

Cumbria Police Authority Audit and Performance Committee

**28 June 2006
Agenda Item No.**

Statement of Accounts 2005-06

A Report by the Treasurer and Chief Constable

1. SUMMARY

- 1.1 Attached to this covering note is the Police Authority Statement of Accounts for the financial year 2005-06. The document provides a comprehensive analysis of both revenue and capital expenditure incurred during the financial year, plus a balance sheet as at 31 March 2006, which shows the overall financial position of the Authority at that date.
- 1.2 The Audit and Performance Committee has been delegated the responsibility for approving this Statement of Accounts by the full Authority.

2. RECOMMENDATION

- 2.1 Members are recommended to approve the Statement of Accounts as submitted for Audit to allow the Chairman of the Committee to certify the accounts in accordance with paragraph 3.4 below.

3. DETAIL

- 3.1 The attached Statement of Accounts is the formal accounting document used by the District Auditor, which allows him to express an audit opinion on the Authority's accounts and overall financial position. The 2003 Accounts and Audit Regulations (as previously presented to members of the Audit and Performance Committee) require the Authority, or delegated committee, to formally approve the 2005-06 statement by 30 June 2006. This is the third consecutive year that the timescales for statutory financial reporting have reduced. There are no current plans to reduce further the reporting timeframe for annual accounts.
- 3.2 The annual audit is currently taking place, although it has not concluded and, accordingly, the Audit Certificate is unsigned at this stage. The Statement of Accounts will be available for public inspection during the period 03 July to 28 July and the District Auditor will be prepared to receive any objections to the Statement from 31 July until the completion of the Audit. The Accounts and Audit regulations require that a further report be presented to the Authority in the event that any material amendments are necessary as a result of the audit. Members will be aware that the Audit Commission will present a report to the Authority based on its findings on the 2005-06 financial statements (the SAS 610 letter) on conclusion of the audit and will, in addition, reflect their findings on their audit of the accounts in the annual audit letter to members later in the year.

- 3.3 The accounting statement is a long and occasionally complex document. Its content and style of presentation are largely determined in accordance with a Code of Practice issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), to ensure that all Local Government bodies, including Police Authorities, adopt a common approach to presenting financial information.
- 3.4 The Accounts and Audit Regulations require the attached Statement of Accounts to be signed by the Chairman of the Authority, (or, if delegated to a Committee, the Chairman of that Committee) after having been approved by members. This requirement is designed to improve members' ownership of the finances of the Authority.
- 3.5 The Statement of Accounts shows final net expenditure for 2005-06 amounting to £88.142m, after appropriations to reserves, which is £0.972m inside the approved budget. The traditional year-end financial report is set out immediately preceding this item on the agenda, which provides detailed explanations of variations from planned spending and formally seeks approval to make appropriations to a number of earmarked reserves.
- 3.6 The effect of the spending in 2005-06, as summarised above, has increased the Authority's general balances to £3.967m (or 4.4% of the 2006-07 budget) as at 31 March 2006. This contribution goes some considerable way to meeting the ideal level of general balances at 5% as advocated by the Treasurer in the budget report in February. Taken with the planned contribution to General Balances in 2006-07, the estimated level of balances as at 31 March 2007 will almost exactly reach 5% of the current year's budget if they are not required for other purposes.
- 3.7 Members will note that the Statement of Accounts contains the required Statement of Internal Control (SIC). It's form of presentation in the accounts was approved at the meeting of the Committee on 22 June, linked to an independent appraisal of the SIC by the Authority's Internal Audit team, also reported to the meeting on 22 June, which confirmed that the SIC was compliant with current guidance and was supported by proper evidence in relation to the assertions made. Members will also be aware from previous Statements of Accounts, that the application of Financial Reporting Standard (FRS) 17 substantially alters the shape of the Authority's final accounts, especially the Authority's balance sheet. To briefly remind members, the guiding principal of FRS17 is that organisations should take account of the cost of retirement benefits when they are created, even if they will not be paid for many years in the future. The effects of FRS 17 have a more profound effect on the police pension scheme, which currently operates on a 'pay as you go' basis. However, the future liabilities, calculated in accordance with FRS17, are subsequently netted off to specific pensions reserves to ensure that the identified liabilities do not increase the current calls on Council Tax payers.

- 3.8 It is again appropriate this year to recognise and acknowledge the input by the finance team to producing the attached statement. The Constabulary Director of Finance and Resources would like, in particular, to acknowledge his appreciation for the work undertaken by finance staff in completing the latest accounts and reporting statements. As members will be aware, the reporting timescales have halved over the last three years and it has been a particular challenge to continue to meet the increasingly stretching reporting deadlines. Specifically, meeting the deadline for 2005-06 has to be seen in the additional context of recent changes to finance team members and responsibilities, some absences from the workplace at key times, and, finally, particular commitments to amalgamation work in the finance workstream from a number of key members of the finance team during this period.
- 3.9 Finally, members may wish to reflect that this will, quite probably, represent the last year in which Cumbria's final accounts are presented to and endorsed by members of this Authority.

Douglas Thomas
Treasurer

Michael Baxter
Chief Constable

Attachment

Statement of Accounts 2005-06

Contact points for further information

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**Cumbria
Police
Authority**

**Statement of
Accounts
2005-06**

CUMBRIA POLICE AUTHORITY
STATEMENT OF ACCOUNTS 2005-06

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EXPLANATORY FOREWORD

Introduction

The Cumbria Police Authority was created in 1995 following the enactment of the Police and Magistrates Courts Act 1994. The Authority is made up of 9 Councillors appointed by Cumbria County Council, 3 Magistrates appointed by the Cumbria Magistrates Courts Committee and 5 Independent members.

The requirement to publish this statement is set out in section 27 of the Audit Commission Act 1998 and the Accounts and Audit Regulations 2003. The aim of the statement is to demonstrate to the reader the overall financial position of the Authority at the end of the financial year together with the cost of the services provided during the year and the financing of that expenditure.

Background

The Authority incurs both revenue and capital expenditure, although revenue expenditure is by far the larger of the two accounts. Revenue expenditure can broadly be described as day to day running costs and includes most of the costs of operational policing. It is funded through a mixture of Government Grants; Revenue Support Grant (RSG) which is distributed through the Formula Spending Shares (FSS) mechanism, Police Grant which is distributed to Police Authorities on a formula currently based on measures of police activity, together with Business Rates (referred to as National Non - Domestic Rates or NNDR) and Council Tax. The Government has reserve powers to limit the amounts raised locally through the Council Tax if it considers that budget levels and or budget increases are excessive.

Capital expenditure is made up broadly of expenditure on fixed assets, which have a useful life beyond one year. The Home Office provides earmarked grant to support capital expenditure and can provide specific grant to support the purchase of particular capital items. Previous Government controls on external borrowing to fund capital spending have, from 2004-05, been replaced by a system of self regulation, linked to a Prudential Code of Practice established under the Local Government Act 2003, which seeks to ensure that capital expenditure plans are always prudent, affordable and sustainable. Finally the Authority is expected to make contributions of its own to support capital from the sale of capital assets, or by a direct contribution from the revenue account.

The Accounting Statements

The Authority's accounts for the 2005-06 financial year are set out on the following pages. A brief explanation of the various parts of the statement and the different accounts is set out as follows:

1. Introduction by the Treasurer - Page 5

This contains a brief description of the sources and applications of revenue and capital funds plus an overview of the budget framework for 2005-06 together with a summary of the final position and an outlook for the future.

2. Statement On Systems of Internal Control – Page 10

A statement of Internal Control (SIC) has been prepared in accordance with the Accounts and Audit Regulations 2003. Whilst the regulations set out that it is for the Authority to satisfy itself that proper systems of control exist, the Authority's statement has been independently scrutinised by its internal auditors and an audit opinion has been prepared. The SIC has been reported separately to the Audit and Performance Committee, together with the auditor's opinion, confirming the statements made in the SIC, for members to approve.

3. Statement of Accounting Policies - Page 23

A range of accounting policies and principles, which describe accounting treatments, supports the accounts in this statement. Unless otherwise stated, the accounting treatment is consistent with the guidance notes issued by CIPFA on the application of the various Financial Reporting Standards (FRS's), Statements of Standard Accounting Practice (SSAP's) and Statements of Recommended Practice (SORP's).

4. Consolidated Revenue Account - Page 28

These set out in summarised form the Revenue Income and Expenditure Account for the force and also show the costs of the Police Authority. It shows how the net costs have been funded from local taxpayers, via Council Taxes and Business Rates, and from Central Government via Revenue Support Grant and Police Grant. The background to some of the figures is shown in the notes to the revenue account. For 2005-06 the SORP requires the Consolidated Revenue Account to be shown in accordance with the Code of Practice on Best Value Accounting (BVACOP). However, the traditional revenue account has also been included as a note to the accounts so as to allow comparison with financial reporting throughout 2005-06.

5. Consolidated Balance Sheet - Page 37

This shows the overall financial position of the Police Authority as at 31 March 2006. It illustrates the value of fixed and net current assets employed in carrying out the Authority's functions and shows the accumulated balances and reserves available at that date. Many of the figures are supported by more detailed notes.

6. Capital Account - Page 49

This account shows the expenditure on capital assets during the year together with a statement of how that expenditure was financed.

7. Statement of Total Movement in Reserves - Page 51

This shows in a single statement the overall level of reserves held by the Authority together with the movement in those reserves during the year.

8. Cash Flow Statement - Page 54

This statement summarises the inflows and outflows of cash in 2005-06 arising from transactions with third parties for both the revenue and capital accounts.

9. Glossary of Financial terms - Page 57

This is an explanation of the various technical accounting terms, which appear throughout this statement.

INTRODUCTION BY THE TREASURER

I am pleased to be able to introduce this annual Statement of Account for the 2005-06 financial year. The statement provides a breakdown of net spending during the year and shows the strong overall financial position of the Authority as at 31 March 2006. The reporting format is specifically designed to meet the requirements of the Code of Practice on financial reporting. A series of notes are provided to assist readers' understanding of the statement where appropriate and the presentational format is designed to make for easier reading by those who access the document through the Authority's web site (www.cumbriapoliceauthority.org.uk).

2005-06 Budget

The annual grant settlement for the police service in 2005-06 was signaled in advance as the third and final year of the Government's Comprehensive Spending Review (CSR) published July 2002. The overall increase in grant approved for policing services in 2005-06 amounted to 4.8% and compared to an increase of 5.75% advocated by the Association of Police Authorities as essential to meet existing services and commitments and avoid excessive increases in council tax. But in the event, Cumbria, along with almost half of all Police Authorities, received only the minimum provided increase in grant of 3.75% compared to the 2004-05 settlement. This provided for total grant of £62.102m in 2005-06, an increase of £2.465m compared with £59.637m in 2004-05.

One repercussion of the budget of £85.6m approved for 2004-05 was the subsequent decision by the First Secretary of State (ODPM) to exercise discretionary powers so as to potentially restrict the budget amount which could be set by the Authority for 2005-06. He had judged the 2004-05 budget increase of 7.3% and the Council tax increase of 14.97% to be 'excessive' compared to his retrospective benchmarks of 7% and 13%. The Authority successfully appealed that judgment to the extent of reducing by half (from £276,000 to £138,000) the notional spending reduction imposed on the Authority as a basis of measuring whether the budget or council tax increase in 2005-06 was excessive.

Against that general background, the Authority approved a 2005-06 budget requirement of £89.115m, which represented an actual increase of £3.515m (or 4.1%) on the 2004-05 figure. This was achieved only after making savings totaling £0.609m and restricting essential new developments to just £0.139m.

The resulting council tax increase of £5.15 from £150.28 to £155.43 (3.43%) was amongst the lowest within Police Authorities and did not require the First Secretary of State to take any further action. However, it should be noted that the most typical property in Cumbria is rated at band 'B' where the annual cost of the Police Authority's share of the overall Council tax falls to £120.89 in 2005-06 – equivalent to £2.32 per week.

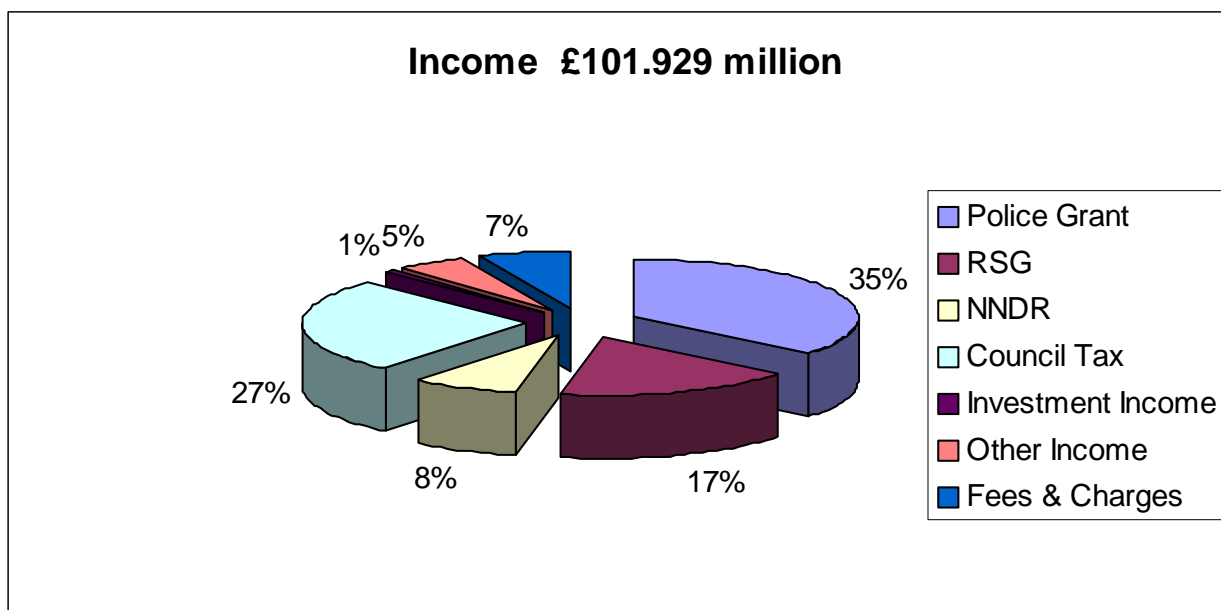
In addition to the main government grants outlined above, the Authority was pleased to benefit from a number of Home Office earmarked funds. These included an allocation from the Home Secretary's Crime Fighting Fund (£2.10m) to enable the Chief Constable sustain the additional 77 officers recruited under this initiative in the four years to 2005-06. The Authority also received an allocation from the Home Secretary's Rural Fund (£1.342m), designed to provide resources in recognition of the additional costs of providing policing services in rural areas, which Government acknowledged only after a lengthy period of lobbying by Cumbria and other rural areas. Finally, the Authority received a contribution (£0.685m) to the cost of Special Priority Payments, as part of the package of changes to pay and conditions for officers arising from the Police Reform Act.

Ad hoc projects grants totaled a further £3.429m, including £0.688m for the Workington Police Station funded under a Private Finance Initiative, and £0.318m for spending by the BCU's.

January 2005 saw the worst storms in Cumbria for over 200 years, with substantial damage to residential properties in Carlisle and which also forced the permanent abandonment of the city centre police station in Rickergate. The accounts as now presented make full provision for the damage and losses to the Authority's estate in Carlisle. Home Office grant of £2.8m has enabled the Authority to contract for new custody facilities at Duranhill which are expected to be completed in November of this year. Plans have also been commissioned for a phase two development on the Duranhill site to provide for replacement accommodation for North Cumbria BCU, but which will again be dependent on the award of grant by the Home Office.

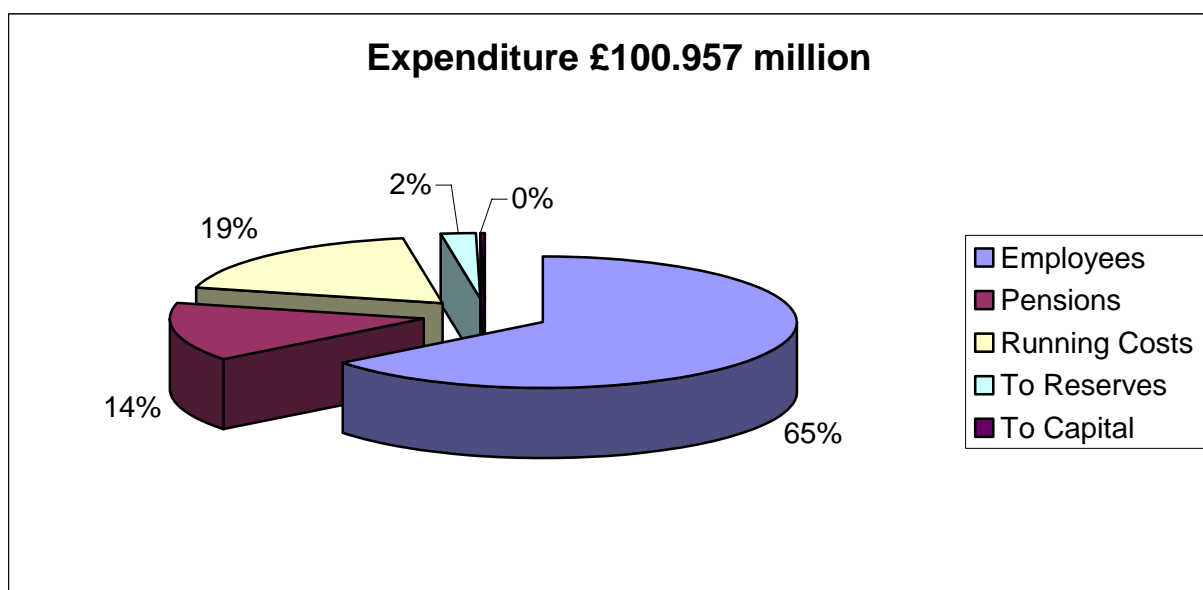
Where The Money Came From

The sources of finance for 2005-06 are set out in the chart below:



What The Money Was Used For

An analysis of the revenue expenditure for 2005-06 is set out below. The chart demonstrates the large proportion of total costs accounted for by serving and retired employees.



The Police Capital Account

In 2005-06 Capital Expenditure amounted to £4,761. The programme consisted of a combination of building works, both new build and refurbishment's, together with expenditure on vehicle replacements, I.T. schemes and operational equipment. A summary of the payments is set out in the table below:

Scheme:-	2005-06 £'000	2004-05 £'000
Technology Related Schemes	2,774	1,740
Vehicle Replacement Schemes	793	1,028
Building Schemes	510	1,498
Operational Equipment	461	505
Intangible Assets (predominantly Software)	223	493
	4,761	5,264

The Police Revenue Account

Final expenditure for the financial year is set out in the table below. The summarised revenue account shows the total costs of the Constabulary together with the Police Authority's own costs. It also includes capital charges for using fixed assets and pensions adjustments as required by FRS17, together with the necessary financing adjustments to ensure that they do not impact on total expenditure and local taxpayers. The net final outturn for the year amounted to £88,142K, which is inside the approved budget by £972k.

Net Expenditure:-	2005-06 £'000	2004-05 £'000
Cumbria Police Authority	643	591
Cumbria Police Force	89,836	83,029
Cost of Services	90,479	83,620
Contribution to Reserves	2,384	2,335
Contribution to Capital Reserves	174	1,375
Capital Expenditure met from Revenue Account	0	2,329
Amending Report	219	0
Financing Adjustments	(5,114)	(4,470)
Total Net Expenditure	88,142	85,189
Financed By:-		
Police Grant	36,572	34,780
Revenue Support Grant	17,572	18,204
National Non-Domestic Rates	7,958	6,653
Council Tax	27,012	25,962
	89,114	85,599
Contribution to General Balances	972	410

Police Authority Balances

The table below shows the movement on Police Authority balances during the financial year. The table also shows the level of general balances as at 31 March 2006 which amounted to £3,967k (or 4.5% of the approved 2005-06 budget).

Police Authority General Balances	2005-06 £'000	2004-05 £'000
Balance as at 1st April	2,995	2,585
Surpluses transferred to General Balances	972	410
Balance as at 31st March	3,967	2,995

Financial Outlook

At the time of writing this introduction, the Authority (together with Lancashire Police Authority) is in negotiation with the Home Office on the fine detail of proposals to amalgamate the two Authorities from 01 April 2007. Subject to the approval of the Draft Order by the two Authorities and by Parliament a new Strategic Police Authority will be created which will take responsibility for the provision of policing services throughout both Counties from 01 April 2007.

The new Cumbria and Lancashire Police Authority will itself prepare a Medium Term Financial Plan as a basis for its forward planning. Amongst the issues which it will need to have regard to are:

- a) The impact of and compliance with the business case and grant award approved as the basis for amalgamation and the generation of the required savings to meet the costs of improving protective policing in line with the business case.
- b) The impact of new grant support arrangements to be developed by the Home Office and incorporated in the first of the three-year financial settlements due to be announced for 2008-09 following the Government's 2007 comprehensive spending review.
- c) The impact of the Government's policy on restricting future budget spending and council tax increases closer to the annual rate of inflation than has been the case over the past decade.
- d) The development of a comprehensive capital strategy and the implications for the Authority's phasing of capital spending and compliance with the Prudential Code for capital finance.

Acknowledgement

This will be the last set of accounts presented for the approval of Cumbria Police Authority. Although 2006-07 will be the final year of the Authority in its present form, the accounts for that year will fall to be prepared and approved under the direction of the new Cumbria and Lancashire Police Authority which will become responsible for the provision of police services to both counties from 01 April 2007. In closing, it is appropriate to acknowledge the

dedication and commitment of all of the Police Authority members and staff, together with successive Chief Constables and their staff, but particularly the Director of Finance and Resources and his team, in maintaining the high levels of financial probity and stewardship which have marked the Authority throughout its independent existence since 1995.

Douglas Thomas
Treasurer

Further information relating to this publication can be gained by contacting Mr. W M Thompson, CPFA, Director of Finance and Resources, Police H.Q. Carleton Hall, Penrith CA10 2AU (Tel: 01768 217005).

This publication is a companion to the Authority's annual report, both of which are available to members of the public and are published on the Authority's web site: www.cumbriapoliceauthority.org.uk

The Accounts present fairly the position of the Authority as at 31st March 2006 and its income and expenditure for the year there ended.

TREASURER

Douglas Thomas CPFA

DATE

The Accounts present fairly the position of the Authority as at 31st March 2005 and its income and expenditure for the year there ended were approved by Cumbria Police Authority 28th June 2006

CHAIRMAN OF AUDIT & PERFORMANCE COMMITTEE

Lynne Slavin

DATE

Statement of Internal Control for Cumbria Police Authority 2005-06

1. The Scope of responsibilities

The primary responsibility of the Police Authority, as defined in the Police Act 1996 is to secure an efficient and effective police service in Cumbria. In so doing, the Authority ensures that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Police Authority also has a duty to make arrangements to secure continuous improvement in the way its functions are exercised.

In discharging this overall responsibility, the Authority is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Authority's functions and which includes arrangements for the management of risk.

2. The purpose of the Internal Control Systems

The systems of internal control are designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The systems of internal control are based on ongoing processes 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, and to manage them efficiently, effectively and economically.

The systems of internal control are reviewed in order to bring about improvements in those systems wherever possible and to ensure that they remain fit for purpose. The detailed controls outlined below represent those in place as at 31 March 2006 and up to the date of approval of the annual report and statement of accounts for the year ended on that date.

3. The Internal Control Environment

The Chief Constable is responsible for operational policing matters and the direction of police personnel. The Police Authority is responsible for securing and maintaining an efficient force. The Authority and constabulary work together to ensure that there are appropriate control mechanisms in place. The Accounts and Audit Regulations 2003 require that the Statement of Internal Control is prepared in accordance with proper practice, as represented in guidance provided by the Chartered Institute of Public Finance and Accountancy (CIPFA). The areas of control set out below are taken from that guidance.

(i) Establishing and monitoring the achievement of objectives: -

The Constabulary's objectives are established from the following key sources:

- The National Policing Plan, issued by the Home Secretary
- Consultation with local communities and partner organisations
- Strategic assessment using the National Intelligence Model
- Crime and Disorder Reduction Partnership and Local Criminal Justice Board objectives.

The planning process follows a predetermined schedule with key milestones and is linked to the budget setting process to ensure that resources are available to progress objectives. The process culminates with the approval of the Police Authority Policing Plan. Departmental and Basic Command Unit (BCU) plans are subsequently produced to show how the Police Authority Plan will be delivered at local level.

The main groups involved in setting objectives are: -

- The Police Authority Policing Plan and Best Value sub-committee receives and endorses a draft plan which is subsequently approved by the full Police Authority
- The Chief Officer Group - the constabulary body which approves the draft plan
- Strategic Development department – who draft the plan and coordinate the public consultation process
- BCU and departmental management teams – who develop local plans which deliver corporate objectives and also address local priorities

Objectives are formally monitored by an outcome focused Performance Development Conference, supplemented by monthly detailed scrutiny meetings between Chief Officers and individual Commanders and Directors. The Police Authority Audit and Performance committee receive quarterly reports relating to performance objectives. The Police Authority has established specific committees to review and monitor particular aspects of the Constabulary's performance, including the Personnel committee, the Community and Race Relations committee and the Professional Standards Committee.

(ii) Policy and decision making

The Police Authority has a range of policy and decision making responsibilities, many of which are prescribed by legislation. These include: -

- agreeing an annual budget and local Council Tax for policing
- consulting with local communities to help determine public priorities for policing and the costs they are prepared to pay via the Council Tax
- agreeing the strategic direction for the constabulary, including performance targets, as described in annual policing plans
- ensuring continuous improvement through Best Value
- monitoring performance of the constabulary

A committee structure has been established to support the role of the main Authority in managing these responsibilities.

Policy and decision making within the constabulary ultimately rests with the Chief Constable. A structure of boards exists to support him in this process, with delegated authority to make policy. The board structure is as follows:

- Chief Officer Group – made up of the Chief Constable, Deputy Chief Constable, the Assistant Chief Constable (Operations) and the Assistant Chief Constable (Organisational Development and Partnerships).
- Resources and Standards Board - led by the Deputy Chief Constable and comprised of Directors responsible for Professional Standards, Legal, Personnel and Development, Finance and Resource management services.
- Operations Board - led by the Assistant Chief Constable (Operations) and comprised of all Commanders, and Superintendents in charge of sections which impact directly on operations. Responsible for operational service delivery.
- Organisational Development and Partnerships Board - led by the Assistant Chief Constable (Organisational Development and Partnerships) and comprised of Directors responsible for strategic development, partners, information and programme management services.

Terms of reference are in place for the Chief Officer Group, Operations Board and Resourcing and Standards Board and corporately agreed guidance exists to support the decision making process. Policy development is controlled by the Boards, and is

carried out in accordance with detailed procedure, including vetting and consultation.

Operating Frameworks for BCUs and Operational Support are in operation – providing a clear decision-making structure for commanders and department directors.

(iii) Policy and Risk Management

Policy is formally promulgated through Force Orders and is disseminated through internal communication mechanisms, and training when appropriate. A library of policies exists on the Constabulary intranet and is available as a reference to all staff. Each policy has a designated owner, who is responsible for ensuring policies are complied with and that this is checked on a periodic basis as part of normal management practice. Internal reviews, such as Best Value reviews, include within their scope compliance checks on relevant policies. Arrangements have been introduced for 2005/6 to support additional policy compliance audits. A review of the Constabulary's Policy Management arrangements was undertaken in 2005-06 and recommendations for improvement were introduced on a trial basis later in the year. The Constabulary produced a Governance Standard, based on the guidance as set out in the Good Governance Standard for Public Services as published by the Independent Commission for good Governance in Public Services.

The key elements of the Constabulary's Risk Management framework are set out below: -

- The Constabulary has a Risk Management Mission Statement and Policy statement. These statements raise the awareness of risk management within the Constabulary.
- The Constabulary has a Risk Management Strategy Statement, which provides the foundation for the development of a risk management culture within the Constabulary. The strategy was reviewed during 2005/06 due to the change in board structure. The strategy provides managers at all levels across the Constabulary with an understanding of their responsibilities in relation to Risk Management.
- During 2005/06 the Constabulary has reviewed its Risk Registers. A Strategic Risk Register has been developed and is managed by the Strategic Risk Group (SRG). The three Boards have also begun work on developing their own Risk Registers to be managed by the respective Board. Both RSB and ODP have produced their Board Risk Registers. These Risk registers identify significant risks and prioritises these risks, taking into account the probability of the risk and its potential impact. Risks can be escalated from Board level to SRG or passed down from SRG to Board level.
- Further Risk Management training has been delivered to Board members during 2006/06 by external risk management consultants.
- The SRG is comprised of individuals from across the various disciplines across the Constabulary. The SRG places a greater emphasis on key corporate and strategic risks with the three boards and BCU's / Departments owning and managing other risks.
- Part of the Risk Management strategy involves the purchasing of insurance cover to protect assets and minimise liabilities, where taking insurance is either legislated or is assessed as beneficial to do so. The insurance policies provide for differing excess levels, which means that some proportionate risks are met internally. Insurances are reviewed annually and provision is made to meet the possible costs arising from incidents not covered by insurance.
- The Police Authority and the Constabulary are committed to the health and safety of all staff. This commitment is reflected in the Health and Safety Policy and Occupational Health Policies, which each aim to achieve the highest possible standards of health, health and safety and the creation of a

safer working environment for all.

- The Constabulary has a Professional Standards department, whose responsibilities include pursuing the highest standards of integrity and behaviour. The unit aims to minimise risks to the constabulary of any inappropriate or unethical behaviour.

In June 2004, the Bichard report was published covering a number of issues in relation to child protection, the maintenance of intelligence records, vetting practices and the sharing of information with other agencies. The report produced recommendations in a number of areas for the police service, including: -

- IMPACT - a programme that is intended to deliver improved police information management and information sharing.
- MOPI - Guidance on the management of police information
- Regarding vulnerable people
- In relation to Vetting and disclosure

The constabulary has responded to these issues as set out below. Firstly, in relation to IMPACT, the constabulary has met targets set by the IMPACT programme. In December 2005 the Constabulary connected into the National Impact Nominal Index (INI), an index list of names and corresponding dates of birth of individuals who are named in police records for a variety of reasons. INI will enable an officer in Cumbria to establish whether any other force in England and Wales holds information about a person of interest and whether that person is being investigated by another force. INI will be supported by guidance on the Management of Police Information (MOPI), which will provide the governance in this area. The constabulary is currently conducting a MOPI capability assessment, which assesses the constabulary's ability to meet the requirements and which will be followed up with an action plan to ensure the Constabulary meets the MOPI requirements by April 2007. With regard to Vulnerable people, a steering group has been established working to the requirements of an agreed action plan to both meet the requirements of Bichard and the complimentary guidance issued by the National Centre for Policing Excellence (NCPE). Finally, with regard to Vetting and Disclosure, the Constabulary has strengthened its resources by establishing a dedicated general security, Vetting and disclosure unit, headed by a Chief Inspector, and including a legal advisor, vetting officer and Data Protection officer, working to the requirements of national guidance.

(iv) Efficiency, Effectiveness, Continuous Improvement and Best Value

- The constabulary has well-established arrangements for supporting the Authority in delivering its statutory duty of Best Value. The Police Authority Policing Plan and Best Value Committee discharges this responsibility on behalf of the Police Authority. Within the constabulary, the Best Value Board led by the Assistant Chief Constable (Organisational Development and Partnerships) directs the activity of the Best Value team.
- The constabulary has produced a Best Value Policy & Strategy handbook, which details the policy, processes and procedures relating to Best Value within the organisation. An annual programme of reviews and supporting activities is in place, and reviewed quarterly. Findings from the reviews are developed into action plans that are then implemented by the relevant business owner.
- A rigorous process for progressing implementation of Best Value Reviews is in place – exception reports are presented to Best Value Board (joint Constabulary and Authority board), highlighting issues, risks, changes to circumstances, exceptions and progress against plans. Recommendations are then made to Audit and Performance.

- The Audit and Performance Committee monitor implementation of Best Value recommendations on behalf of the Authority.
- Managers and Best Value team conduct improvement reviews on areas identified through risk and performance analysis of the Constabulary.
- For 2005/06, the constabulary was again required to prepare an annual efficiency plan, setting out how savings amounting to 3% of net expenditure are to be made, whilst maintaining overall operational performance. Development and delivery of efficiency plans is overseen by Performance and Efficiency Steering Group (PESG), which is chaired by the Assistant Chief Constable (Organisational Development and Partnerships). The efficiency plan is approved by the Police Authority and is monitored quarterly by Audit and Performance Committee.
- Dedicated resources have been employed to develop new efficiencies from 2005/6.

(v) Financial Management and Reporting

The key elements of the Authority's financial management framework are set out below. They aim to follow professional best practice at all times.

- The Authority has comprehensive Financial Regulations, which establish detailed financial controls covering a range of different aspects of financial management. The regulations are reviewed on a periodic basis. The current review has been suspended and will now be undertaken as a collaborative exercise with Lancashire Constabulary in preparation for the strategic merger of the Cumbria and Lancashire Constabularies.
- The Constabulary has detailed financial rules, which are supplementary to the Authority's regulations. They are used to ensure proper management of resources devolved to the Chief Constable.
- The Authority has detailed Contractual Standing Orders, revised in 2003-04, which set out the processes to be adopted relating to the supply of goods and services.
- A protocol between the Police Authority Treasurer and the Constabulary Director of Finance and Resources has been agreed, to clarify the respective roles within the Authority and Constabulary.

Budget planning

- The Authority receives regular reports relating to budget planning. All reports are in the joint names of the Treasurer and Chief Constable.
- A Medium Term Financial Forecast is prepared and rolled forward on an annual basis.
- Structured processes exist to determine spending priorities
- Annual budgets must be approved by a majority of the total membership of the Authority including a majority of the 'elected' members of the Authority.

Budget Management

- The Constabulary has a scheme of financial delegation, which gives individual budget holders local control of financial resources, within a framework designed to ensure overall control. Budget holders are required to formally accept devolved resources subject to specific terms and conditions, which set out local powers and responsibilities. Budget holders are also required to formally outline any local arrangements to sub-delegate responsibility for management of particular budgets to sub-ordinates.
- Budget holders are formally held to account for the management of resources through quarterly Financial Performance Review meetings with the Deputy Chief Constable and Director of Finance and Resources.
- Both the full Authority and Audit and Performance Committee receive regular

reports showing expenditure against the budget including explanations of budget variances.

- The Force's Resources and Standards Board receive regular financial reports, setting out the local financial performance of BCU's and Departments, collated to show the overall position of the constabulary. .
- The statutory year end accounts are presented to members in line with the legal deadlines.

Treasury Management

- The Authority approves an annual Treasury Management strategy and receives periodic reports on Treasury Management activities. The Authority also approves an annual report which summarises activities in each financial year. The Authority has adopted the CIPFA Code of Practice on Treasury Management and has approved detailed Treasury Management Practices written in accordance with the Code.
- Prudential Indicators – The Authority has approved a suite of Prudential Indicators for the period to 2008-09 as set out in the statutory CIPFA Code of Practice on Capital Expenditure – the Prudential Code. Quarterly reports showing expenditure against budget on capital projects and explanations for variances are presented to the Authority.
- Financial Systems – The Constabulary started work alongside the Audit Commission to document all of its major financial systems so as to comply with the new International Audit Standard.

(vi) Performance Management and Reporting

- The constabulary has a performance management strategy setting out how it will deliver improvements to controls and processes in line with the national Performance Management Handbook.
- The constabulary also developed an information management strategy for this activity - setting out how it will deliver the information required to enable performance development. Faster and more impactive performance information has been introduced through the use of Performance Dashboard.
- Chief Officers hold all senior managers to account in quarterly Performance Development Conferences, which were introduced during 2004/5. Monthly performance review meetings between Chief Officers and individual Commanders and Directors support the conferences, focusing on performance at LPT level.
- Each senior management board maintains an overview of progress on objectives for its area of business.
- Planning and performance management is informed by the prevailing National Intelligence Model strategic assessment, which ensures that the process is forward looking and dynamic, as well as taking account of achievements since the previous review.
- The constabulary has increased the resource available to performance management at local level from April 2005 with the introduction of a dedicated Performance Inspector post in each BCU and OS.

4. Review of Effectiveness

The Accounts and Audit regulations require that a review of the effectiveness of the system of internal control is undertaken at least annually. The review of the effectiveness of the system of internal control is informed by the work of the internal auditors and senior officers of the Authority and Constabulary, who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the

external auditors and other review agencies and inspectorates. The processes applied in maintaining and reviewing the effectiveness of the system of internal control during 2005-06 are described below: -

(i) Police Authority

The Police Authority places responsibility on the Audit and Performance Committee and relies upon its work, as detailed in (ii) below, for monitoring the effectiveness of Internal Controls. Following a Best Value review in 2002-03 of the way in which the Authority was administered, the Police Authority has subsequently approved and implemented a number of key strategic measures, aimed at improving and maintaining the effectiveness of systems of internal control. These have included: -

- The appointment of a full time Clerk and Chief Executive and a dedicated (part-time) Treasurer to strengthen the corporate management of the Authority. The changes also formalised the arrangements for fulfilling the role of the monitoring officer.
- Approval to revised Standing Orders relating to contracts
- Approval to a formal scheme of delegation, setting out the delegated responsibilities of a number of senior officers of the Authority and Constabulary across a range of functional areas in June 2004
- Fully documenting and revising the schedule of individual roles and responsibilities of Police Authority members
- The appointment in March 2005 of a Performance Manager and Policy Adviser to provide added emphasis to performance management and policy development.

In December 2004, the Authority's Internal Auditors were contracted to comprehensively review Financial Regulations, with a commitment to report to the Authority in September 2005. This work was completed by July 2005 and the revisions have been passed forward for the consideration in the adoption of Financial Regulations for the new combined Authority. In September 2005-06 the Authority completed a review of its own performance (commenced in 2004-05 in advance of the scheme of Performance Self Assessment being formally approved by the APA and HMIC) using the template modelled in the APA draft scheme. Performance was reviewed in the areas of:

- Leadership and Strategic Planning;
- Performance Management;
- Community Engagement.

The outcome highlighted a number of improvements which were prioritised in the light of the review and subsequent proposals to restructure police services announced by the Home Secretary. It was agreed that the following areas for action would remain a priority and would be continued:

- Police Authority vision and values
- Risk management –the establishment of a Police Authority Member working group to take forward this area of activity
- Review of Budget and Strategic Planning process (subsequently undertaken as part of the 2006-07 Budget process and strategic timetable adopted for 2007-08)

Although a number of the actions for improvement were not adopted as priority for Cumbria in its remaining period, nonetheless they are to be passed forward for the consideration of the new combined authority when established in June 2006, including particularly:

- Review of Committee Structure Review
- Revised Best Value/Strategy Handbook

- Review of Partnership involvement
- Consultation, Publicity and Profile
- Member's communication needs

The Authority agreed to the adoption of the following statement as reflecting its vision for Cumbria:-

“Our vision is to help Cumbria Constabulary to be one of the Country's leading Police Forces, inspiring trust and confidence so that the people of Cumbria feel safe, satisfied and reassured”;

The roles of Authority Member and Lead Member, as agreed by the Authority in March 2004, were re-endorsed.

(ii) Internal Audit and the Audit and Performance Committee

The Audit and Performance Committee agreed a plan of internal audit work for the 2005-06 financial year and received a report on the overall results of that work in June 2006. Reports of individual audits were also reported regularly during the year. Most of the audits carried out during the year were related to financial systems, although, in addition, reviews of Custody Management and Planning / Performance Management in BCU's were carried out to reflect risks identified in the Constabulary's Risk Register. Follow up reports are also presented to the Committee to ensure that improvement recommendations have been properly implemented. The overall audit assessment for 2005-06 was that the systems of financial control are operating well. From the 18 individual reports conducted during the financial year, 15 have been assessed as 'good', one as 'satisfactory', one as 'fair', whilst no assessment was made in relation to one report. The Audit and Performance Committee also receive regular reports on operational and resource management performance including comparison with agreed targets. The results of this review of effectiveness of internal control were presented and discussed with members of the Audit and Performance Committee on 22 June 2006.

(iii) Constabulary Risk Management Group

During 2005/06 progress was being made against the Risk Management Strategy Implementation Plan. However towards the latter part of 2005 it was the view of the SRG that the work undertaken within the Constabulary should be reviewed by an external Risk Management consultant before further Risk Management training was delivered to the wider Constabulary. The purpose of this review was to assess the appropriateness of the work so far undertaken and to provide a steer for future development of Risk Management within the Constabulary.

This review was undertaken during January 2006. The report was delivered during May 2006. The results of the review are yet to be analysed and considered. However it is anticipated that as a result of the review the format of the Constabulary Risk Registers are to be amended and consideration will be given to introducing a new risk scoring matrix. The report acknowledges the work undertaken within the Constabulary to date but also highlights areas of potential weakness and therefore provides guidance and recommendations as to how the process and strategy could be improved. The report was presented to SRG during May 2006 and is due to be presented to COG during June 2006. It is likely to lead to a change in current Risk Management practice and some further training, which will also be delivered to a wider audience within the Constabulary.

(iv) Other Review / Assurance mechanisms

- External Audit

The District Auditor consults with the Officers of the Authority and Constabulary before presenting the annual audit plan to members of the Audit and Performance Committee. The Audit plan reflects the Audit Commission's risk based approach to audit planning. The District Auditor also presents the annual audit letter to the Police Authority. To date, all external audit letters have given an unqualified opinion on the Authority's statements of accounts. The latest annual audit letter received in 2005-06 stated that arrangements were in place to maintain systems of internal control. The letter also acknowledged the plans in place to strengthen Risk Management arrangements.

The Audit Commission undertook a number of specific reviews during 2005-06. These included in relation to compliance with the National Crime Recording Standard (NCRS) and the development of Activity Based Costing (ABC). In relation to NCRS, the review concluded that management arrangements were "excellent", with data quality graded as "fair". Areas for improvement have been agreed and are being taken forward.

In relation to ABC, the Commission's review in 2005-06 resulted in a "Good" grading for both management arrangements and data quality. An action plan has been agreed containing a number of areas for improvement, which has been taken forward.

- Her Majesty's Inspectorate of Constabulary (HMIC)

The Home Office appoints Inspectors of Constabulary to inspect and report to the Secretary of State on the efficiency and effectiveness of police forces. HMIC carry out thematic inspections on strategic topics determined by the Home Office, inspects Basic Command Units, and undertakes 'baseline assessments' of the constabulary's overall performance and services.

The results of these inspections are published. Should the constabulary's performance fail to meet HMIC requirements, national arrangements are in place for direct Home Office engagement to improve it.

Please note that no overall performance grade is given to the constabulary. The relevant frameworks of the 2005 Baseline Assessment have been identified within this document.

- National Centre for Police Excellence (NCPE)

NCPE develops national mandatory codes of practice for key policing functions – examples include an updated National Intelligence Model, use of firearms, and investigation of domestic violence, child abuse and missing persons. NCPE work with the constabulary to implement the codes of practice, which are then subject to compliance inspection by an appointed auditor.

5. Significant Internal Control Issues

The review of the effectiveness of the systems of internal control for 2005-06 has identified no significant control weaknesses, nor any major risks not being adequately addressed. The 2004-05 Statement reflected the loss of the BCU HQ and station in Carlisle, subsequent to the storms in January 2005, and the need to prepare business continuity plans. A joint business continuity project has been established with Lancashire Constabulary.

In September 2005, the Home Secretary announced plans for Police Authorities to amalgamate, further to the HMIC report, 'Closing the gap'. Subsequent business cases indicated that the most effective way forward for Cumbria would be to amalgamate with Lancashire Police. Accordingly, in February 2006, the Authority volunteered to amalgamate with Lancashire, subject to a number of national issues being properly resolved.

CLERK AND CHIEF EXECUTIVE

Clive Allcock LLB Solr

DATE

TREASURER

Douglas Thomas CPFA

DATE

ACT CHIEF CONSTABLE

Christine Twigg

DATE

CHAIRMAN OF AUDIT & PERFORMANCE COMMITTEE

Lynne Slavin

DATE

RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNT

1) The Authority's Responsibilities

The Authority is required:

- a) to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Treasurer to the Police Authority:
- b) To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

2) The Treasurer's Responsibilities

The Treasurer is responsible for the preparation of the Authority's Statement of Accounts, which, in terms of the CIPFA / LASACC Code of Practice in Great Britain ("The Code of Practice"), is required to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2006. In preparing this Statement of Account, the Treasurer has:

- a) Selected suitable accounting policies which allow comparability;
- b) Made judgments and estimates that were reasonable, reliable and relevant;
- c) Complied with the Code of practice.

3) The Chief Constable's Responsibilities

Day to day financial management of the force has been delegated by the Treasurer to the Chief Constable who has:

- a) Kept proper accounting records;
- b) Taken reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS REPORT TO CUMBRIA POLICE AUTHORITY

I have audited the statement of accounts on pages 28 to 56 which have been prepared in accordance with the accounting policies applicable to police authorities as set out on pages 23 to 27.

This report is made solely to Cumbria Police Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 54 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission.

Respective Responsibilities of the Treasurer and Auditor

As described on page 18 the Treasurer is responsible for the preparation of the statement of accounts in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2004. My responsibilities, as independent auditor, are established by statute, the Code of Audit Practice issued by the Audit Commission and my profession's ethical guidance.

I report to you my opinion as to whether the statement of accounts present fairly the financial position of the authority and its income and expenditure for the year. I review whether the statement on internal control on pages 10 to 17 reflects compliance with CIPFA's guidance 'The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003' published on 2 April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider whether the statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of the authority's corporate governance procedures or its risk and control procedures. My review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

I read the other information published with the statement of accounts and consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the statement of accounts.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant auditing standards issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to the authority's circumstances, consistently applied and adequately disclosed.

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

Opinion

In my opinion the statement of accounts present fairly the financial position of Cumbria Police Authority as at 31 March 2006 and its income and expenditure for the year then ended

Certificate

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

DISTRICT AUDITOR

SIGNED

DATE

Mike Thomas
Audit Commission
Aspinall Close
Middelbrook
Horwich
Bolton
BL6 6QQ

STATEMENT OF ACCOUNTING POLICIES

1. General

The Authority's accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting issued in 2005 by The Chartered Institute of Public Finance and Accountancy (CIPFA) as applicable to Police Authorities. The Code of Practice has been developed by the CIPFA / LASAAC Joint Committee in accordance with the Accounting Standards Board's Code of Practice for the development of Statements of Recommended Accounting Practice (SORP's). The accounts also reflect the notes of guidance issued by CIPFA on the application of accounting standards (SSAPs) and Financial Reporting Standards (FRSs). Unless otherwise indicated, the accounting practices adhere to the fundamental concepts as set out in FRS 18.

2. Fixed Assets and Intangible Assets

The Code of Practice on Local Authority Accounting requires that fixed assets be recorded in the balance sheet at current values. The basis of valuation for the various categories of asset is set out in the table below:

Category	Basis of valuation
Operational Land and Buildings	Open Market Value in Existing Use
Vehicles and Plant	Purchase Price
Capital Equipment	Purchase Price
Intangible Assets (Software)	Purchase Price

Assets are recorded in the balance sheet at a current value less accumulated depreciation. The latest SORP requires Land and Buildings to be revalued on a rolling programme every 5 years in accordance with valuation guidance notes provided. Valuations are carried out on behalf of the Police Authority by Mr J Slee BSc MBA CEng MICE MIHT MCMI Director, Capita Dbs. The Capita Building, Kingsmoor Business Park, Carlisle, Cumbria, CA6 4SJ

3. Basis of Charges for the Use of Fixed Assets and Intangible Assets

In accordance with the Code of Practice on Capital Accounting in Local Authorities, capital charges have been made to the Revenue Account to represent the cost of using assets and are made up as follows:

- a) A notional interest charge using rates prescribed each year by Central Government for Local Authorities.
- b) A depreciation charge is also made, based on the straight-line method of charging. No depreciation charge is made, however, in the year of acquisition but a full year charge is made in the year of disposal. A full years depreciation charge is made in the year of revaluation of any asset.

4. Capital Charges To Revenue Account

Charges to revenue accounts for 2005-06 are based on asset values as at 1 April 2005 and are calculated on the following basis:

Category of Asset	Interest Rate	Depreciation Period
Operational Land and Buildings	3.50%	50 Years
Vehicles and Plant	3.50%	2 - 10 Years
IT and Equipment	3.50%	5 - 10 Years
Intangible Assets	3.50%	5 Years

5. Capital Receipts

Capital receipts arising from the disposal of assets are credited initially to the Capital Receipts Reserve and invested until such time as they are applied to finance new capital expenditure when they are credited to the Capital Financing Reserve. Capital Receipts received in 2005-06 have been utilised to help finance 2005-06 capital expenditure.

6. Debtors and Creditors

The Revenue Account has been prepared on a general accruals basis in accordance with the Code of Practice and FRS 18 and provisions for sums owing to and from the Authority at 31 March 2006 are included in the accounts where the cash has not actually been paid or received during the year. A provision for bad and doubtful debts exists and its value as at 31 March 2006 (£23k) has been netted off against the value of debtors in the balance sheet.

7. Government Grants and Contributions

All revenue grants are credited to the Revenue Account in the same period as the expenditure which they support. Where the acquisition of a fixed asset is financed wholly or in part by Government Grant, the amount of the grant is credited initially to the Government Grants Deferred Account and then transferred to the Asset Management Revenue Account over the useful life of the asset to match the depreciation charge on that asset.

8. Asset Management Revenue Account

An Asset Management Revenue Account has been established to ensure that the charges for the use of assets made to revenue accounts do not impact in any way on the amount to be raised by local taxation. The account is credited with capital charges and meets the cost of depreciation together with any external interest payable.

9. Items of Stock

Stocks are reflected in the balance sheet at historic cost. This is a departure from SSAP9 which requires stocks to be valued at the lower of cost or net realisable value. However, for many stock items, particularly uniforms, net realisable value would be minimal and would not accurately reflect the value to the Authority of holding these assets.

10. Pensions

The aim of the disclosure requirements under FRS17 is to provide information on the impact of the Authority's obligations to fund the retirement benefits of its staff on its overall financial position. Even where this obligation is discharged via a pension fund, the Authority remains responsible to ensure its own employers contributions are set at a level which will ensure the liabilities of the fund are met. Compliance with these requirements is made by way of an adjustment to the revenue account to show the cost of pensions as the current service cost (included within the Net Cost of Service). There is an additional line prior to Net Expenditure,

which shows the pension interest cost and return on assets. However, to ensure that taxpayers are only liable for the cash cost of the pension contributions, these costs are reversed out after Net Operating Expenditure, prior to amounts to be met from grants and taxation. New accounting reserves have been created to show the current liabilities of both pension schemes. The unfunded nature of the police scheme, which operates on a “pay as you go” basis, has a material effect on the Balance Sheet although the statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy.

11. 2004-05 Comparative Figures

Wherever possible, corresponding information relating to the 2004-05 financial year has been shown to allow comparisons with the current year’s figures.

12. Treatment of Overheads

The Authority has adopted the Best Value Accounting Code of Practice (BVACOP) which requires the total costs of a defined range of policing services to be shown in this statement of account. Where supporting activities and overheads cannot be charged directly to frontline services, they are allocated on a variety of bases as set out in BVACOP.

13. Provisions

The Authority maintains a number of provisions for future liabilities which are likely to be incurred, although the timing and absolute value of the liability cannot be accurately quantified. Provisions are charged to the appropriate part of the force revenue account when created, in line with the requirements of the Code of Practice and expenditure, when incurred, is charged directly to the provision. Details of provisions made during the year are shown in the notes to the revenue account and an analysis of the purpose and movement on all provisions is shown in the notes to the balance sheet.

14. Reserves

Amounts set aside for purposes which do not meet the definition of provisions are considered as reserves. In addition to a general reserve for Police Authority balances, the following reserves are maintained and accounted for in line with the Code of Practice.

The Authority has a number of established earmarked reserves and has created additional reserves at the end of 2005-06. Earmarked reserves exist, both to provide a contingency to cushion the effect of unexpected events and to provide a mechanism to build up funds to meet expected liabilities. The Authority’s earmarked reserves have been formulated in conjunction with the CIPFA guidance on Reserves and Provisions. At 31st March 2006 the following reserves existed:-

- a) Due to changes in the funding of future pensions from 2006-07 there is no longer a requirement to retain existing pension reserves. These amounts have been reappropriated to the revenue account and then transferred to a general capital provision to help support in the rebuild costs of the North Cumbria BCU Headquarters.
- b) Airwave Communications Reserve – to offset some of the expected costs arising from the introduction of the Airwave communications system and its future running costs
- c) Amalgamation / Funding Harmonisation– to help align the Authority’s financial resources in support of the estimated amalgamation costs and the indicative offer of financial assistance from the Home Office.
- d) Devolved Budgets – the scheme of Devolved Resource Management allows a general freedom to carry funds forward, subject to the overall financial position of the Authority.
- e) Health and Safety – to offset the costs arising from the imminent HSE inspections.

- f) Sleuth / Impact – to offset the revenue costs that are required for data conversion prior to the introduction of these new intelligence systems.
- g) Mountain Rescue Services – to offset future payments to Lake District Mountain Rescue Services Agency for their new radio system that was required as a consequence of the Constabulary's conversion to Airwave.
- h) Public Holiday Reserve – this was created to smooth peaks in salary expenditure due when bank holidays fall across financial years.
- i) Local Policing Teams Accommodation Reserve – to meet the expected costs of providing community based accommodation for Local Policing Teams
- j) Operational Reserve – to provide resources both to back up the annual operational contingency and, in addition, to assist in funding unexpected major events, if necessary.
- k) Management of Change Reserve – to help manage significant change including the costs of amalgamation not met from government grant.
- l) Probationer Training Reserve – to provide for the increased costs that will be required to accommodate the new training regime, which is being introduced in 2005-06 for Police recruits.

The arrangements for accounting for capital expenditure have led to the following two reserves being maintained

- a) Fixed Asset Restatement Account - This account represents the balance of surpluses and deficits, which arise from the periodic revaluation of fixed assets.
- b) Capital Financing Account - This account represents the sums, which have been set aside from grants, revenue resources or capital receipts to finance expenditure on fixed assets or to repay external loans.

The accounting requirements supporting FRS 17 require pensions reserves for the Police Pension Scheme and LGPS. The reserves are intended to represent any accumulated deficits brought about by valuing future pension liabilities when they are committed as opposed to when pension payments are actually made.

In accordance with the Code of Practice and in line with the reporting requirements of Financial Reporting Standard (FRS) 3, a separate statement of movement in total reserves is shown at page 51 which brings together those reserves which are earmarked for a specific purpose and other reserves which are held as general contingencies.

15. Interest on Investments

During the year surplus cash was invested with institutions approved by the Police Authority. All interest has been credited to the Revenue Account.

16. Material Estimation Techniques

FRS 18 "Accounting Policies" requires disclosure of any estimation techniques applied, that if a different methodology had been used a material variance in the amounts disclosed would have been arrived at.

The only material estimation techniques used are as follows: -

- a) Pension Disclosure Note –
 - (l.) where the projected unit method of valuation has been applied and which is consistent with the required methodology in FRS 17. This is a valuation method in which the scheme liabilities make an allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:
 - the benefits pensioners and deferred pensioners (i.e. individuals who have ceased as active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for

- future increases, and
- the accrued benefits for members in service on the valuation date. The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not.
- (II.) In assessing liabilities for retirement benefit as at 31 March 2006 the actuary was required by the SORP to use a discount rate of 3.5% real (6.1% actual). For 2005-06 a rate based on the current rate of return on a high quality corporate bond of equivalent currency and term to scheme liabilities is to be used. The actuary has advised that a rate of 4.9% is appropriate.

b) Property Revaluations

- (I.) All buildings are revalued on a rolling five-year programme and the estimation techniques used are based on the "open market value in existing use" which is consistent with proper Accounting practice. The Authority's professional valuers, Capita DBS, apply this valuation method.

CONSOLIDATED REVENUE ACCOUNT 2005-06

This statement has been prepared in accordance with the Best Value Code of Accounting Practice (BVACOP)

Net Expenditure 2004-05 £'000		Gross Expenditure 2005-06 £'000	Gross Income 2005-06 £'000	Net Expenditure 2005-06 £'000
26,190	Crime <i>(note 1)</i>	32,535	(4,674)	27,861
61,329	Policing in the Community <i>(note 1)</i>	71,486	(6,869)	64,617
0	National Policing - undertaken locally <i>(note 1)</i>			0
783	Corporate and Democratic Core Costs <i>(note 1)</i>	897		897
69	Past Service / Curtailment / Settlement Gain	(1,013)		(1,013)
88,371	Net Cost of Service	103,905	(11,543)	92,362
0	Levies to national Police Services			0
(1,257)	Asset Management Revenue Account <i>(note 3)</i>		(1,144)	(1,144)
(884)	Interest on investment Income		(1,052)	(1,052)
28,676	Pensions Interest Cost and Expected Return on Pensions Asset	30,414		30,414
	Exceptional Item	1,615		1,615
	Amending Report	219		219
114,906	Net Operating Expenditure	136,153	(13,739)	122,414
2,335	Transfer to Revenue Reserves <i>(note 6)</i>		(936)	(936)
1,375	Transfer to Capital Reserves	3,494		3,494
2,328	Capital Expenditure Financed from the Revenue Account			0
(7,144)	Reconciling Amount for the Provision of loan Repayment <i>(note 4)</i>		(3,970)	(3,970)
(28,611)	Contribution to Pensions Reserve <i>(note 8)</i>		(32,860)	(32,860)
85,189	Amount to be Met From Government Grants and Local Taxation			88,142
(52,984)	General Government Grants			(54,144)
(6,653)	Non-Domestic Rates Redistribution			(7,958)
(25,962)	Precepts			(27,012)
(410)	Net Fund (Surplus) / Deficit			(972)
(2,585)	Balance on Fund Brought Forward			(2,995)
(2,995)	Balance on Fund Carried Forward			(3,967)

NOTES TO THE REVENUE ACCOUNT

1. Consolidated Revenue Account Expenditure Categories

The SORP now requires Police Authority financial statements to show the consolidated revenue account in a form as recommended by BVACOP. This is designed both to provide more meaningful information about how Chief Constables utilise resources and also to allow more meaningful comparison amongst authorities. BVACOP has reaffirmed the concept of Total Cost, which requires consistent appropriation of support costs and overheads to defined areas of front line policing activity. The defined areas, together with some explanations as to their content, are set out below:-

- a) Crime:-
 - (I.) Reducing Crime – which encompasses community safety bureau teams; local intelligence officers; force intelligence units; local community services; architectural design.
 - (II.) Investigating Crime – crime management and Force Crime Units; specialist investigation and surveillance teams; special branch; major crime contingencies; family protection units; domestic violence teams; dog section; underwater search; scenes of crime; photographic; fingerprint bureau; ID suites / vulnerable witnesses; help / crime desks; evidence / property handling; PNC etc.
- b) Policing in the Community:-
 - (I.) Promoting Public Safety – local reactive policing; traffic units; neighborhood teams; tactical support groups; firearms units; operational support; firearms legislation; Force control centre; operational planning; custody / court security
 - (II.) Assistance to the Public – Visibility and reassurance; community policing; special constables; PCSO's; visitor handling; press and public relations; central switch board; alarm inspectorate.
- c) National Police Services Undertaken Locally
 - (I.) Royal and diplomatic protection services of national importance but carried out by local forces e.g. for the protection of diplomatic personnel.
- d) Corporate and Democratic Core Costs –
 - (I.) Democratic Representation and Management – all member expenses; officer time spent on appropriate advice activities; subscriptions to local authority associations etc.
 - (II.) Corporate Management – costs of head of paid service; maintenance of statutory registers; statutory returns and statistics; external audit and inspections; Treasury Management; bank charges.

2. Traditional Analysis of Net Operating Expenditure

Area of Expenditure	2005-6 £'000	2004-05 £'000
Police Authority Costs	643	591
Police Pay and Allowances	47,959	46,122
Police Staff Pay and Allowances	18,466	16,994
Other Employee Costs	1,066	1,042
Police Pensions	15,530	10,560
Total Employee Costs	83,021	74,718
Premises	3,535	3,171
Transport	2,494	2,286
Supplies and Services	9,555	9,523
Agency and Contract Services	461	431
Support services	113	78
Minimum Revenue Provision	202	224
Pension Interest Costs	30,414	28,676
Exceptional Item	1,615	
Gross Operating Expenditure	132,053	119,698
Income from Fees and Charges and Interest Receivable	(12,815)	(12,005)
Past Service/ Curtailment/ Settlement Gain	(1,013)	69
Contributions to Pension Reserve	(32,860)	(28,611)
Reserves Movements & Revenue Contribution to Capital	2,558	6,038
Amending Report	219	0
Net Expenditure to be met from grants & Local Taxation	88,142	85,189

3. Asset Management Revenue Account

The Code of Practice on Local Authority Capital Accounting requires Police Authorities to maintain a register of fixed assets and to make charges for the use of those assets. These are shown in the Revenue Account as Capital Charges and the Asset Management Revenue Account offsets the effect of these charges in arriving at the total level of expenditure to be financed from Government Grants and local taxpayers. This is set out in the table below:

	2005-06 £'000	2004-05 £'000
Income		
Asset Charges for Services	(5,317)	(8,625)
Government Grants Written Down	370	282
	(4,947)	(8,343)
Less Expenditure		
External Interest Charges	84	100
Provision for Depreciation	3,719	6,986
	3,803	7,086
Balance Transferred to Revenue Account	(1,144)	(1,257)

4. Minimum Revenue Provision

Section 63(1) of the Local Government and Housing Act 1989 requires Authorities to make a provision from revenue for the repayment of any undischarged credit liabilities. This is referred to as the Minimum Revenue Provision (MRP) and is based on 4% of the adjusted credit ceiling. The Code of Practice requires that the charge for depreciation be considered as part of the MRP with any difference credited to the Revenue Account as set out in the table below:

	2005-06 £'000	2004-05 £'000
Statutory Minimum Revenue Provision	119	124
Less Depreciation Charges	(3,719)	(6,986)
Adjustment for Grants Deferred	(370)	(282)
Credit to Revenue Account	(3,970)	(7,144)

5. Charges For The Use Of Assets

The current accounting arrangements regarding fixed assets require a charge to be made to the Authority's Revenue Account for the use of assets and that this charge should be equal to the sum of the annual depreciation charge plus interest on the value of assets in use. The Government prescribes the notional interest rate for each financial year. The table below shows how the total asset charge is calculated and that this total is reflected in the Revenue Account.

	2005-06	2004-05
	£'000	£'000
Depreciation Charges	3,719	6,986
Interest on Assets Utilised	1,598	1,639
Charge to the Revenue Account	5,317	8,625

6. Earmarked / Capital Reserves

The section covering accounting policies on page 23 set out details of approved earmarked reserves including their purpose. Further details are also set out in the notes to the Balance Sheet on page 45. Details of the movements to and from earmarked reserves in 2005-06 are set out in the table below:-

	Contribution		2005-06
	To	From	£'000
	Reserves		
Future Pension Reserve	502	(1,859)	(1,357)
Ill Health Retirements Reserves	50	(850)	(800)
Pensions Equalisation		(1,362)	(1,362)
Public Holiday Reserves	65		65
Airwave	373	(405)	(32)
Amalgamation Funding Harmonisation	1,846		1,846
Budget Holders Funds	479	(88)	391
Health and Safety	270		270
RMS / Impact	292		292
Mountain Rescue Services	167		167
Pay Arrears Reserve		(3)	(3)
Local Policing Teams Accommodation Reserve		(51)	(51)
Management of Change Reserve	250	(33)	217
Carlisle Storm Incidental Costs	200	(400)	(200)
Precept Loss- Carlisle uninhabitable properties		(104)	(104)
Probationer Training Reserve		(275)	(275)
Earmarked Reserves	4,494	(5,430)	(936)
Capital Reserves	3,644	(150)	3,494

7. Employee Remunerations

The Code of Practice on Local Authority Accounting requires the disclosure of the number of employees whose remuneration, excluding pensions contributions, exceeded £40,000 in 2005-06 in bands of £10,000. This is set out in the table below:

Remuneration Band	Employee Numbers	
	2005-06	2004-05
£40,000 to £49,999	131	85
£50,000 to £59,999	12	10
£60,000 to £69,999	9	8
£70,000 to £79,999	2	0
£80,000 to £89,999	1	1
£90,000 to £99,999	1	1
£100,000 to £109,999	0	0
£110,000 to £119,999	1	1
	157	106

8. Pensions

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 under FRS 17 the Authority must recognise its future commitment to make payments, the Authority has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The authority participates in two pension schemes:

- a) The Local Government Pension Scheme (LGPS) for civilian employees, administered by Cumbria County Council – this is funded scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. (Current rates for employers are 14% this was reviewed for March 2005)
- b) The Police Pension Scheme for officers – this is an unfunded scheme, operating on a “pay as you go” basis with no investment assets built up to meet the eventual pension liabilities which is generated when officers retire.

The cost of retirement benefits in the Net Cost of Services is recognised when employees earn them, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Consolidated Revenue Account after Net Operating Expenditure. The following transactions have been made in the Consolidated Revenue Account during the year:

	LGPS		Police Scheme	
	2005-06	2004-05	2005-06	2004-05
	£'000	£'000	£'000	£'000
Net Cost of Service				
Current Service Cost	(2,303)	(1,911)	(15,530)	(10,560)
Past Service Cost	1,013	(69)		
Net operating Expenditure				
Interest Cost	(2,292)	(1,906)	(29,850)	(28,280)
Expected Return On Scheme Assets	1,728	1,510		
Amounts to be Met from Government Grants & Taxation				
Movement on Pension Reserve	179	(554)	(33,039)	(28,057)
Amounts Charged Against Council Tax for Pension				
Employer Contributions	(2,033)	(1,821)		
Retirements Benefits Payable (net of employee contributions)			(12,341)	(10,783)

9. Interest on Investments

Surplus cash is invested with a range of financial institutions in accordance with the approved Police Authority annual Treasury Management Strategy. The Authority has adopted the revised CIPFA Code of Practice on Treasury Management. Interest on investments during 2005-06 amounted to £1,052k (2004-05 £884k), which is credited to the Revenue Account.

10. Publicity

In accordance with section 5 (1) of the Local Government Act 1986, the Authority is obliged to disclose details of its expenditure on publicity. These are set out in the table below:

	2005-06	2004-05
	£'000	£'000
Staffing Costs	134	28
Staff Advertising Expenditure	69	97
Other Publicity Costs	82	103
	285	228

11. Provisions

The Authority maintains a number of provisions to meet the expected future liabilities in a number of important areas. The Code of Practice on Local Authority Accounting advises that the value of any provisions be charged to the appropriate part of the consolidated revenue account in anticipation of the liability having to be met in the future. The classification of provisions is consistent with the Code of Practice. The following additions to provisions have been made during the year:

Provision	Budget Area	2005-06 £'000	2004-05 £'000
Insurance Liabilities	Other Employee Costs	228	228
PFI Financing	Supplies and Services	140	100
Legal Costs	Supplies and Services		3

A description of the purpose of all the Authority's provisions together with the movements during the year is shown in the notes to the balance sheet on page 42.

12. Police Authority Costs

Police Authority costs include the costs of the Authority's statutory officers plus the costs of both internal and external audit and the cost of Police Authority members expenses. The table below shows a breakdown of the main items. The Code of Practice requires the total of members' expenses paid in the year to be disclosed in this statement.

Expenditure	2005-06 £'000	2004-05 £'000
Statutory Officers	122	112
Internal Audit Costs	35	44
External Audit Costs - Audit	65	60
- Grants	6	6
Members Expenses	205	198
Police Authority Support Staff Costs	125	80
Others	85	91
	643	591

13. Agency Services

Expenditure on Agency Services is set out in the table below.

	2005-06	2004-05
	£'000	£'000
Police National Computer Costs	173	243
Mutual Aid	154	124
Underwater Search Team	55	54
Others (Vulnerable Persons)	11	9
	393	430

14. Related Party transactions

In accordance with the reporting requirements of FRS 8, the Authority is required to disclose details of any material transactions involving members and employees of the Authority and senior officers of the force. No material transactions have been reported.

15. The Euro

The force has considered the potential of the impact of the Euro on its finances and considers the cost of significant amendments to its financial systems to be minimal. The force uses a modern accounting system which is Euro compliant. The force has, in addition, set up additional banking facilities to allow payments to be made and received in Euros if that should become necessary.

16. Private Finance Initiative

The force took up occupancy of the new West Cumbria Area Headquarters facility in September 2001. The capital value of the scheme amounts to £5,286k with an arrangement for an annual payment or unitary fee over 25 years averaging £1,180k per annum. Payments commenced upon occupancy of the facility in September 2001 and amounted to a total of £1,137k for 2005-06. Payments are linked to movements in the Government GDP deflator and will also be subject to deductions for non availability. The Authority will receive specific government funding from ODPM for the majority of the period of the unitary payment as a contribution to the costs of financing the scheme. A change in grant formula to annuity basis has been agreed from 2005-06.

17. Exceptional Item

On January 7 & 8th 2005 severe storm conditions were experienced in North Cumbria. As a result of the storm and subsequent flooding expenditure totalling £1,615k has been incurred by the Authority, principally in cleansing and making safe the site of the North Divisional HQ, at Rickergate in Carlisle, retrieving data and replacing equipment from the premises and in ensuring business continuity in the area. The storm damage is the subject of an insurance claim which is currently being disputed with the Authority's insurers. Accordingly, a prudent approach has been taken by recognising all property and business continuity costs in full in the Authority's consolidated revenue account for 2005/06, pending resolution of the claim.

BALANCE SHEET AS AT 31st MARCH 2006

The Balance Sheet as at the 31 March 2006 which records the financial position of the Police Authority at that date is set out below together with the corresponding figures as at 31 March 2005. Supporting notes to the Balance Sheet are shown on the following pages

2004-05			2005-06	
£'000			£'000	£'000
36,896	Land and Buildings		37,209	
2,226	Vehicles and Plant		2,086	
4,350	Technology Equipment		5,728	
782	Equipment		1,065	
44,254	Operational Assets		46,088	
171	Land and Buildings			
171	Non-Operational Assets		167	
44,425	TOTAL FIXED ASSETS	<i>(note 1)</i>		46,255
1,235	Intangible Assets	<i>(note 4)</i>		1,103
256	Stocks	<i>(note 6)</i>	236	
6,627	Debtors	<i>(note 7)</i>	5,225	
18,104	Short Term Investments	<i>(note 8)</i>	21,298	
0	Cash at Bank, in Hand and in Transit		58	
24,987	Current assets		26,817	
(477)	Bank Overdraft		0	
(7,199)	Creditors, including receipts in advance	<i>(note 9)</i>	(7,318)	
(7,676)	Current Liabilities		(7,318)	
17,311	NET CURRENT ASSETS			19,499
(1,421)	External Loans	<i>(note 10)</i>	(1,085)	
(2,234)	Grants Deferred	<i>(note 11)</i>	(3,242)	
(1,209)	Provisions	<i>(note 12)</i>	(1,577)	
(14,420)	LGPS Pensions Liability	<i>(note 20)</i>	(16,730)	
(551,248)	Police Pension Liability	<i>(note 20)</i>	(693,548)	
(570,532)	LONG TERM LIABILITIES			(716,182)
(507,561)	TOTAL NET ASSETS /(LIABILITIES)			(649,325)
	Represented by			
30,288	Fixed Asset Restatement Account	<i>(note 13)</i>	30,945	
8,795	Capital Financing Account	<i>(note 14)</i>	7,874	
6,995	Capital Grant Unapplied		6,485	
0	Useable Capital Receipts	<i>(note 15)</i>	0	
(14,420)	LGPS Pension Reserve	<i>(note 20)</i>	(16,730)	
(551,248)	Police Pension Reserve	<i>(note 20)</i>	(693,548)	
7,191	Earmarked Reserves	<i>(note 17)</i>	6,255	
1,825	Capital Reserve	<i>(note 17)</i>	5,319	
18	Revenue supported Capital Reserve		108	
2,995	General Reserve	<i>(note 16)</i>	3,967	
(507,561)	TOTAL EQUITY			(649,325)

NOTES TO THE BALANCE SHEET

1. FIXED ASSETS

	Land and Buildings	IT and Technology	Furniture and Equipment	Vehicles and Plant	TOTAL FIXED ASSETS
	£'000	£'000	£'000	£'000	£'000
Gross Book Value at 01.04.05	44,683	8,742	983	5,949	60,357
Completed Assets 2005-06	487	2,774	461	793	4,515
Disposals	(110)			(411)	(521)
Revaluations	806				806
Work in Progress as at 31.03.06	23				23
Gross Book Value at 31.03.06	45,889	11,516	1,444	6,331	65,180
Depreciation at 01.04.05	(7,616)	(4,392)	(201)	(3,723)	(15,932)
Charge for the Year	(894)	(1,396)	(178)	(897)	(3,365)
Depreciation on Disposals	13			375	388
Depreciation on Revaluation's	(16)				(16)
					0
Depreciation as at 31.03.06	(8,513)	(5,788)	(379)	(4,245)	(18,925)
Net Book Value as at 31.03.06	37,376	5,728	1,065	2,086	46,255

It is the policy of the Police Authority to charge no depreciation in the year of acquisition, but a full year depreciation charge in the year of disposal. A full depreciation charge is made in the year of any revaluation. Non-operational assets are defined as properties held pending disposal and properties leased to local Housing Associations.

In accordance with the requirements of FRS 15, Tangible Fixed Assets, the table overleaf sets out details of the valuations undertaken over the five year rolling programme. Valuations are carried out on behalf of the Authority by Mr J Slee BSc MBA Ceng MICE MIHT MCMl The basis of the valuations is set out in the statement of accounting policies on page 23

	As at 31st March	2,006	2,005
Land and Buildings Valued at Open Market Value in Current Use	£'000	£'000	£'000
2005-06		19,538	
2004-05		2,037	(1,255)
2003-04		21,100	17,616
2002-03		76	3,171
Prior 2001-02		3,138	17,535
		45,889	37,067

The Authority's professional valuers, Capita DBS, have made an assessment of the possible effects of material impairment to fixed assets during the financial year. Their assessment was based on a number of specific criteria, which, in their opinion, could affect the valuation of assets. The outcome of the assessment process is that the valuer has concluded that there has been no material impairment during 2005-06.

2. Fixed Assets in the Ownership of the Police Authority

A brief analysis of the Authority's principal assets as at 31 March 2006 is set out below:

	As at 31st March	2,006	2,005
HQ and Divisional Offices		6	6
Police Stations		18	18
Police Houses and Other Properties		43	43
Non-operational Properties		3	4
Vehicles		391	373
Radio - Masts and Aerial's		26	25

3. Capital Commitments

There are commitments in respect of a number of schemes from the 2005-06 capital programme, which have slipped to 2006-07. Excluding amounts set-aside as creditors in the balance sheet, these amount in total to £5395K. However £2,535k of this value is in relation to an intelligence system, which was expected to run over more than one year. Future management of this work will now take place in the context of plans to amalgamate with Lancashire Constabulary. However, contracts for this project are awaiting decisions from the outcome of the Amalgamation. The funding for these schemes has been carried forward into 2006-07 to meet the expected costs.

4. Intangible Assets

A summary of the movements in intangible assets during the year and the position as at 31 March 2006 is set out in the table below.

	Balance 01.04.05	Expenditure	Charged to Revenue	Balance 31.03.06
Computer Software	1,235	222	(354)	1,103

5 Obligations Under Lease Arrangements

During 2005-06 payments amounting to £110k were made through operating leases. There are no residual benefits receivable as part of any of the existing leasing arrangements. The undischarged obligations as at 31 March 2006 are set out in the table below:

	2005-06	2004-05
	£'000	£'000
Within One Year	110	110
Between Two to Five Years	0	0
	110	110

6 Stocks and Stores

A summary of the items held at 31 March 2006 is set out below:

	As At 31st March	2,006	2,005
		£'000	£'000
Uniforms		139	151
Vehicle - Fuel and Equipment		31	43
Forensic and Photographic Materials		16	15
Admin Equipment and Materials		34	35
Operational Equipment		16	12
		236	256

7. Debtors and Prepayments

A breakdown of the amounts owing to the Authority as at 31 March 2006 is set out in the table below:

	As At 31st March	2006	2005
		£'000	£'000
Central Government Departments		1,572	2,064
Other Police / Local Authorities		793	521
Goods and Services		516	1,914
Prepayments		2,361	2,147
Payments In Advance		6	2
Less - Provision for Bad Debts		(23)	(20)
		5,225	6,628

8. Short Term Investments

Surplus cash is invested with a range of financial institutions in line with the annual Treasury Management Strategy as approved by the Police Authority. The policy sets out those institutions which are approved for investing temporary cash surpluses and applies a ceiling for individual investments. The Authority has adopted the revised CIPFA Code of Practice for Treasury Management in Local Authorities. Short term investments at 31 March 2006 were repayable as follows:

	As At 31st March	2006	2005
		£'000	£'000
Repayable within one week		4,798	3,604
Repayable within one month		0	2,500
Repayable within two months		4,000	2,000
Repayable within three months		3,000	3,000
Repayable within six months		4,500	3,000
Repayable within twelve months		5,000	4,000
		21,298	18,104

9. Creditors

An analysis of the amounts owed by the Authority as at 31 March 2006 is set out in the table below:

	As At 31st March	2006	2005
		£'000	£'000
Central Government Departments		2,082	2,026
Other Police / Local Authorities		555	256
Goods and Services		4,261	4,599
Receipts in Advance		420	318
		7,318	7,199

10. External Loans

Outstanding debt is to the Public Works Loans Board (PWLB). The loans will be repaid as set out in the table below. The amount due to be repaid in 2006-07 is shown in the balance sheet as a creditor.

	As At 31st March	2006	2005
Analysis of Loan by Maturity		£'000	£'000
Repayable In one Year		335	335
Between One and Two Years		335	335
Between Two and Five Years		549	745
Between Five and Ten Years		201	341
		<hr/>	<hr/>
		1,420	1,756
Transferred to Creditors		(335)	(335)
		<hr/>	<hr/>
		1,085	1,421

11. Government Grants Deferred Account

This account shows Government capital grants which have been received by the Authority and the extent that they have been applied to the Revenue Account. Charges to revenue are made via the Asset Management Revenue Account over the useful life of the assets, which are being financed by grant.

	2005-06	2004-05
	£'000	£'000
Balance at 1st April 2005	2,234	2,124
Received in Year	1,379	392
Utilised in Year	(371)	(282)
Balance as at 31st March 2006	3,242	2,234

12. Provisions

The Authority has made provision to meet a number of future liabilities which are likely to be incurred, although the timing and actual amount of such liabilities is, as yet, uncertain. A description of the various provisions is set out overleaf together with a table showing the various movements during the year and the position as at 31 March 2006.

- a) The provision for insurance liabilities has been established to meet a number of eventualities which are not covered by external insurers. In particular, liability risks up to £25k are met internally. The value of the provision at 31 March 2006 is based on professional advice provided by the Authority's insurers.
- b) The provision for legal costs has been established to meet the expected costs arising from a number of claims made against the Authority.

- c) The PFI provision is to meet the future shortfall in the government funding of the PFI complex in West Cumbria.

	Balance	Receipts	Payments	Balance
	01.04.05	2005-06	2005-06	31.03.06
	£'000	£'000	£'000	£'000
Insurance Liabilities	894	228	0	1,122
Legal Costs	75	0	0	75
PFI Financing	240	140	0	380
	1,209	368	0	1,577

13. Fixed Asset Restatement Account

The Fixed Asset Restatement Account represents the difference between the current and historic value of Police Authority assets and reflects the need to have assets shown in the balance sheet at current valuations. The account is written down by the net book value of any assets that are disposed of. Movements on the account are shown in the following table:-

	2005-06	2004-05
	£'000	£'000
Balance as at start of the year	30,288	29,737
Add:- Revaluations	790	1,029
Less:- Net Value of Assets Disposed of	(133)	(478)
Balance as at end of the Year	30,945	30,288

14. Capital Financing Account

The Capital Financing Account contains those amounts which have been used to finance capital expenditure. It also contains the difference between amounts provided for depreciation and that required to be charged to revenue to repay the principal element of any external loans. The movements on the account during 2005-06 are set out in the table below:

	2005-06	2004-05
	£'000	£'000
Balance at start of year	8,795	11,294
Capital Receipts Applied	285	629
Capital Expenditure from Revenue Account	36	1,553
Camera Safety Scheme Funding	9	135
Insurance Receipts / Debtors	18	757
Miscellaneous Funding	558	921
General Grants	1,402	81
Deferred Grants	371	282
Revenue Reserves		5

Less MRP Adjustment	(3,600)	(6,862)
Balance at end of year	7,874	8,795

15. Capital Receipts Reserve

The Capital Receipts Reserve represents the capital receipts available to finance capital expenditure in future years. It is expected that all future receipts will be used to finance expenditure in the year in which it is received

	2005-06	2004-05
	£'000	£'000
Balance at start of year	0	0
Add:- Receipts in Year	285	629
Less:- Receipts used for Financing	(285)	(629)
Balance at end of year	0	0

16. General Reserves

A summary of the movements in general reserves is set out in the table below:-

	2005-06	2004-05
	£'000	£'000
Balance at start of year	2,995	2,585
Surplus for the year	972	410
Balance at end of year	3,967	2,995

17. Earmarked Reserves / Capital Reserve

The table below shows the position at 31 March 2006 for the Authority's earmarked reserves together with the movement on those reserves during the financial year. A statement setting out the purpose of each reserve is set out at page 25 in the section describing accounting policies of the Authority.

	Balance	Receipts	Payments	Balance
	01.04.05	2005-06	2005-06	31.03.06
	£'000	£'000	£'000	£'000
Revenue Reserves				
Future Pensions Liabilities	1,357	502	(1,859)	0
Ill Health Retirement	800	50	(850)	0
Pension Equalisation	1,362		(1,362)	0
Public Holiday	0	65		65
Airwave	1,652	373	(405)	1,620
Amalgamation Funding Harmonisation	0	1,846		1,846
Budget Holders Funds	173	479	(88)	564
Health and Safety	30	270		300
Intelligence IT System	0	292		292
Mountain Rescue Services	0	167		167
Pay Arrears	42		(3)	39
LPT Accommodation	221	0	(51)	170
Operational	350			350
Management of Change	150	250	(33)	367
Carlisle Storm Incidental Costs	400	200	(400)	200
Precept Loss - Carlisle vacant properties	104		(104)	0
Probationer Training Reserve	550		(275)	275
	7,191	4,494	(5,430)	6,255
Revenue Financing of Capital Reserves	18	710	(621)	107
Capital Reserves	1,825	3,644	(150)	5,319

18. Contingent Liabilities

A number of claims are being pursued against the Authority, the majority of which will be contested. The Authority maintains provisions to meet the costs of uninsured liabilities and legal costs and considers that there is no need to make further provision for these claims.

19. Disclosure of Net Asset or Liability Relating to Future Pensions (FRS 17)

The objectives of Financial Reporting Standard No. 17 – Retirement Benefits (FRS17) are to ensure that:

- a) Financial statements reflect at fair value the assets and liabilities arising from an employer's obligation to pay retirement benefits and the funding provided.
- b) The costs of providing retirement benefits are recognised in the accounting period(s) in which the benefits are earned by the members of the scheme, and related finance costs and changes in asset and liability values are recognised in the accounting period in which they arise.
- c) The financial statements contain adequate disclosure of the cost of providing retirement benefits and related gains, losses, assets and liabilities.

The Authority is committed to paying, in the future, retirement benefits to current employees after they have retired. To meet this commitment, the Authority participates in the following two pension schemes:

- a) The Local Government Pension Scheme (LGPS) administered by Cumbria County Council, which is a funded defined benefits scheme, i.e. the Authority and its employees pay contributions into an investment fund, which are calculated to balance pensions liabilities with investment assets.
- b) The Police Pension Scheme for Police Officers, which is an unfunded scheme, i.e. 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 fall due.

The consolidated Revenue Account contains details of the Authority's participation in the Local Government Pension Scheme (administered by Cumbria County Council) and the Police Scheme in providing police staff and uniformed officers with retirement benefits.

The underlying assets and liabilities for retirement benefits attributable to the Authority at 31st March 2006 are as follows:-

	LGPS		Police Scheme	
	2005-06 £'000	2004-05 £'000	2005-06 £'000	2004-05 £'000
Estimated Liabilities in Scheme	(51,730)	(41,212)	(693,548)	(551,428)
Estimated Assets in scheme	35,000	26,792		
Pension Liability	(16,730)	(14,420)	(693,548)	(551,428)

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £710m has a substantial impact on the net worth of the Authority as recorded in the balance sheet, resulting in a negative overall balance of £649m.

	LGPS		Police Scheme	
	2005-06	2004-05	2005-06	2004-05
Movement in Surpluses	£'000	£'000	£'000	£'000
Surplus / (Deficit) at beginning of year	(14,420)	(6,663)	(551,248)	(435,061)
Net Current Service Costs	(2,303)	(1,911)	(15,530)	(10,560)
Interest on Pension Liabilities	(2,292)	(1,906)	(29,850)	(28,280)
Employer Contribution	2,033	1,822	0	0
Past Service / Curtailment costs	1,013	(69)	0	0
Return on Assets	1,728	1,510	0	0
Pensions Paid (net of employee contribution)	0	0	12,350	10,783
Actuarial Gain / (Loss)	(2,489)	(7,203)	(109,270)	(88,130)
Surplus / (Deficit) at end of year	(16,730)	(14,420)	(693,548)	(551,248)

Liabilities have been assessed on an actuarial basis using the projected unit method which provides an estimate of the pensions that will be payable in future years using assumptions about mortality rates, salary levels, etc. William M Mercer, an independent firm of actuaries, has carried out the assessment on the County Council Scheme. The last full actuarial valuation covered the period to 31.03.04. The Police Scheme estimates have been compiled using a valuation model devised by the Government Actuaries Department.

The main assumptions used in their calculations are:-

	LGPS			Police Scheme		
	31.03.04	31.03.05	31.03.06	31.03.04	31.03.05	31.03.06
Rate of Inflation	2.80%	2.90%	2.90%	2.90%	2.90%	3.40%
Rate salaries Increase	4.30%	4.65%	4.65%	4.40%	4.40%	4.70%
Rate Current Pensions Increase	2.80%	2.90%	2.90%	2.90%	2.90%	3.20%
Rate of Discounting Scheme Liabilities	6.30%	5.40%	4.90%	6.50%	5.40%	4.90%

Assets in the Cumbria County Council Pension Fund are valued at fair value, principally market value for investments, and are shown in the table below together with a note of their expected rate of return:-

LGPS Investment Breakdown	2005-06			2004-05		
	£'000	%	E.R.R %	£'000	%	E.R.R %
Equities	20,825	59.50%	7.0%	15,646	58.4%	7.5%
Government Bonds	7,455	21.30%	4.3%	5,680	21.2%	4.7%
Other Bonds	3,325	9.50%	4.9%	2,706	10.1%	5.4%
Property	2,625	7.50%	6.0%	2,251	8.4%	6.5%
Cash / Liquidity	770	2.20%	4.5%	509	1.9%	4.8%
Other Bonds						
	35,000	100.00%		26,792	100.0%	

The Cumbria Police Pension Scheme is a defined benefit scheme, governed by the Police Pensions Regulations 1987 and other relevant regulations. An actuarial valuation has not been carried out as at 31 March 2006. The Cumbria Police Authority has followed the approach set out in the joint GAD/CIPFA paper "Assessment of Pension Liabilities for Disclosures for the Year 2005-06" as realised in the Government Actuary's Department (GAD) model. The accuracy of the outcome can only be assessed against the results of a full actuarial valuation as at 31 March 2006. The model was populated with complete actual data.

20. Trust Funds

The Force acts as sole Trustee for a number of Trust Funds. The aim of the funds is to assist members and ex members of the force by offering grants and loans to those who suffer financial hardship. Income to the funds is generated, principally, by contributions made by serving officers and donations made by members of the public. The funds are invested in a mixture of interest earning bank accounts and listed securities. The funds are not assets of the Authority and are not included in the Consolidated Balance Sheet. Details of the principal funds are listed in the table below and are based on the latest audited accounts, which, in each case, are for the year ended 31 December 2005

	Opening	Payments	Income	Fund
	Balance			Value
	£'000	£'000	£'000	£'000
Cumbria Constabulary Benevolent Fund	41	(9)	9	41
Cumbria Constabulary Mutual Aid	66	(60)	65	71
Cumbria Constabulary Mutual Aid Fund				0
- Death Benefit Scheme	65	(3)	4	66
	172	(72)	78	178

The funds are overseen by a Management Committee, which includes the Force Director of Personnel and Development and representation from the Police Federation and Superintendents Association. As at 31 March 2006, more than 90% of the officers in the force were members of the funds.

CAPITAL EXPENDITURE 2005-06

Capital expenditure for 2005-06 together with a statement of its financing is set out in the table below. The latest code of practice on Local Authority Accounting requires that the capital account is prepared on an accruals basis.

	2005-2006	
	£'000	£'000
Vehicles Replacement Scheme	793	793
Building Schemes		
Miscellaneous	21	
Various Property Works	52	
Premises Improvement Fund	29	
Storm Costs	130	
Initial Police Learning and Development Programme	255	487
Work In Progress	24	24
Technology Schemes		
Computer Hardware	371	
Case & Custody	501	
Carlisle Rickergate Storm Costs	15	
Windows XP Systems	293	
National Management Information Systems	59	
Airwave, Software Integrated Communications	678	
Promat	75	
Probationer Training Facilities	68	
Telephony	69	
IMPACT	360	
RMS	48	
Strategic Integrated Comms Control	192	
Miscellaneous	13	
Human Resouceing Systems	32	2,774
Equipment Schemes		
Action For Justice	10	
Automatic Number Plate Readers	251	
Carlisle Rickergate Storm Costs	13	
Photographic Equipment	20	
Initial Police Learning and Development Programme	90	
Airwave	77	461
Intangible Assets		
Camera Safety Scheme		
National Management Information Systems	137	
Initial Police Learning and Development Programme	18	
IMPACT	17	
Airwave	10	
Miscellaneous	10	
Case & Custody / Crimes	30	222
Total Expenditure		4,761

CAPITAL FINANCING 2005-06

	2005-06	2004-05
	£'000	£'000
Opening Capital Financing Requirement	4,343	3,676
Capital Investment	4,761	5,264
Sources of Finance		
Capital Receipts	(285)	(629)
Government Grants and Contributions	(3,403)	(3,844)
Revenue Provision	(119)	(124)
Closing Capital Financing Requirement	5,297	4,343
Movements in the Year		
Increase in underlying need to borrow (supported by Government financial assistance)		
Increase in underlying need to borrow (unsupported by Government financial assistance)	954	667
Increase / (decrease) in Capital Financing Requirement	954	667

The increase in the capital financing requirement is attributable to planned borrowing to finance capital expenditure offset by capital accruals brought forward from 2004-05. During 2005-06 no additional external borrowing was undertaken as sufficient internal resources were available to support the increased capital financing required.

STATEMENT OF TOTAL MOVEMENT IN RESERVES 2005-06

		2005-06	
		£'000	£'000
Surplus for the Year	<i>(note 1)</i>	972	
Movements on Earmarked Reserves	<i>(note 1)</i>	(834)	
Movements on Capital Reserves	<i>(note 1)</i>	3,392	
Appropriation to Pension Reserve	<i>(note 1)</i>	(32,860)	
Actuarial Gain / (Loss) relating to Pensions	<i>(note 5)</i>	(111,759)	
Total Increases / (Decrease) in Revenue Resources			(141,089)
Increase / (Decrease) in Capital Receipts		0	
Increase in unapplied Capital Grants and Contributions		(511)	
Total Increase in Realised Capital Resources	<i>(note 2)</i>		(511)
Gains on Revaluation of Fixed Assets		790	
Loss on Disposal of Assets		(133)	
Total Increase in unrealised Value of Fixed Assets	<i>(note 3)</i>		657
Capital Receipts utilised		285	
Revenue Resources Set Aside		(2,979)	
Movement of Government Grants		1,773	
Total Increase / (Decrease) in amounts set aside to finance Capital Investment	<i>(note 4)</i>		(921)
Increase / (Decrease) on Pension Reserve	<i>(note 5)</i>		123,944
TOTAL RECOGNISED GAINS AND LOSSES			(17,920)

NOTES TO THE STATEMENT OF TOTAL MOVEMENT IN RESERVES

1. Movements in Revenue and Capital Resources

	General Balances	Earmarked Reserves	Pension Reserve	Capital Reserves
Amounts Receivable 2005-06	972	5,153	(144,610)	3,542
Amounts Applied 2005-06		(5,898)		(150)
	972	(745)	(144,610)	3,392
Balance Brought Forward	2,995	7,209	(565,668)	1,825
Balance Carried Forward	3,967	6,464	(710,278)	5,217

2. Movements In Realised Capital Resources

	Capital Receipts	Unapplied capital grants and Contributions
	£'000	£'000
Amounts Receivable 2005-06	285	2,270
Amounts Applied to Finance Capital in 2005-06	(285)	(2,781)
Total Increase / (Decrease) in Realised Capital Resources 2005-06	0	(511)
Balance Brought Forward	0	6,996
Balance Carried Forward	0	6,485

3. Movements In Unrealised Value Of Fixed Assets / amounts set aside to finance capital

Fixed Asset Restatement Account	£'000
Gains / (Losses) on revaluation of fixed assets in 2005-06	790
Impairment losses on fixed assets due to general price changes	
Total Decrease in unrealised capital resources	790
Amounts written Off Fixed Assets for Disposals in 2005-06	(133)
Total Movement in Reserve in 2005-06	657
Balance Brought Forward	30,288
Balance Carried Forward	30,945

4. Movements In Amounts Set Aside to Finance Capital Investment

Capital Financing Account	£'000
Capital Receipts Set Aside in 2005-06	0
- Receipts Applied	285
Total Capital Receipts Set Aside in 2005-06	285
Amounts Credited to the Asset Management Revenue Account 2005-06	(3,600)
Capital Expenditure to be met from Revenue Account	621
Total Revenue Resources Set Aside in 2005-06	(2,979)
Grants Applied to Capital Investment in 2005-06	1,402
Movement on Government Grants Deferred	371
Total Movement on Government Grants Deferred in 2005-06	1,773
Total Movement in Reserves in 2005-06	(921)
Balance Brought Forward	8,795
Balance Carried Forward	7,874

5. Actuarial Gains / (Losses) on the Pension Reserve

	2005-06		2004-05		2003-04	
	£'000	%	£'000	%	£'000	%
Local Government Pension Scheme						
Difference between actual & expected returns on assets	4,305	12.3%	907	3.4%	2,610	(11.9%)
Difference between actual & expected returns on liabilities	(1,516)	(2.9%)	645	1.6%	0	
Change in actuarial assumptions	(5,278)	(10.2%)	(8,755)	(21.2%)	0	
Net Gain (Loss)	(2,489)		(7,203)		2,610	(9.1%)
Police Scheme						
Difference between actual & expected returns on liabilities	(2,600)	(0.4%)	17,160	3.1%	(4,660)	(1.1%)
Change in actuarial assumptions	(106,670)	(15.4%)	(105,290)	(19.1%)	(82,370)	(18.9%)
Net Gain (Loss)	(109,270)	(15.8%)	(88,130)	(16%)	(87,030)	(20.0%)
Total Movement	(111,759)		(95,333)		(84,420)	

CASHFLOW STATEMENT 2005-06

2004-05		2005-06	
£'000		£'000	£'000
	Revenue Activities		
63,934	Cash Paid to Employees	65,314	
10,664	Cash Paid to Former Employees	14,466	
16,491	Other Operating Costs	18,648	
91,089	Cash Outflows		98,428
(25,963)	Council Tax Income	(27,012)	
(18,204)	Revenue Support Grant	(17,572)	
(6,653)	Non Domestic Rate Income	(7,958)	
(34,780)	Police Grant	(36,572)	
(5,920)	Other Government Grants <i>(note 4)</i>	(6,973)	
(3,773)	Cash Received for Goods and Services	(7,474)	
(95,293)	Cash Inflows		(103,561)
	Servicing of Finance		
153	Interest Paid	84	
153	Cash Outflows		84
(815)	Interest Received	(1,045)	
(815)	Cash Inflows		(1,045)
	Revenue Activities Net Cashflow		(6,094)
	<i>(note 1)</i>		
	Capital Activities		
4,473	Purchase of Fixed Assets	5,446	
4,473	Cash Outflows		5,446
(629)	Sale of Fixed Assets	(435)	
(862)	Capital Grants Received	(2,270)	
(1,168)	Other Capital Cash Received	(711)	
(2,659)	Cash Inflows		(3,416)
(3,052)	Net Cash Inflow / (Outflow) before		(4,064)
	<i>(note 5)</i>		
	Financing		
	Management of Liquid Resources		
2,190	Net Increase in short Term Deposits	3,194	
0	Reduction in Cash in Transit	0	
	Financing		3,194
335	Repayment of amounts borrowed <i>(note 3)</i>	335	
335	Cash Outflows		335
0	New Loans	0	
0	Cash Inflows		0
(527)	Decrease / (Increase) in Cash		(535)

NOTES TO THE CASH FLOW STATEMENT

1. Reconciliation Of The Revenue Cash Flow

	£'000	£'000
Revenue Surplus for the Year		
Net (Increase) / Decrease) in Provisions	(368)	
Net (Increase) / Decrease In Earmarked Reserves	(3,533)	
Non Cash Transactions		(3,901)
net increase / (Decrease) in Debtors	(1,402)	
Net Increase / (Decrease) in Creditors	119	
Net Increase / (Decrease) in Stocks	7	
Non Revenue Adjustments	(2,053)	
Accruals		(3,329)
Income from Investments	1,052	
Interest Paid	84	
Non Revenue Cash Flow		1,136
Revenue Activities Cash Flow		(6,094)

2. Movement In Cash And Liquid Resource

	01.04.05	31.03.06	Movement
	£'000	£'000	£'000
Cash	(477)	58	535
Short Term Deposits	18,104	21,298	3,194

3. Movement In External Debt

	01.04.05	Loans Raised	Loans Repaid	31.03.06
	£'000	£'000	£'000	£'000
Loans Outstanding	1,756	0	(335)	1,421

4. Analysis of Other Government Grants

	2005-06	2004-05
Value in Revenue Account	£'000	
Debt Charges	260	150
ACPO Special Operations	23	33
Rural Funding	1,342	1,348
Crime Fighting Fund	2,100	2,100
Alcohol Misuse		22
Criminal Justice Unit	140	92
Probationer Training	59	
Arson Task Force	19	12
Case & Custody	8	
Policing Priority Areas - Barrow	7	43
Specials Grant	46	45
Arrest Referral Scheme	29	62
Occupational Health Initiatives	48	89
Financial Investigator	25	23
National Intelligence Model	31	32
Alcohol Misuse Enforcement Campaign	15	
Mountain Rescue Services	223	
Special Priority Payments	685	400
Airwave	425	
Basic Command Unit Grants	318	312
PFI	688	805
Police Community Support Officers	361	111
Others	19	100
Accruals Adjustment	102	141
	6,973	5,920

5. Reconciliation of Cash Flows to Net Debt

			£'000
Cash flow from revenue activities			(5,133)
Interest on investments and servicing of finance			(961)
Capital activities			2,030
Net Increase / (Decrease) in debt			(4,064)
	Opening Balance	Movement	Closing Balance
Investment Funds	18,104	3,194	21,298
Cash / (Overdraft)	(477)	535	58
Loans	(1,756)	335	(1,421)
Net Cash (Inflow) / Outflow before financing	15,871	4,064	19,935

GLOSSARY OF TERMS

Accruals

The concept that income and expenditure are recognised as they are earned or incurred, not as money is paid or received.

ACPO – Association of Chief Police Officers

APA

Association of Police Authorities

Agency Costs

Services which are performed by or for another authority or Public Body where the agent is reimbursed for the cost of the work done. The Authority's contribution to the costs of the National Crime Squad and the National Criminal Intelligence Service are examples of this type of expenditure.

Asset Management Revenue Account

A holding account introduced as a result of the current system of capital accounting which ensures that capital charges have a neutral effect on the amounts which the Authority raises from local taxation.

Budget

A statement of the Authority's plans in financial terms. A budget is prepared and approved by the Police Authority before the start of each financial year and is used to monitor actual expenditure throughout the year.

BVACOP

The CIPFA Best Value Accounting Code of Practice . It was introduced as part of the Best Value Regime to bring about more consistent accounting treatment of costs and to facilitate more meaningful financial comparisons between Authorities.

Capital Charge

A charge to revenue account(s) to reflect the real cost of using fixed assets.

Capital Expenditure

As defined in the Local Government and Housing Act 1989, but broadly expenditure on the acquisition of a fixed asset or expenditure which adds life or value to an existing fixed asset.

Capital Financing Account

An account which contains amounts set aside from the Revenue Account or from capital receipts to finance expenditure on fixed assets or for the repayment of external loans and a number of other capital financing transactions.

Capital Receipt

Monies received from the sale of assets, which may be used to finance new capital expenditure or to repay outstanding loan debt as laid down within rules prescribed by Central Government.

Capping

The system in which the Government seeks to limit annual increases in spending when it feels expenditure is excessive. A range of new reserve capping powers were introduced in 1999-2000, which allow the Office of the Deputy Prime Minister ODPM, previously the DTLR and DETR, to be selective in choosing capping criteria including looking at spending levels over a number of years.

CIPFA

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

Contingency

A sum set aside to meet unforeseen expenditure.

Creditors

Amounts owed by the Police Authority for goods and services provided which had not been paid for at the end of the financial year.

Debtors

Amounts owing to the Police Authority but not received at the end of the financial year.

Depreciation

The amortisation of the cost of an asset over its useful life.

Fixed Assets

Tangible assets which yield benefits to the Authority for periods of more than one year.

Fixed Asset Restatement Account

This account represents the difference between the current valuations of fixed assets and the historic costs of those assets.

HMIC

Her Majesty's Inspectorate of Constabulary

Leasing

A method of financing expenditure over a period of time. There are two main types of lease:-
(a) Finance Lease - where the risks of ownership are transferred to the lessee and where the assets are recorded in the Authority's balance sheet at a current valuation.
(b) Operating Lease - where the risks of ownership stay with the leasing company and the annual rental charges are made via the Revenue Account.

Minimum Revenue Provision (MRP)

The minimum amount which must be set aside in the Revenue Account each year as a provision for credit liabilities. It is currently 4% of the adjusted credit ceiling.

Notional Interest

An element of the capital charge in the Revenue Account to reflect the cost of capital tied up in fixed assets.

ODPM

The office of the Deputy prime Minister. The current name for the Government department responsible for funding Local and Police Authorities, which replaced the DTLR at the end of 2001-02.

Pension actuarial gains and losses

For a defined benefit scheme, the changes in actuarial deficits or surpluses that arise because:

- events have not coincided with actuarial assumptions made for the last valuation (experience gains and losses) or
- the actuarial assumptions have changed.

Pension – current service costs

The increase in the present value of a defined benefit's liabilities expected to arise from employee service in the current period.

Pension – defined benefit scheme

A pension or other retirement benefit scheme other than a defined contribution scheme. The scheme rules define the benefits independently of the contribution payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded.

Pension assets – expected rate of return

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

Pension – interest costs

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

Pension - past service costs

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

Precept

The system by which the district councils in the county collect Council Tax income as requested on behalf of the Police Authority.

Provision

An amount set aside to provide for a liability which is likely to be incurred, although the amount and date of that liability are uncertain.

Public Works Loan Board (PWLB)

A Government agency which provides longer term loans to Local Authorities at interest rates which are only slightly higher than those at which the government itself can borrow.

Reserves

An amount set aside for a specific purpose and carried forward to meet expenditure in future years. General reserves represent accumulated balances which may be used to support future spending.

Revenue Support Grant

A grant from the Office of the Deputy Prime Minister (ODPM) towards the cost of local and Police Authority services.