,010**	**416**	**20,426**

This excludes trade and other payables (creditors and other liabilities) which are due to be paid in less than one year.

Market Risk Exposure

This is the risk that the value of an instrument will fluctuate because of changes in interest rates, market prices, foreign currency exchange rates. The Authority has limited risk. PWLB interest rates are fixed, and no short term investments were held at the end of 2011/12. The Authority does not invest in equity shares and has no financial assets or liabilities in foreign currencies.

The following sensitivity analysis shows that as at 31 March 2011 and as at 31 March 2012, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	2010/11 £000	2011/12 £000
Increase in interest payable on variable rate borrowings	5	4
Increase in interest receivable on variable rate investments	50	-
Impact on Surplus or Deficit on the Provision of Services	**55**	**4**
Decrease in fair value of fixed rate investment assets	-	-
Impact on Other Comprehensive Income and Expenditure	**55**	**4**
Increase in fair value of fixed rate borrowings (no impact on the Surplus or Deficit on the Provision of Services)	710	3,246

The impact of a 1% fall in interest rates would be as above but with the movements being reversed. The variable rate borrowings referred to are the deferred liabilities, transferred debt from Lincolnshire County Council and the variable rate investments are the short term investments. The fixed rate borrowings are the PWLB borrowings. The sensitivity analysis for both years has been prepared using the same method.

58. Post Balance Sheet Events

The Audit, Risk and Governance Committee approved the financial statements on 25 September 2012.

Adjusting events

There have been no material post Balance Sheet events between the year end and the date of approval of these accounts which require adjustment to these draft financial statements.

Non adjusting events

The following post balance sheet events affect the governance and processes within the organisation. As such, there are no specific transactions to be quantified and disclosed.

Outsourcing of support services
The Police Authority transferred mid and back office functions to its strategic partner G4S with effect from 1 April 2012.

Police and Crime Commissioners
The government propose to introduce Police and Crime Commissioners to replace Police Authorities with effect from November 2012.

59. Prior Period Adjustments

The prior year accounts have been adjusted in this document for disclosures on termination benefits. The areas affected described below.

- In the Comprehensive Income & Expenditure Statement, costs of termination benefits should be shown in the Cost of Services rather than Non Distributed Costs;
- Costs of unfunded pension benefits should be included in the Pension Reserve rather than a separate Termination Benefits Adjustment Account;
- Also, the value of unfunded pension benefits was overstated in previous years.

The statements and notes elsewhere in the accounts have been updated as required. In particular, the Balance Sheet includes figures from 1st April 2010.

The impact of the adjustment is shown below.

Main statements affected	Impact
Income and expenditure statement 2010/11	Non distributed costs reduced by £677k. Cost of services increased by £531k. Net reduction of £136k.
Balance sheet 2009/10: provisions / note 24	Increased by £122k
Balance sheet 2009/10: reserves / notes 26 and 29	Increased by £122k
Balance sheet 2010/11: provisions / note 24	Reduced by £136k
Balance sheet 2010/11: reserves / notes 26 and 29	Reduced by £136k

Also, guidance on the preparation of the Service Reporting Code of Practice has changed the allocation of local investigation costs within the Comprehensive Income and Expenditure Account. Consequently, £16.0m has moved from Local Policing to Specialist Investigation in the 2010/11 restated comparators.

The full impact on notes 24, 26 and 29 is shown below.

Note 24

	Major Incidents £000	Legal Services £000	Ill Health Retirements £000	Termination Benefits of Employment £000	Total £000
Original Balance at 31 March 2011	**(360)**	**(163)**	**(241)**	**(248)**	**(1,012)**
Restated Balance at 31 March 2011	**(360)**	**(163)**	**(241)**	**(112)**	**(876)**

Note 26

	Original 31 March 2010 £000	Restated 31 March 2011 £000
Revaluation Reserve	772	772
Capital Adjustment Account	15,954	15,954
Pensions Reserve	(922,460)	(922,582)
Collection Fund Adjustment Account	61	61
Accumulated Absences Account	(3,631)	(3,631)
Total Unusable Reserves	**(909,304)**	**(909,426)**

Note 29

Original 2010/11 £000		Restated 2010/11 £000
(922,460)	**Balance at 1 April**	**(922,582)**
59,087	Actuarial gains or losses on pensions assets and liabilities	59,087
43,081	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	43,081
18,890	Employer's pensions contributions and direct payments to pensioners payable in the year	18,890
-	Other unfunded termination benefits	11
(801,402)	**Balance at 31 March**	**(801,513)**

Lincolnshire Police Authority

Police Officer Pensions - Home Office Memorandum Account

2011/12

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

2010/11 £000	Fund account	2011/12 £000
	Contributions Receivable	
	From Employer:	
10,398	Normal	10,286
558	Early Retirements	561
14	Reimbursement of Unabated Pensions of 30+ Police Officers	5
243	Recovery from Humberside Police Authority	201
	From Members:	
4,620	Contributions	4,565
314	Individual Transfers in from Other Schemes	232
16,147		**15,850**
	Benefits Payable	
22,948	Pensions	24,037
4,183	Commutations	6,051
30	Lump Sum Death Benefits	-
14	Unabated Pension of 30+ Police Officers	5
	Payments To and On Account of Leavers	
7	Refunds of Contributions	17
-	Individual Transfers Out	318
-	Employer's Sanction Charge	18
-	Equivalent Premium	-
27,182		**30,446**
11,035	**Sub-total for the year before transfer from Lincolnshire Police Authority of amount equal to the deficit**	**14,596**
(11,035)	**Additional funding payable by Lincolnshire Police Authority to meet deficit for the year**	**(14,596)**
-	**Net Amount payable/(receivable) by Lincolnshire Police Authority**	-

Disclosure Notes

1. The operation of the Pension Fund for police authorities in England and Wales is controlled by the Police Pension Fund Regulations 2007 (SI 2007 No 1932). It covers both old and new Police Officer pension schemes but has no impact on the benefit structure of either scheme. The new scheme was introduced from 1 April 2006. This is the only scheme open to new officers, whereas officers in the existing scheme have the option to transfer to the new scheme. Injury and ill health awards continue to be paid from the Police Authority's operating account. The employer contribution rate is 24.2% of pensionable pay. Employees' contributions in the old scheme are 11% of pensionable pay. In the new scheme employees contribute 9.5%.

2. There are no investment assets; the fund is balanced to nil each year by receipt of a pension top up grant from the Home Office (via Lincolnshire Police Authority). Payments are made monthly to pensioners, with the pension fund entries being kept separate, outside of the Authority's general ledger accounts.

3. The accounting policies followed are in accordance with Note 1 on pages 29 to 45.

4. The Police Officer Pensions - Home Office Memorandum Account does not take account of liabilities to pay pensions and benefits after the period end.

5. The net amount receivable of £2,591,118 is shown in Lincolnshire Police Authority accounts as due from the Home Office.

2010/11 £000	Net Asset Statement as at 31st March	2011/12 £000
	Net Current Assets and Liabilities	
-	Pension benefits paid in advance	2,102
-	Receivable from Humberside Police Authority	-
-	Creditors to Lincolnshire Police Authority	(2,102)
-	**Total**	-

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LINCOLNSHIRE POLICE AUTHORITY

Opinion on the Authority and Pension Fund accounting statements

I have audited the financial statements and the police pension fund financial statements of Lincolnshire Police Authority for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes. The police pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the members of Lincolnshire Police Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Treasurer and auditor

As explained more fully in the Statement of the Treasurer's Responsibilities, the Treasurer is responsible for the preparation of the Statement of Accounts, which includes the financial statements and the police pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the financial position of Lincolnshire Police Authority as at 31 March 2012 and of its expenditure and income for the year then ended;
- give a true and fair view 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
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I report to you if:

- in my opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects

Other matters on which I am required to conclude

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

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

- my 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 my responsibilities; and
- my locally determined risk-based work.

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

Certificate

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

Tony Crawley

District Auditor, Audit Commission,
Unit 10, Whitwick Business Centre, Stenson Road
Coalville, LE67 4JP

28 September 2012

Glossary of Terms

'30+' police officers

Police officers may opt to receive the lump sum from their pension after 30 years and continue as officers outside the pension scheme. They are no longer able to contribute or accrue further benefits from the scheme. The pension scheme compensates the police officers for loss of any allowances. The Police Authority reimburses the pension scheme for this cost.

Accrual

An adjustment to ensure that expenditure and income are reflected in the appropriate accounting period.

Actuary/Actuarial

A person professionally qualified to advise on pension matters and undertakes calculations on pension costs, allowing for risk and demographic factors.

Amortisation

This is the equivalent of depreciation for intangible assets.

Audit Report

The Audit Commission are an independent body charged with auditing public sector organisations to ensure that proper stewardship is undertaken.

Back Rest Days

Due to the rescheduling of rest days Police Officers may accrue untaken rest days which they may accumulated over a number of years.

Balances

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

Capital Adjustment Account

A reserve primarily designed to represent timing differences between the amount of the historical cost of fixed assets that has been consumed and the amount that has been financed in accordance with statutory requirements.

Capital Expenditure

Expenditure on assets, which have a long term value. Includes the purchase of land, purchase or construction of new buildings and vehicles.

Capital Grants

Grants received towards capital outlay on a particular service or project.

Capital Receipts

Proceeds received from the sale of property and other fixed assets (assets which have value beyond one financial year).

CIPFA

The Chartered Institute of Public Finance and Accountancy. This is the main professional body for accountants working in the public service.

Collection Fund

A fund administered by each billing Authority. Council tax monies are paid into the fund. These are distributed to precepting and billing Authority's in proportion to the council tax set.

Creditors

Amounts owed by the Authority for work done, goods received or services rendered but for which payment has not been made at 31 March.

Debtors

Sums of money due to the Authority but unpaid at 31 March.

Depreciation

The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset.

Direct Revenue Financing

This refers to financing of capital expenditure directly from revenue rather than loans or other sources.

Earmarked Reserves

The elements of total Police Authority Reserves, which are retained for specific purposes.

EMSOU

East Midland Special Operations Unit

Financial instruments

Financial instruments are contracts that give rise to a financial asset of one entity and a financial liability of another. For local authorites, this will normally mean contracts which involve the right to transfer cash or other financial assets.

Flexi Time

Police Staff may utilise the Force flexi time scheme to accrue additional hours worked that are held pending their utilisation at a future date.

FRS

Financial Reporting Standards, as agreed by the UK accountancy profession and the Accounting Standards Board.

Government Grants

Payments by Central Government towards the Police Authority's expenditure. They are receivable in respect of both revenue and capital expenditure.

IFRS

International Financial Reporting Standards: the accounting standards which determine the production and disclosure of financial statements, being due for introduction to local authorities in 2010/11.

Impairment

An adjustment to the value of long-term assets caused by the consumption of economic benefits.

Long Term Debtors

Sums of money due to the Authority originally repayable within a period in excess of twelve months and where payment is not due until future years.

Minimum Revenue Provision (MRP)

The statutory requirement to set aside a minimum revenue provision for the repayment of external loans.

Net Book Value

Long-term assets are depreciated in accordance with their asset life. The net book value is the value remaining after cumulative depreciation has been taken away.

Non Domestic Rates

Rates levied on business properties, collected by District Councils, which are then distributed amongst local authorities as income.

Non Operational Assets

Fixed Assets held by a local authority but not directly occupied, used or consumed in the delivery of services. These will include buildings under construction and surplus assets.

OJEU

Official Journal of the European Union

Precept

The amount levied by one authority which is collected by another e.g. the Police Authority is the precepting authority and the District Councils are the collecting authorities.

PWLB

Public Works Loan Board, a body providing debt funding to local authorities.

Revaluation Reserve

A reserve designed to represent the amount by which the current value of long-term assets carried in the Balance Sheet is greater, because they are carried at revalued amounts rather than depreciated historical cost.

Revenue Contributions

This refers to the financing of capital expenditure directly from revenue rather than from loans or other sources.

Revenue Expenditure

The day to day expenditure of the Authority on such items as employees and equipment.

Revenue Support Grant (RSG)

Grant paid by Central Government in aid of service provision.

SeRCOP

This is CIPFA's 'Service Reporting Code of Practice' which sets out the legislative requirements for consistent financial reporting of local authority services.

Straight Line Depreciation

The writing down of a long-term asset's value by an equal amount for each year of that asset's life.

TOIL

Time Off In Lieu may be accrued by both Police Officers and Staff when working additional hours for which payment is not made.

Virement

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