STATEMENT OF ACCOUNTS

WITH

ANNUAL GOVERNANCE STATEMENT

2011/12

NORTH YORKSHIRE POLICE AUTHORITY

NORTH YORKSHIRE POLICE AUTHORITY

CONTENTS

EXPLANATORY FOREWORD TO THE STATEMENT OF ACCOUNTS

1. Introduction

The purpose of this Foreword is to provide a brief explanation of the financial aspects of the Police Authority's activities. It gives an indication, in broad terms, of where the Authority's money comes from, what it is spent on and the services it delivers.

The Authority's accounts for the year ended 31 March 2012 are presented in the format laid down in "The Code of Practice on Local Authority Accounting in the United Kingdom" (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The statements included in the accounts are as follows:

Statement of Responsibilities for the Statement of Accounts

This explains both the Authority's and the Treasurer's responsibilities in respect of the Statement of Accounts.

Movement in Reserves Statement

This Statement shows the movement in the year on the different reserves held by the Authority, analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The surplus or (deficit) on the provision of services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for precept setting purposes. The net increase/decrease before transfers to the Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from Earmarked Reserves undertaken by the Authority.

Comprehensive Income and Expenditure Statement

This Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations, this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Balance Sheet

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

Cash Flow Statement

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

Remuneration Report

This report provides details of the remuneration, including pensions, of the Chief Officers of the Force and Senior Officers of the Authority, as well as an analysis of remuneration and exit packages payable to officers and staff.

Statement of Accounting Policies

This explains the basis of the figures in the accounts. The accounts can only be properly appreciated if the policies that have been followed in dealing with material items are explained. Changes in policies from previous years have been clearly shown.

Police Pension Fund Account

This account summarises the income and expenditure related to the Police Pension Schemes. These statements are supported by various notes to the Accounts.

Annual Governance Statement

This statement outlines the Authority's governance framework. It is not an audited part of the accounts on which the Auditors give an opinion.

2. Summary of Financial Year 2011/12: Revenue

North Yorkshire Police Authority (NYPA) incurred revenue expenditure during the year. Revenue Expenditure is generally spent on items which are consumed within the financial year and is financed from Precepts, Business Rates, Government Grants and other income. Details of spend with forecast of outturn are reported throughout the year to the Authority. There is a relationship to the spend of revenue in the year and the Comprehensive Income and Expenditure Statement. (See Comprehensive Income and Expenditure Statement and Notes to the Accounts).

However in the accounts a technical treatment is applied which makes a direct comparison to the in-year management position impossible. The summary that follows provides the detail on the outturn spend position compared to the budget. This gives a clearer assessment of performance in the year compared to the budget. The total budget for the year was £140.5m.

In order to achieve savings required as a result of the reduced level of funding available in 2011/12, management action was instigated during 2010/11 to undertake a range of measures, and these continued into the year. These included enhanced cost scrutiny prior to commitments being made. At the end of 2010 the force moved to a Corporate Budget Devolved Resource Management approach with corporate owners of budget, assets and resources for the majority of the budget. This complements the operational delivery model and was developed during the year. This is now an embedded approach going forward into 2012/13.

Effective management of the change programme, together with other aspects of in-year management, have resulted in an overall underspend and transfer to reserves. This was predicted as the year progressed and factored into the 2012/13 budget setting. This has reduced the future year cost of investments and is contributing to the sustainable North Yorkshire Police (NYP) objective.

By the end of the year the change programme had been completed. The force has generated sufficient savings to meet the cost of all the voluntary and compulsory redundancies following the workforce restructuring, consequently the budget allocation in 2011/12 was not required. This achievement enabled the retention of the funding set aside within reserves to be used to fund elements of the Medium Term Financial Plan (MTFP).

The position below includes £7.0m savings captured and transferred to reserves and included within the MTFP as they were achieved and predicted in year and a further £3.5m savings achieved in addition to this and also transferred to reserves.

The position against the main budget headings is shown below:

Table 1

	Budget £'000	Outturn £'000	Variance £'000
Force			
Employee Costs	115,654	115,887	(233)
Police Officers' Pensions paid by the Authority	2,559	2,664	(105)
Premises	4,310	4,168	142
Transport	3,215	3,262	(47)
Supplies & Services	14,388	11,979	2,409
Capital Financing Charges & Transfers to Reserves	9,946	14,805	(4,859)
Force Net Expenditure	**150,072**	**152,765**	**(2,693)**
Authority	1,196	1,196	-
Targeted Grant	(7,090)	(7,999)	909
Non-Grant Income	(3,661)	(5,445)	1,784
Total Net Expenditure	**140,517**	**140,517**	**-**
Sources of Finance			
Precepts on District Councils	61,564	61,564	-
National Non-Domestic Rates	24,221	24,221	-
Revenue Support Grant	7,487	7,487	-
Home Office Specific Grants	47,245	47,245	-
Total Sources of Finance	**140,517**	**140,517**	**-**

During 2011/12 the force delivered on a comprehensive Change Programme to reduce costs and at the same time improve services to the public and all of the NYP communities.

We have implemented a new policing model and shift system to support demand and the implementation of a corporate Business Administration Service. We have successfully moved to a single Force Control Room (FCR), including adopting an automated switchboard to support the move to the national 101 non-emergency number. In addition to this the force has invested in and developed several facilities to ensure that these remain fit for purpose moving forward and continue to support operational requirements.
We have also performed a smooth transition of the review of shifts and the Leadership Programme to business as usual. These are supported by the Medium Term People Plan and linked to other work packages across the force, including the training plan and mainstreaming diversity approach.

As employee costs are the most significant element of the revenue budget the outturn against these are shown in more detail below:

Table 2

	Outturn Variance £'000
Police salaries	500
Staff and PCSO salaries	332
Leavers Costs	(20)
Overtime	(911)
Agency	(117)
Other Employee Costs	666
Total Operational Employee Costs	**450**
Non-Operational Employee Costs	**(683)**
Total Employee Costs	**(233)**

Employee Costs

Police Salaries - as Police Officers retire or transfer out of the Force Police Officer numbers have reduced faster than anticipated and on 1 April were lower than assumed when the budget was set. Projections for the number of Police Officers are constantly updated and in 2011/12 this resulted in the recruitment of twelve officers transferred from other Forces in February. Work is currently underway to model officer numbers against different budget scenarios for future years. During the year work has been done to assess the standard costing assumptions, the effect of changing the National Insurance arrangements and increments and any savings from these changes were captured during the year. The ongoing effect of these changes has been taken into account when setting the 2012/13 budget.

Police Community Support Officer (PCSO) Salaries - there were 8 leavers during the year with the recruitment of 10 new PCSOs starting in March.

Staff Salaries - during the year a number of posts remained vacant following the workforce restructure with further vacancies during the remainder of the year. To assist with the future resilience of the organisation as posts become vacant, NYP, through the Establishment Planning and Development Group, challenges whether recruitment is required. Additional savings from budgets for one-off costs to allow for slippage and unforeseen issues arising from the Force change programme were captured during the year and are included under the savings captured.

Leavers Costs - a provision was included in the 2010/11 accounts for all the known voluntary and compulsory redundancies as a result of the workforce restructuring at that time and as a result the majority of the original 2011/12 budget for leavers costs was not required. The savings were captured during the year.

Overtime - the overspend on Police overtime is largely due to the national unrest experienced during summer 2011. A Special Police Grant of £750k was received to offset some of this cost. Overtime worked can be subject to external funding arrangements and where appropriate this has been included in the non-grant income forecast. The overtime worked as a result of vacancies in the FCR was reducing by the end of the financial year following the recruitment and training of new staff. The increased scrutiny and control measures put in place during last year have continued.

Agency - agency staff have been utilised to cover business critical roles until permanent recruitment occurred and the cost is usually offset by vacancies. The use of agency staff is restricted and regularly reviewed in line with operational demands.

Other Employee Costs - overall vacancies have contributed to the underspend on subsistence.
No Student Officer intakes during the year, new PCSO recruits not starting until the end of the financial year, minimal movement within the ranks and overall vacancies for support staff have resulted in a significant reduction in the level of training required in 2011/12.

Non-Operational Employee Costs - the original budget for seconded officers was calculated using existing contracts at the budget planning period. New contracts and extensions have increased the actual salary costs. These extra costs are offset by additional secondment income.

Premises costs

The contract for the supply of electricity is renegotiated every year and this year saw a 15% reduction in charges from 1st April which was not anticipated when the budget was set. During the year Property and Facilities also replaced old inefficient heating systems with more efficient boilers and building management systems to give more control, introduced more efficient light fittings and passive infrared sensors in corridors, locker rooms and washrooms to turn lights off when not in use and installed Photo Voltaic panels on a number of buildings. All these measures will help to reduce NYP's carbon footprint and expenditure in the future. It was anticipated that the additional cost associated with the extra work undertaken during the year such as the New Training Room / Fall Back Facility in the old Force Control Room and the decommissioning of empty housing stock would be more than offset by the expected underspend on utility costs.

Supplies and Services

There are a number of wide ranging under and overspends on Supplies and Services across the Force which represent general activity, timing and phasing variances. Directorates are constantly reviewing spending plans in these areas and where possible continue to make significant savings in supplies and services across all Directorates.

North Yorkshire saw a nine percent reduction in crime over the past financial year and as a result the spend during the year on evidence and forensic costs and interpreter and translator fees was significantly reduced. There were also no significant Major Incidents during the year.

The Information Systems Directorate (ISD) are constantly reviewing and challenging their contracts to ensure that NYP is correctly licensed and getting best value. By negotiating alternative supplies some of the anticipated spend had been incorporated into updated or replacement solutions thereby delivering efficiencies and offsetting potential expenditure. ISD also look for opportunities to deliver work in-house and reduce costs. Renewal of the enterprise agreement for Microsoft Licences was deferred until after the workforce restructuring. It is the intention to start negotiations to sign up to the latest licensing agreement once a new national framework is in place. This should lead to a reduction in ongoing software licence costs as they come up for renewal in the future. Some of these savings have been offset by an overspend on the dual running costs relating to the transfer of the network to the new supplier some of which had been expected to come through in 2010/11.

There is an underspend on the budget for self-insured claims in 2011/12 and this has been transferred to the insurance reserve.

The supplies and services budget included a number of contingency budgets to cover, for example, possible increases in the cost of fuel and utilities, volume driven expenditure, revenue consequences of projects, recruitment costs for PCSOs and increased Airwaves traffic charges which had not yet been passed on by the supplier. These budgets were either not required or were absorbed into existing budgets due to prudent financial management. Budgets have been realigned for 2012/13.

Transport

NYP Transport policy encourages staff and line managers to identifying methods of transport to reduce costs, lower carbon emissions and improve safety. This has resulted in an increased cost of hiring vehicles which has been offset by savings in costs associated with staff using their own vehicles. However in 2011/12 this saving has been more than offset by additional home-to-work travel as a result of the Workforce restructuring which was not budgeted for separately. The home-to-work travel will cease part way through 2012/13. Budgets have been realigned for 2012/13. During the year additional work has been carried out for other emergency services and regional collaboration vehicles, this is offset by additional income below.

Financial Costs

Borrowing Costs - when the budget was set it was anticipated that new borrowing of £5,344k would be required during 2011/12 to fund the capital programme. Savings captured in the September forecast were enough to avoid the need for new borrowing in 2011/12. The savings captured included the £466k originally set aside for new borrowing costs and are now shown separately in this forecast.

Transfers to/from Reserves - the overspend is due to a number of changes to the budgeted transfer to and from reserves including:-

- An additional transfer of £777k to increase the insurance provision in line with an assessment by the Legal and Compliance Services Directorate based on the same methodology as the actuarial report at the end of 2009/10.

- Transfers to and from the insurance reserve take account of expenditure during the year and an underspend on the budget for self-insured claims and the cost of replacing vehicles written off during the year has resulted in an increase in the budgeted transfer to the insurance reserve of £322k.

- £128k additional income received from the Home Office as the NYP proportion of the funds seized under the Proceeds of Crime Act and not spent in 2011/12 was transferred to reserves for use in future years.

• £140k transfer to create a reserve for new Injury on Duty claims

• £6,844k additional transfer to the major capital reserves of the savings captured during the year

• The 2011/12 underspend of £3,541k has been transferred to the Estates Strategy Reserve as per the MTFP

Savings Captured - during the year savings from staff vacancies, budgets to allow for slippage and unforeseen issues arising from the Force change programme and contingencies were identified and removed from the available Corporate Budgets.

Non-Grant Income and Targeted Grant

Income is received from a variety of sources during the year and there were under and overspends in a number of areas. Some of the areas contributing to the surplus are mentioned below.

Additional income was received during the year from recharges for mutual aid to other Forces.

The introduction of the new Safety Camera Pilot Van Scheme produced more income than originally anticipated. In 2011/12 the band of drivers eligible for the course increased together with the administration fee as a result of a national agreement. During the year additional income has been received for work carried out on other emergency services and regional collaboration vehicles. Costs relating to this work are included in transport costs above.

The general in-year underspend and delays in planned capital spend resulted in higher balances available for investment during the year.

Targeted Grant Income - since the budget was set there have been additional Home Office targeted grants agreed. The most significant of these is the Special Police Grant of £750k received towards the cost of policing the national unrest experienced during summer 2011.

Pension Costs

In 2006 a review of Injury on Duty Awards commenced resulting in significant savings over the life of the award. Since NYP started the review there have been three significant public law cases which have impacted upon the way such reviews are conducted and has resulted in a number of successful appeals against decisions to reduce injury bandings. The outturn includes a provision for any appeals currently in progress and a reserve has been set up for any new Injury on Duty appeals which may appear in the future. Following advice from the Home Office the review has been put on hold until revised guidance is issued. This was reported to the Policy and Planning Board on 29 July 2011.

The overspend on injury pensions is partly offset by an underspend on the number of ill-health retirements during 2011/12.

Table 3

	Budget £'000 (i)	Outturn £'000 (ii)	Variance £'000 (iii)
Response and Reassurance	52,022	52,703	(681)
Crime	24,338	24,733	(395)
Specialist Operations	19,508	20,156	(648)
Corporate	18,183	15,337	2,846
Democratic Core	1,196	1,196	-
Other	25,270	26,392	(1,122)
Total	**140,517**	**140,517**	**-**

Full details on segment reporting is shown in Statement of Accounts Note 5.

Response and Reassurance

This segment, which is the largest of the Authority's operational segments, includes neighbourhood and community policing services, police community support officers, police station front desk enquiry teams, together with force control room operations.

Crime

The Crime segment covers all operations associated with the detection and investigation of crime together with associated support services such as scientific and forensics support.

Specialist Operations

Specialist Operations include key activities such as Major Incident units and operational units (including firearms and road policing).

Corporate

The Corporate segment includes activities and costs that provide the infrastructure that allows services to be provided, whether by the Authority or not, and the information that is required for public accountability.

Democratic Core

Democratic Core includes the cost of operating the Police Authority’s office, external audit fees and allowances and expenses for Police Authority members.

Other

Included within Other are those segments where both income and expenditure is less than 10% of total gross income or expenditure of the Authority. These include both operational services and support departments.

Table 4

Current Year	**Response and Reassurance**	**Crime**	**Specialist Operations**	**Corporate**	**Democratic Core**	**Other**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Income							
Targeted Grant Income	39	360	591	5,926	-	1,083	**7,999**
Other Income	334	68	718	2,043	11	2,282	**5,456**
Total Income	**373**	**428**	**1,309**	**7,969**	**11**	**3,365**	**13,455**
Expenditure							
Employee Costs	50,161	23,358	19,201	3,742	536	19,425	**116,423**
Supplies & Services	914	1,438	1,820	2,024	537	5,783	**12,516**
Premises Costs	461	9	69	30	24	3,599	**4,192**
Transport	1,540	349	368	55	15	950	**3,277**
Financial and Pension Costs	-	7	7	17,455	95	-	**17,564**
Total Expenditure	**53,076**	**25,161**	**21,465**	**23,306**	**1,207**	**29,757**	**153,972**
Segment Net Cost of Services	**52,703**	**24,733**	**20,156**	**15,337**	**1,196**	**26,392**	**140,517**

The figures for the year shown here can be reconciled to the Comprehensive Income and Expenditure Statement (See Statement of Accounts Note 5). However two main changes arising from the technical treatment required mean that the outturn presented and the movement on the General Fund Balance in these accounts are different.

These are:

• The collection fund amounts are adjusted at year-end. The debtors and creditors owed to/by the districts are apportioned between the Precepting bodies and these accounts show the authorities' share of that position at the end of the year;

• The employee accumulated absences (time off in lieu etc.) owed at the end of the year are calculated and included within the outturn figures at year-end. However, so that this monetary equivalent of time does not have an effect on the council tax, an adjustment is done to remove this from the balance in these accounts.

	2011/12
	£'000
SURPLUS FOR THE YEAR SHOWN IN TABLES 3 and 4	-
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	74,516
Transfers to/from General Reserve to/from Income & Expenditure	(13,812)
Employee benefit adjustment already included in Management Accounts	(47)
SURPLUS FOR THE YEAR on the PROVISION OF SERVICES as per COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT	**60,657**

The major element contributing to the difference between the outturn surplus and the overall surplus of £48m is the inclusion of charges for pension fund benefits (See Statement of Accounts Note 26 and Police Pension Fund Accounts and Notes). The pension fund amounts also affects the Balance Sheet, resulting in a negative net worth (more liabilities than assets). This treatment is explained further in part 7 which follows. It means that a direct link to the Balance Sheet, reserves and budget monitoring information provided regularly during each year cannot be made without a reconciliation or adjusting out the pension effect.

3. Income from Government Grants and Local Taxpayers

The Authority finances its spending through income received from Government Grants and local Taxpayers. The contributions made by each of these sources of funding are shown in Table 1.

Council Tax is the only major source of income under the Authority's direct control. The other sources are determined by Central Government. North Yorkshire Police Authority set a Band D precept of £204.55 in 2011/12, which was the same as 2010/11.

The Authority accepted the precept freeze grant of £1.534m. This grant will continue to be received for the next three years. In total, North Yorkshire Police Authority received £78.953m in core grants and National Non-Domestic Rates from Central Government. This compares with a total of £78.584m in 2010/11. In 2010/11 specific grants of £4.65m were received in addition to the core. These were not received separately in 2011/12. Overall this represents a decrease of 5.1% on the previous year.

Regional Working

The Authority continued to engage in collaborative working throughout 2011/12 in partnership with the Yorkshire and the Humber forces. The governance for this regional programme of activity is via the Joint Police Authority Committee (JPAC) in accordance with the Heads of Agreement. The administration of activities is via the Regional Programme Team including the financial administration of regional budgets which is led by West Yorkshire Police Authority (WYPA).

The accounting arrangements for regional working are to account for this regional activity as a Joint Arrangement Not an Entity (JANE) in line with the Code guidance. WYPA have produced Memorandum accounts within their Authority financial statements summarising all pertinent transactions. The impact of regional working on NYPA primary statements is as follows: -

• The Comprehensive Income and Expenditure Statement incorporates the Authority's contribution to the regional work for 2011/12 financial year (See Statement of Accounts Note 13b).

• Humberside Police Authority have lead responsibility within the regional programme for property matters. One property is leased under these arrangements and is shown in Humberside accounts, however the potential future impact of this arrangement on NYPA has been disclosed as a contingent liability (see Statement of Accounts Note 27).

• The Cash Flow statement incorporates the cash outflow associated with regional contributions paid to West Yorkshire Police Authority.

4. Summary of the Financial Year 2011/12: Capital Expenditure

Capital Expenditure is spent on items which provide value to the Authority for more than one year and is financed from Government Grants, income realised from the sale of capital assets, revenue contributions, loans and reserves.

The revised budget for the 2011/12 Capital Programme was £19.7m. Of the programme £16.1m was spent. The programme was actively managed and a number of cost reductions were achieved to planned expenditure. Of the non-spent amount, £3.6m is slippage to be carried forward into 2012/13 and £nil is an underspend which was taken into account within the last Medium Term Financial Plan.

The outturn is a very positive position. A considerable amount of the programme has been delivered and the largest amount that has been invested by the Authority in any single year. The investments made contribute to the sustainable NYP objective, many being those which will contribute towards reduced revenue costs or enable a consolidation of other assets.

A specific decision to continue with capital investments in spite of the need to make savings was made by the Authority. This has enabled the reprovision of the Harrogate Police Station, the opening of four local police stations and refurbishment of a number of buildings. The fleet has continued to be reprovided taking into account environmental factors as well as value for money. This approach continues into future years with a focus on ensuring efficient and effective delivery and cost reduction investments.

Alongside making the savings required to balance the budget moving forward the Force has, with the support of the Authority, committed to continued investment to support delivery. Using a prioritisation model that assesses risks as well as opportunities for the complete portfolio of works, the force is able to continue to invest in future years with a focus on ensuring efficient and effective delivery and cost reduction investments.

The overall capital position is as follows:

Table 5

Scheme Description	**Budget**	**Spend**	**Variance**
	£'000	**£'000**	**£'000**
Rolling Programmes: includes Fleet and IS	2,604	2,215	389
Estates Strategy: includes remedials and major projects	16,098	13,052	3,046
Externally funded	21	22	(1)
Other schemes	1,054	850	204
Total	**19,777**	**16,139**	**3,638**
The expenditure was incurred across the following asset categories:			
Assets under Construction (Note 14 to the Statement of Accounts)		9,376	
Other Property, plant and equipment (Note 14 and Note 18b to the Statement of Accounts)		6,139	
Intangible Assets (Note 16 to the Statement of Accounts)		624	
Total		**16,139**	
The capital expenditure was funded as follows: -			
		£'000	**%**
Capital Expenditure in year		16,139	
Donated Vehicle		6	
Total Financing requirement		**16,145**	
Financed by:			
Capital Receipts		2,047	12.7%
Capital Grants		979	6.0%
Sums set aside from Revenue and Revenue Reserves		13,119	81.3%
Total Financing		**16,145**	**100.0%**

The variations on the capital programme consist of the following:

Table 6

Scheme Description	Variance £'000	Explanation
Rolling Investment Programmes £2.6m allocation for 2011/12	Outturn: Total expenditure of £2.2m with slippage of £229k and underspend of £160k.	Delay in the delivery of vehicles and equipment has given rise to the slippage. The majority of the underspend arises due to reduced activity in relation to the reduced workforce.
Estates Strategy £16.1m allocation for 2011/12	Outturn: Total expenditure of £13.1m with slippage of £3.1m and overspend of £57k.	Slippage is due to the delay in completion of the new Harrogate Police Station. The overspend is as a result of higher than anticipated costs.
Externally funded	Outturn: Total expenditure of £22k with slippage of £nil and an overspend of £1k.	Expenditure was slightly higher than anticipated in completing this project giving rise to the overspend.
Other Programmes and Projects	Outturn: Total expenditure of £850k with slippage of £226k and overspend of £22k	Delays in the new duties system and completion of the automated switchboard account for the majority of the variances.

The capital expenditure plans and funding sources for future years are included in the Authority's Medium Term Financial Plan (MTFP).

5. Fixed Assets (See Statement of Accounts Notes 14 to 18)

The Authority has decided to undertake valuations on a rolling two year basis. All the larger properties plus approximately 50% of the rest of the portfolio were valued at 31 March 2011 and the larger properties plus the remaining 50% have been valued at 31 March 2012. The valuers, Mouchel Parkman, have confirmed that from the work undertaken by Mr G Tyerman MRICS no material impairments are required for the properties that have not been valued. The valuations were undertaken in accordance with the RICS Valuation Standards ("The Red Book") published by the Royal Institution of Chartered Surveyors.

The depreciation and amortisation charges for the year, amounting to £4.6m (2010/11 £4.6m) have been charged to the Income and Expenditure Account within Net Cost of Services.

During the year expenditure was incurred on the new build police office and custody provision located at Harrogate. A total of £14.5m has been expended to date. The total project delivered within budget and was completed in May 2012.

The sale of surplus property continued in line with the Estates Strategy with 10 disposals of property consisting of former police houses and empty property. This contributed £2.047m to fund the capital programme. The disposals strategy continues into future years with a planned downsize of the estate and consolidation into locations which meet operational demand and which infrastructure is cost effective and productive in size and facilities.

6. Borrowing (See Statement of Accounts Note 23)

Total borrowing for capital purposes (as at 31 March 2012) amounted to £707k, equivalent to debt outstanding of £0.88 per head of population. The borrowing represents the balance of the debt inherited by the Police Authority on its formation in April 1995. Given the excellent progression of the change programme and achievement of savings no further borrowing has been necessary.

The debt is analysed in the accounts as £471k of long-term borrowing and £236k included in current liabilities (being debt repayable within the next twelve months). The borrowing will be repaid in full by 31 March 2015. The Authority is proactive in managing its debt and overall funding. The Authority has recognised the need to borrow in the future to invest in infrastructure and capital assets. The ongoing need to make investments to respond to national requirements continues as does the need to kit and equip officers and staff to enable them to be as effective and productive as possible. The Authority has therefore adopted an approach of continuing with major investments and replacement projects as a long-term strategic view of policing delivery has been taken.

Careful consideration, in line with the Treasury Management Strategy, will be taken to ensure a balance of economic outlook, cash flow, reserve balances and affordability are taken into account for borrowing decisions.

The Authority utilises capital grant, revenue budget contributions, reserves and borrowing to fund capital expenditure. The Medium Term Financial Plan, along with the funding strategy, considers all funding options and implications alongside the revenue impact for future years. These are then all taken into account as part of budget setting, which itself balances financing with performance outputs and investment in resources.

7. Pensions (See Statement of Accounts Note 26)

As part of the terms and conditions of its officers and employees, the Police Authority offers retirement benefits in accordance with national agreements and schemes. Although these benefits will not actually be payable until employees retire, the Police Authority has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Authority's net pension liability at 31 March 2012 has been calculated by the actuaries, in accordance with International Accounting Standard 19, to be £1,138.826m.

The Authority participates in three pension schemes:

- The Local Government Pension Scheme (LGPS) for Police Staff, administered by North Yorkshire County Council. This is a funded scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets;
- Two Police Pension Schemes for Police Officers. These are unfunded schemes, meaning that there are no investment assets built up to meet the pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

The liabilities of £1,138.826m show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet. The impact results in a negative overall balance of £1,059.192m. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.
- Finance is only required to be raised to cover Police Pensions when the pensions are actually paid. Funding arrangements for the Police Pension Fund are detailed in the Police Pension Fund Accounts.

There has been a national consultation and report produced in relation to pensions. Lord Hutton has reported on the long-term reform of public service pensions. The wide remit included both the LGPS and police pension schemes. The Local Government Pension Scheme contribution levels, along with the police officer contribution levels, rise in 2012. There are likely to be changes to the continuance of final salary pension schemes, these being replaced with career averaging schemes. The changes in total are still to be negotiated however there will undoubtedly be changes in the future aimed at longer-term stability and viability. There is no reason to expect that these will adversely affect the liability position rather they should, as intended, improve it.

The effect of the reduced police staff workforce has been factored into the employees pension cost for the next three years. The result of the reduced employee contributions has been considered alongside the latest actuarial review received in the spring. The overall cost effect has been managed as far as possible balancing increased cost with the desire to contain the deficit recovery period. Costs have been included within the Medium Term Financial Plan for the reduced staff numbers from 2011/12. However no account has been taken of the potential reduction in headcount arising from collaborative working. This is covered further in Section 8 below.

8. Change in Statutory functions and methods of delivery

There were no changes in statutory functions of the Authority during this financial year.

The existence of the North Yorkshire Police Authority will cease on 22 November 2012 when the Police and Crime Commissioner (PCC) is elected.

The PCC will become the statutory body responsible for budget setting and financial management and, consequently, future years' accounts.

For the purposes of preparing these accounts the principle of going concern has been adopted. While the Police Authority will cease to exist, the obligations will be transferred to another body. The requirements to police North Yorkshire and the City of York will continue with a separate police force led by a Chief Constable. Therefore the service requirement will remain, new legal entities will be created and assets and liabilities will be transferred whole to the new ‘body’. On this basis a going concern concept has been adopted.

Regional working with other forces referred to earlier is likely to be expanded. Current plans are to proceed to explore opportunities for collaboration wherever possible with regional working on either a four, three or two force basis with Yorkshire and the Humber. A number of regional units are already operating e.g. strategic roads policing. Others including regional procurement and fleet services have been agreed and will be established during 2012/13. A range of other service areas both operational and support are intended to be delivered on a joint basis in the future. The contribution to regional working in the year was £1.2m. This level will increase as activities are expanded.

This will have an impact on the financial position. One of the drivers is to reduce costs and overheads. At present the requirement to achieve savings has been planned and met without taking savings from regional working into account.

As joint arrangements are established the financial impact will be brought into the Medium Term Financial Plans, budget and balance sheet. It needs to be recognised that along with the savings, potential costs will accrue either one-off from, for example, redundancies or ongoing, for example, pension cost increases and pension liability due to a smaller workforce. There may also be other changes to the asset base as surplus property may occur that could be disposed of.

9. Provisions and contingencies

Details are provided in Statement of Accounts Notes 25 and 27.

10. Events after the Reporting period

Details are provided in Statement of Accounts Note 28.

11. Impact of current economic climate and Medium Term Financial Plan (MTFP) Implications

As a result of the current economic downturn and the need to reduce public sector spending, the Authority has had to prepare for the funding reductions identified within the budget settlement. The planning undertaken in previous years anticipated future spending constraints and funding reductions. The assumptions in relation to costs and funding were continually reviewed with a resulting increasing funding gap emerging.

During 2011/12 the force delivered on a comprehensive change programme. The aim was to reduce costs and importantly at the same time improve services to the public and all of NYP communities.

Changes have been made including a relocation into one force control room site. While these had initial mixed impacts on call handling, these remained within national standards and by March 2012 call handling was constantly achieving above the standard.

An automatic switchboard has been adopted and the move to the national 101 non-emergency number has been implemented. The force has invested and developed facilities tailored to the investigation of, and support to victims of, sexual offences, integrated offender management, piloted mobile safety cameras, extended the use of automatic number plate recognition, upgraded financial systems, and supported the policing of the civil unrest of summer 2011. At the same time the change programme has been delivered, savings have been achieved and crime has been reduced.

12. Accounting Policies and Presentation of the Accounts

The accounting policies adopted in the preparation of the accounts are set out formally in the Statement of Accounting Policies below.

Under the Audit Commission Act 1998 members of the public have the right to inspect the Authority's accounts and supporting documents, and to question the auditor, or make objections to the matters contained in them. The times at which the accounts are deposited for inspection are advertised in the Northern Echo and Yorkshire Post.

Every effort has been made to ensure the accuracy of these accounts and compliance with accounting requirements.

The Authority's external auditors are:

Audit Commission
Eshton Office
Wynyard Park House
Wynyard Park
TS22 5TB

Signed:.. Dated:
Treasurer to the Police Authority

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required:-

- to make arrangements for the proper administration of its financial affairs and to 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;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- to approve the Statement of Accounts.

The Treasurer's Responsibilities

The Treasurer is responsible for the preparation of the Authority's Statement of Accounts in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('The Code'). The Treasurer is required to certify that the Statement of Accounts gives a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2012.

In preparing this Statement of Accounts, the Treasurer has:-

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

The Treasurer has also:-

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

Certificate by the Treasurer

I certify that the Statement of Accounts has been prepared in accordance with proper accounting practice and presents a true and fair view of the financial position of the Authority at 31 March 2012, and its income and expenditure for the year then ended.

Signed: .... Dated:
Treasurer to the Police Authority

MOVEMENT IN RESERVES STATEMENT for the YEAR ENDED 31 March 2012

	Note	General Fund Balance	Earmarked Reserves	Capital Grants Unapplied Account	Capital Receipts Reserve	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2010		**8,130**	**24,321**	**368**	**-**	**32,819**	**(1,123,044)**	**(1,090,225)**
Surplus/(deficit) on provision of services (accounting basis)		53,153	-	-	-	53,153	-	53,153
Other comprehensive income and expenditure	3/26	-	-	-	-	-	46,938	46,938
Total Comprehensive income and expenditure		53,153	-	-	-	53,153	46,938	100,091
Adjustments between accounting basis & funding basis under regulations	1	(48,338)	-	(368)	-	(48,706)	48,706	-
Net increase/(decrease) before transfers to Earmarked reserves		4,815	-	(368)	-	4,447	95,644	100,091
Transfers (to)/from Earmarked reserves	2	(4,219)	(4,933)	-	-	(9,152)	9,152	-
Increase/(decrease) in year		**596**	**(4,933)**	**(368)**	**-**	**(4,705)**	**104,796**	**100,091**
Balance at 31 March 2011		**8,726**	**19,388**	**-**	**-**	**28,114**	**(1,018,248)**	**(990,134)**
Surplus/(deficit) on provision of services (accounting basis)		(60,657)	-	-	-	(60,657)	-	(60,657)
Other comprehensive income and expenditure	3/26	-	-	-	-	-	(8,401)	(8,401)
Total Comprehensive income and expenditure		(60,657)	-	-	-	(60,657)	(8,401)	(69,058)
Adjustments between accounting basis & funding basis under regulations	1	74,516	-	-	-	74,516	(74,516)	-
Net increase/(decrease) before transfers to Earmarked reserves		13,859	-	-	-	13,859	(82,917)	(69,058)
Transfers (to)/from Earmarked reserves	2	(13,812)	699	-	-	(13,113)	13,113	-
Increase/(decrease) in year		**47**	**699**	**-**	**-**	**746**	**(69,804)**	**(69,058)**
Balance at 31 March 2012		**8,773**	**20,087**	**-**	**-**	**28,860**	**(1,088,052)**	**(1,059,192)**
Reserves held for:								
Capital purposes		-	9,319		-	9,319		
Revenue purposes		8,726	10,069	-	-	18,795		
Total at 31 March 2011		**8,726**	**19,388**	**-**	**-**	**28,114**		
Capital purposes		-	16,318	-	-	16,318		
Revenue purposes		8,773	3,769	-	-	12,542		
Total at 31 March 2012		**8,773**	**20,087**	**-**	**-**	**28,860**		

An analysis of Unusable Reserves is provided in Note 3 to the accounts. Total Comprehensive income and expenditure and Actuarial (gains)/losses on pensions assets and liabilities in 2010/11 have been restated as per Note 26.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT for the Year Ended 31 March 2012

2010/11 - Restated					2011/12		
Gross Expenditure	Income	Net Expenditure			**Gross Expenditure**	**Income**	**Net Expenditure**
£'000	£'000	£'000		Note	**£'000**	**£'000**	**£'000**
73,124	(4,658)	68,466	Local Policing		64,668	(3,416)	61,252
15,673	(943)	14,730	Dealing with the Public		14,351	(742)	13,609
13,616	(1,605)	12,011	Criminal Justice Arrangements		12,323	(1,310)	11,013
9,142	(626)	8,516	Roads Policing		9,009	(559)	8,450
11,835	(968)	10,867	Specialist Operations		11,690	(804)	10,886
8,818	(494)	8,324	Intelligence		9,667	(485)	9,182
19,654	(1,312)	18,342	Investigation		19,399	(1,361)	18,038
5,131	(771)	4,360	Investigative Support		4,281	(214)	4,067
6,611	(3,156)	3,455	National Policing		7,229	(4,230)	2,999
163,604	(14,533)	149,071	**Cost of Police Services**		**152,617**	**(13,121)**	**139,496**
1,659	-	1,659	Corporate and Democratic Core		1,416	(11)	1,405
			Non-Distributed Costs:				
(124,431)	-	(124,431)	- Past Service Cost	26	-	-	-
170	-	170	- Curtailment Cost	26	840	-	840
41,002	(14,533)	26,469	**Net Cost of Services**		**154,873**	**(13,132)**	**141,741**
		10,164	Other Operating Income and Expenditure	6			13,136
		61,433	Financing and Investment Income and Expenditure	8			59,088
		(151,219)	Taxation and Non-Specific Grant Income	9			(153,308)
		(53,153)	**(Surplus) or deficit on the Provision of Services**				**60,657**
			Other Comprehensive Income and Expenditure				
		(2,507)	(Surplus) or deficit on revaluation of non-current assets	3a			189
		(44,431)	Actuarial (gains)/losses on pensions assets and liabilities	26			8,212
		(46,938)	**Other Comprehensive (Income) and Expenditure**				**8,401**
		(100,091)	**Total Comprehensive (Income) and Expenditure**				**69,058**

Cost of Police Services in 2010/11 and Actuarial (gains)/losses on pensions assets and liabilities have been restated as per Notes 6 and 26 and the analysis has been amended to take account of revised Police Objective Analysis guidance issued for 2011/12.

BALANCE SHEET as at 31 March 2012

31 March 2011 £'000		Note	31 March 2012 £'000	31 March 2012 £'000
	Long Term Assets			
40,213	Property Plant and Equipment	14	35,837	
1,167	Investment Property	15	955	
1,793	Intangible Assets	16	1,769	
5,125	Assets under construction	14	14,501	
48,298	**Total Long Term Assets**			**53,062**
	Current Assets			
408	Assets held for sale	17	520	
9,420	Short Term Investments		-	
211	Inventories	20	246	
6,023	Short Term Debtors	21	11,643	
28,961	Cash & Cash Equivalents	22	31,888	
45,023	**Total Current Assets**			**44,297**
93,321	**Total Assets**			**97,359**
	Current Liabilities			
(1,928)	Cash & Cash Equivalents	22	(479)	
(235)	Short-term Borrowing	23	(236)	
(14,438)	Short-term Creditors	24	(14,185)	
(941)	Short-term Provisions	25	(1,356)	
(17,542)	**Total Current Liabilities**			**(16,256)**
75,779	**Total Assets less Current Liabilities**			**81,103**
	Long Term Liabilities			
(1,039)	Long-term Provisions	25	(998)	
(706)	Long-term Borrowing	23	(471)	
(1,064,168)	Pension Fund Liability	26	(1,138,826)	
(1,065,913)	**Total Long Term Liabilities**			**(1,140,295)**
(990,134)	**Net Assets (Liabilities)**			**(1,059,192)**
	Reserves			
	Usable Reserves			
19,388	Earmarked Reserves	2	20,087	
8,726	General Fund Balance		8,773	
-	Capital Receipts Reserve		-	
-	Capital Grants Unapplied Account		-	
28,114	**Total Usable Reserves**			**28,860**
	Unusable Reserves			
3,777	Revaluation Reserve		3,306	
43,637	Capital Adjustment Account		49,221	
(1,064,168)	Pensions Reserve		(1,138,826)	
291	Collection Fund Adjustment Account		79	
(1,785)	Accumulated Absences Account		(1,832)	
(1,018,248)	**Total Unusable Reserves**	3		**(1,088,052)**
(990,134)	**Total Reserves**			**(1,059,192)**

CASH FLOW STATEMENT
for the YEAR ENDED 31 March 2012

2010/11 £'000	2010/11 £'000		Note	**2011/12 £'000**	**2011/12 £'000**
	(63,363)	**Net deficit / (surplus) on the provision of services**			**60,657**
		Adjustments to net deficit / (surplus) on the provision of services for non-cash movements:			
(1,049)		Net increase in provisions		(375)	
64,017		Movement in pension liability		(66,446)	
(6,840)		Depreciation, impairments and revaluations	18e	(7,962)	
(2,221)		Increase / (decrease) in debtors		5,587	
-		(Increase) / decrease in provision for bad debts		(39)	
1,946		Decrease in creditors		253	
(9)		Increase / (decrease) in inventories		35	
(2,019)		Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised		(3,116)	
	53,825				(72,063)
		Adjustments for items included in the net deficit / (surplus) on the provisions of services that are investing and financing activities:			
	1,863	Proceeds of disposal of non-current assets			2,047
	(7,675)	**Net Cash Flows from Operating Activities**	29		**(9,359)**
	8,711	Net Cash Flows from Investing Activities	30		4,748
	235	Net Cash Flows from Financing Activities	31		235
	1,271	**Net increase / (decrease) in cash and cash equivalents**			**(4,376)**
	(28,304)	Cash and cash equivalents at the beginning of the reporting period	22		(27,033)
	(27,033)	**Cash and cash equivalents at the end of the reporting period**	22		**(31,409)**

REMUNERATION REPORT 2011/12

Remuneration of Senior Officers

Remuneration of senior officers is approved by the North Yorkshire Police Authority Management Board, a committee of the North Yorkshire Police Authority.

During 2011/12 membership of the Police Authority Management Board comprised the following:

Jane Kenyon (Chairman)
Bill Baugh (Vice Chairman)
Tony Hargreaves
Carl Les
Keith Orrell

All of the members of the Board are members of the Police Authority. Jane Kenyon, the Chairman of the Police Authority Management Board, is also the Chairman of the Police Authority.

The Police Authority Management Board exercises delegated powers from the Police Authority to determine all conditions of service issues relating to Chief Police Officers and senior officers of the Authority including, where applicable, remuneration and related matters. Many aspects, particularly those concerning Chief Police Officer conditions of service, are governed by legislation or statutory guidelines and national policy and follow national agreements.

In setting the principles the Board has regard to the following factors:

- the need to recruit, retain and motivate suitably qualified people to carry out their different responsibilities;
- regional/local variations in labour markets and their effects on the recruitment and retention of staff;
- differences in terms and conditions of employment between the public and private sector and taking account of relative job security and value of benefits in kind;
- changes in national pay systems, including flexibility and the reward of success, and job weight in differentiating the remuneration of particular posts;
- the relevant legal obligations, including anti-discrimination legislation regarding age, gender, race, sexual orientation, religion and belief and disability.

The Board approves the remuneration packages of all senior officers. Total remuneration of senior police officers comprises elements that are set centrally for all police forces in the UK and other elements that are set locally by the North Yorkshire Police Authority. Pay elements that are set centrally include base salary, accommodation allowances and pension benefits. Centrally-set elements for serving police officers are determined in accordance with the Police Regulations 2003 (as amended).

For the purposes of this report the senior officer team comprises the following personnel:

Chief Constable *
Deputy Chief Constable *
Assistant Chief Constables *
Chief Officer Resources
Chief Executive of the Police Authority
Treasurer of the Police Authority
** serving police officers.*

Where applicable disclosures are also provided for employees who fulfil the above roles on a temporary or acting basis.

Summary of Remuneration of Senior Officers

	2011/12			2010/11		
	Members	**Senior Officers**	**Total**	Members	Senior Officers (Restated)	Total
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
Salaries and short-term benefits	188	675	**863**	196	696	892
Post-employment benefits	-	136	**136**	-	135	135
Other long-term benefits	-	-	**-**	-	-	-
Total	**188**	**811**	**999**	196	831	1,027

Remuneration of other employees

Levels of pay for other employees are determined in accordance with the following:

• Police officer remuneration is determined in accordance with the Police Regulations 2003 (as amended)
• Remuneration of support staff is agreed by the Police Support Staff council

Remuneration of Members of the Police Authority

There are 17 members of the Police Authority. Nine of the members are councillors from the North Yorkshire County Council and the City of York Council and Borough Councils. The remaining eight members are independent but there is currently a vacancy. The accounts reflect that there were councillor member changes and a total of 17 (2010/11 16) individuals served as members during the year.

A joint Committee of the local councils is responsible for the appointment of the councillors while the independent members are selected by an Independent Panel established in accordance with statute and appointed by the Authority.

North Yorkshire Police Authority members are entitled to claim an allowance for the work that they carry out for the Authority. In addition, members are able to claim for mileage or public transport costs when attending Authority meetings or attending an event on behalf of the Authority.

The allowance scheme is approved and published by the Police Authority and sets out the allowances payable in all these cases. The allowance scheme is reviewed annually.

Amounts payable to members for allowances and reimbursed expenses are detailed below:

	2011/12	2010/11
	£'000	£'000
Salary & Members' Allowances	144	140
Special Responsibility Allowance	13	13
Telephone and Computers	3	3
Travel and Subsistence	26	35
Conferences and Training	1	3
Tribunal and Panel Members	1	2
Salaries and short term benefits	**188**	196
National Insurance	7	9
Total	**195**	205
At the year-end the following was owing to:		
Members of the Authority	3	4
Tribunal and Panel Members	-	1
Total	**3**	5

Remuneration entitlements of Senior Officers

Salary

Basic salary for serving police officers is determined and approved by the Secretary of State for the Home Office each year. Salaries are set for all police officers of all ranks up to and including Chief Constables. Pay reviews are carried out each year and any increases are applicable from 1 September. Pay reviews for other senior officers are agreed with the Police Support Staff Council. Any increases are also applicable from 1 September.

Other Allowances and Benefits

Other allowances and benefits include allowances and expenses paid, in addition to basic salary, that are chargeable to UK income tax . They comprise the following:

(a) Accommodation allowance;
(b) Car available for private use or car allowance paid as additional salary;
(c) Healthcare;
(d) Personal development and training;
(e) Relocation - Relocation benefits comprise amounts payable through a combination of cash and non-cash items, and are referenced as such in the tables of Senior Officer Remuneration below.

Accommodation allowances are a historic payment and were paid to police officers who resided in their own accommodation as opposed to Police Houses. They are not paid to any police officers joining the Force after April 1995, other than those that may be transferred from other Forces and who are already in receipt of accommodation allowances.

Allowances

For the purposes of the disclosures that follow, amounts disclosed as allowances are those that are included with salary.

Benefits in Kind

Benefits in kind include the estimated value of any benefits that are provided to senior officers in forms other than cash. During the year benefits in kind included the cash equivalents of cars provided to senior officers as disclosed to HM Revenue and Customs on form P11D. 2010/11 benefits in kind figures have been restated to include only taxable benefits as declared on P11Ds.

Performance Bonus

Bonuses for senior police officers are regulated by way of a national agreement reached at the Police Negotiating Board in 2003. The levels of bonuses are determined annually by the Police Authority, upon eligibility, in accordance with the national scheme. Eligible senior police officers comprise the Chief Constable, the Deputy Chief Constable and any Assistant Chief Constable (ACC) who has reached the top of the national pay scale for the rank of ACC. Bonuses for the Chief Executive and the Chief Officer Resources are considered annually in accordance with a locally negotiated scheme for those officers individually. In all cases, individuals may be eligible for performance bonuses based on annual performance targets covering a variety of indicators including individual performance as well as organisational-based performance targets.

Performance bonuses are paid in the year following the end of the financial year to which the bonus relates. No bonus payments were made in 2011/12 nor in 2010/11.

Pension Benefits

The pension figure included in the disclosures below represents the value of the employer’s pension contribution to the senior officer’s pension pot, in whichever scheme he/she is a member.

Police Officers

Those members of the senior officer team who are also serving police officers are eligible to join the Police Pension Scheme. During 2011/12 all eligible senior officers were members of the Police Pension Scheme 1987.

The scheme is a defined benefit scheme, providing pension benefits linked to final salary. The scheme is a 40/60ths scheme, with a full pension payable under the scheme after 30 years' service. The maximum pension payable is 40/60ths of salary. The accrual rate for the scheme is 1/60th of salary for each year worked for the first 20 years service and 2/60ths for each year for the following 10 years and nil thereafter. At retirement members may opt to give up (commute) part of their pension entitlement in return for a lump sum cash payment.

Senior officers' contributions are currently at the rate of 11% of pensionable salary. (See Police Pension Fund Account and Note 26 to the accounts for further information on the Police Pension schemes).

Other Senior Officers

Those members of the Senior Officer team who are not serving police officers are eligible to participate in the Local Government Pension Scheme ("LGPS"). During 2011/12 all eligible employees were members of the scheme.

The scheme is a defined benefit scheme, providing pension benefits linked to final salary. The current scheme provides for an accrual rate of 1/60th of salary for each year of service. There is no time limit to the amount of service that can be built up but benefits must be taken by age 75. At retirement members may opt to give up (commute) part of their pension entitlement in return for a lump sum cash payment.

Senior officers' contributions are currently at the rate of 7.5% of pensionable salary. (See Note 26 to the accounts for further information on the Local Government Pension Scheme).

A summary of Senior Officer Remuneration for the year ended 31 March 2012 is presented below:

	Benefits type payable	Salary	Benefits in kind	Allowance	Value of employers pension contribution	Total
Chief Constable: G.Maxwell	a,b,c,d	133	5	29	32	**199**
Deputy Chief Constable	a,b,c	64	3	4	15	**86**
Assistant Chief Constable 1	a,b,c	45	1	3	11	**60**
Assistant Chief Constable 2	a,b,c	111	4	7	27	**149**
Assistant Chief Constable 3	a,b	53	4	2	13	**72**
Chief Officer Resources: J.Carter	b,c	116	-	10	23	**149**
Chief Executive of the Police Authority: J.Holderness	-	81	-	-	15	**96**
Treasurer of the Police Authority: J.Heeley	-	-	-	-	-	**-**
Total		**603**	**17**	**55**	**136**	**811**

The Deputy Chief Constable position was vacant in the early part of the year and was covered on a temporary basis by the Assistant Chief Constables, acting in rotation. Remuneration is shown against the substantive role of the post holder.

The Chief Officer Resources receives an allowance for providing her own vehicle for business purposes, this is shown under allowances. The Operational Police Officers use vehicles provided by the force. These are not included in benefits in kind as they are for operational use although these are also available for personal purposes. The Chief Constable has a vehicle allowance included in allowances.

Up to 30 November 2011 the Chief Officer Resources also undertook the role of Treasurer of the Police Authority. With effect from 1 December 2011 the Treasurer function is discharged via a contract with West Yorkshire Police Authority (WYPA) and the Treasurer's remuneration is reflected in the WYPA accounts.

The statutory accounts include a provision of £248k in relation to an exit package payable to the Chief Constable in May 2012. This will be reported as part of his remuneration in 2012/13.

A summary of Senior Officer Remuneration for the year ended 31 March 2011 is presented below:

	Benefits type payable	Salary	Benefits in kind (Restated)	Allow-ance	Value of employers pension contribn	Total
Chief Constable: G.Maxwell	a,b,c,d	132	4	34	32	202
Deputy Chief Constable	a,b,c,d	92	4	20	22	138
Assistant Chief Constable 1	a,b,c	92	5	6	22	125
Assistant Chief Constable 2	a,b,c	91	5	6	22	124
Chief Finance Officer: J.Carter	b,c	115	-	10	22	147
Chief Executive of the Police Authority: J.Holderness	-	80	-	-	15	95
Total		602	18	76	135	831

During the whole of 2010/11 the Chief Finance Officer also undertook the role of Treasurer of the Police Authority.

The Deputy Chief Constable position became vacant during the year and was covered on a temporary basis by an Assistant Chief Constable. Remuneration is shown against the substantive role of the post holder.

Officers and Staff

During the year the Authority had an average of 2,902 officers and staff (3,082 in 2010/11) including Senior Officers.

The number of individuals, excluding senior officers, who have received total remuneration greater than or equal to £50,000 per annum (in bands of £5,000) are listed below. The figures below represent the amounts paid in each year, taking account of starting and leaving dates, where retiring staff have been replaced during the year, and include officers seconded to other Forces. Total remuneration comprises gross salaries and allowances, taxable benefits as declared to HM Revenue and Customs on form P11D, and any bonus amounts in relation to the year in question (paid or payable). Total remuneration excludes any termination benefits payable and does not include employer's pension or national insurance contributions.

Total remuneration	**2011/12**	2010/11 (Restated)
£50,000 to £54,999	59	66
£55,000 to £59,999	33	34
£60,000 to £64,999	6	5
£65,000 to £69,999	1	5
£70,000 to £74,999	9	3
£75,000 to £79,999	8	5
£80,000 to £84,999	2	6
£85,000 to £89,999	3	3
£90,000 to £94,999	1	1
Total	**122**	128

2010/11 numbers have been restated to be based on gross remuneration rather than gross taxable remuneration as previously reported.

Termination benefits

The Authority terminated the contracts of a number of employees in 2011/12, incurring liabilities of £644k (£2,222k in 2010/11) payable to Senior Officers and staff in the form of compensation for loss of office and enhanced pension benefits.

The number of exit packages, with total cost per band and total cost of the redundancies, are set out in the table below:

	Number of Compulsory Redundancies		Number of Other departures		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2011/12	2010/11	**2011/12**	2010/11	**2011/12**	2010/11	**2011/12**	2010/11
£0 - £20,000	(10)	43	5	73	(5)	116	(60)	858
£20,001 - £40,000	3	3	2	27	5	30	212	834
£40,001 - £60,000	1	1	-	9	1	10	79	440
£60,001 - £80,000	-	-	-	1	-	1	55	18
£80,001 - £100,000	-	-	1	1	1	1	110	72
£200,001 - £250,000	-	-	1	-	1	-	248	-
Total	**(6)**	47	**9**	111	**3**	158	**644**	2,222

16 of the leavers provided for in 2010/11 (£0 - £20,000 band) were in the event successful in obtaining suitable alternative employment within the Authority, and the numbers and costs not paid have been adjusted for in 2011/12, resulting in the negative redundancies declared in 2011/12.

STATEMENT OF ACCOUNTING POLICIES

1. General and Changes in Accounting Policy

The Statement of Accounts summarises the Authority's transactions for the 2011/12 financial year and its position at the year end 31 March 2012. The Authority is required to prepare an Annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011 which require the statement to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code) and the Service Reporting Code of Practice for Local Authorities 2011/12 (SeRCOP), supported by International Financial Reporting Standards (IFRS) and statutory guidance.

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

2. Transition to International Financial Reporting Standards ("IFRS")

In 2010/11 the Authority presented accounts in accordance with IFRS for the first time. Authorities were required to account for the transition to IFRS in accordance with *IFRS 1 - First time Adoption of International Financial Reporting Standards*, except where interpretations or adaptations to fit local authorities are detailed in the Code.

The exemptions that were applicable to the Authority in preparing the 2010/11 financial statements are detailed below:

- The depreciated historical cost of an asset as at 1 April 2009 remains the depreciated historical cost of that asset as at 31 March 2009 under the Code of Practice on Local Authority Accounting in the United Kingdom 2009 - A Statement of Recommended Practice (the SORP) rather than requiring a retrospective review of the depreciation policy, measurement of useful life and residual cost.

- In adopting the International Financial Reporting Interpretations Committee's *(IFRIC) Interpretation 4 - Determining Whether an Arrangement Contains a Lease*, the Authority has determined whether an arrangement existing as at 1 April 2009 contains a lease on the basis of facts and circumstances existing at that date. Where the Authority has determined that an arrangement contains a lease, it has accounted for that lease retrospectively from the commencement of the lease.

- The Authority has applied the requirements of the Code in relation to accounting for the depreciation of significant components of an asset, the de-recognition of old components and recognition of new components to new assets completed on or after 1 April 2010 and to significant improvements to existing assets incurred from 1 April 2010.

3. New International Accounting Standards Adopted for the first time in this Financial Period

Under the Code, Financial Reporting Standard (FRS) 30, Heritage Assets, applies to these accounts for the first time. However, any heritage assets that the Authority holds are used for operational purposes, and will therefore not fall within FRS 30.

4. Accruals of Income and Expenditure

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

- Fees, charges and rents due from customers are accounted for as income at the date the Authority provides the relevant goods or services.

- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as stocks on the Balance Sheet.

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

• Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

5. Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third-party contributions are recognised as income when there is reasonable assurance that:

• the Authority will comply with the conditions attached to the payments, and

• that the grants or contributions will be received.

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Police Pension Top-Up Grant

The top-up grant receivable from the Home Office in respect of the Police Pension Fund is credited to the foot of the Comprehensive Income and Expenditure Statement after Net Cost of Services. The equal and opposite amounts payable to the Police Pension Fund are shown within the Other Operating Income and Expenditure line of the Comprehensive Income and Expenditure Statement, so that the impact on council tax payers is eliminated. This treatment is in line with the requirements of the Police Pension Fund Regulations 2007 (SI 1932/2007) (updated by SI 1887/2008).

Donated Assets

Donated assets received by the Authority are recognised immediately on receipt as property, plant and equipment and the value of the donation is recognised in the relevant service line in the Comprehensive Income and Expenditure Statement, provided that conditions have been satisfied. The fair value of donated assets received for which conditions have not been satisfied are carried in the Balance Sheet in the Donated Assets Account. When conditions are satisfied, the donation is credited to the Comprehensive Income and Expenditure Statement.

Capital Grants

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

6. Employee benefits

Short Term Employee Benefits

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include wages and salaries, annual leave, flexitime, time-off in-lieu and re-rostered rest days and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the costs earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the relevant service line in the Comprehensive Income and Expenditure Statement and then reversed out through the Movement in Reserves Statement so that benefits are charged to the council tax payer in the financial year in which the absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer or staff member's employment before the normal retirement date, or a staff member's decision to accept voluntary redundancy. These are charged on an accruals basis to the Non-Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an employee or group of employees or making an offer to encourage voluntary redundancy.

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

Retirement Benefits

Officers and staff participate in pension schemes, with separate schemes for Police Officers and for Police Staff. All schemes provide members with defined benefits (retirement lump sums and pensions) related to pay and service.

The main aspects of these pension schemes are:

(a) The attributable assets of each scheme are included in the Balance Sheet at fair value.
(b) The attributable liabilities of each scheme are measured on an actuarial basis using the projected unit credit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of earnings for current employees.
(c) Scheme liabilities are discounted at a rate that is determined by reference to market yields at the end of the reporting period on high quality corporate bonds.
(d) The surplus/deficit in each scheme is the excess/shortfall of the fair value of assets in the scheme over/below the present value of the scheme liabilities.
(e) The change in the net pensions liability for each scheme is analysed into seven components:

- Current service cost - the increase in liabilities as a result of years of service earned this year. The current service cost is stated net of employees' contributions, so as to reflect the part of the total pensions liabilities that are to be funded by the Authority - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.

- Past service costs - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited to the surplus or deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs. In 2011/12 this includes the impact of the announcement in the Budget on Tuesday 22 June 2010 that the Government will adopt the Consumer Price Index (CPI) instead of the Retail Price Index (RPI) for the indexation of public service pensions from April 2011.

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

- Expected return on assets - the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return - credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

- Gains or losses on settlements or curtailments - the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees - debited or credited to the surplus or deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs.

- Actuarial gains/losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - debited/credited to the Pensions Reserve.

• Contributions paid to the fund - cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

A separate statement of Police Pension Fund Accounts is prepared to reflect the transactions in respect of funding for the police pension schemes.

7. Funding of Police Pension Fund

The top-up grant receivable from the Home Office in respect of the Police Pension Fund is included in the Comprehensive Income and Expenditure Statement. The amounts payable to the Police Pension Fund are shown within the Police Services line of the Comprehensive Income and Expenditure Statement so that the impact on council tax payers is eliminated. This treatment is in line with the requirements of the Police Pension Fund Regulations 2007 (SI 1932/2007) (updated by SI 1887/2008).

8. Value Added Tax (VAT)

Income and expenditure excludes any amounts related to recoverable VAT. All VAT collected is payable to HM Revenue and Customs and the majority of VAT paid is recoverable from it.

9. Overheads and Support Services

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

• Corporate and Democratic Core - costs relating to the Authority’s status as a multifunctional, democratic organisation.

• Non-Distributed Costs - the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

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

10. Segmental Reporting

Segment information is based on information which is used for the Police Authority’s internal management reporting. Segments are reported where expenditure is 10% or more of the gross expenditure or where income is 10% or more of the gross income within Net Cost of Services.

The Authority’s management reporting does not include information on segment assets or liabilities and, accordingly, information on segment assets and liabilities has not been included in the notes to the accounts.

The Authority has reported using the following segments:

Response and Reassurance
This segment, which is the largest of the Authority's operational segments, includes neighbourhood and community policing services, police community support officers, police station front desk enquiry teams and force control room operations.

Crime
The Crime segment covers all operations associated with the detection and investigation of crime together with associated support services such as scientific and forensics support.

Specialist Operations
Specialist Operations include key activities such as Major Incident units and operational units (including firearms and road policing).

Corporate
The Corporate segment includes activities and costs that provide the infrastructure that allows services to be provided, whether by the Authority or not, and the information that is required for public accountability.

Democratic Core
Democratic Core includes the cost of operating the Police Authority's office, external audit fees and allowances and expenses for Police Authority members.

Other
Included within Other are those segments where both income and expenditure are less than 10% of total gross income or expenditure of the Authority. These include both operational services and support departments.

11. Jointly Controlled Operations - Regional Working

The Authority engages in collaborative working in partnership with the other Yorkshire and the Humber forces to deliver a number of specific services on a regional basis. The governance for this regional programme of activity is via the Joint Police Authority Committee (JPAC) in accordance with the Heads of Agreement. The administration of activities is via the Regional Programme Team including the financial administration of regional budgets which is led by West Yorkshire Police Authority (WYPA).

The participating Authorities use their own resources to undertake this venture and the accounting arrangements for regional working are to account for this as a Joint Arrangement Not an Entity (JANE) in line with CIPFA guidance:

- The Authority accounts in its financial statement for the assets it controls, the liabilities it incurs, the expenses that it incurs and the income receivable in relation to amounts re-charged to the venture.

- Humberside Police Authority have lead responsibility within the regional programme for property matters. One property has been leased under these arrangements and is shown in Humberside Police Authority financial statements, however the potential future impact of this arrangement for the Authority has been disclosed as a contingent liability in the notes to these financial statements.

WYPA have produced memorandum accounts within their financial statements summarising all pertinent transactions.

12. Property, Plant & Equipment

Property, plant and equipment are assets that have physical substance and are held for use in the provision of services, for rental purposes, or for administrative purposes and that are expected to be used during more than one financial year.

Recognition
All expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis (subject to a de minimis level of £1,000), provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (e.g. repairs and maintenance) is charged as an expense when it is incurred.

Where an item of property, plant and equipment has major components whose cost is significant in relation to the total cost of the item, such components are separately recognised, either on initial acquisition of the assets, or when the asset is enhanced or re-valued.

Measurement

Property, plant and equipment are initially measured at cost, comprising:

- Purchase price;

- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management;

- The initial estimate of the costs of dismantling and removing the item at the end of its useful life and restoring the site on which it is located.

The Authority does not capitalise borrowing costs incurred whilst the assets are under construction, these are debited to the Comprehensive Income and Expenditure Statement as incurred.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the fair value of donated assets received for which conditions have not been satisfied are carried in the Balance Sheet in the Donated Assets Account. When conditions are satisfied, the donation is credited to the Comprehensive Income and Expenditure Statement.

Assets acquired under finance leases are measured at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the Balance Sheet as a finance lease obligation.

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

- Land and buildings, police houses, plant and equipment and vehicles - fair value, determined as the lower of net current replacement cost (existing use value) and net realisable value in existing use. For non-property assets that have short useful lives or low values (or both), depreciated historical cost is used as a proxy for fair value;

- Assets in the course of construction - cost less any accumulated impairment losses until brought into use, when they are valued and reclassified.

Assets included in the balance sheet at fair value are re-valued sufficiently regularly to ensure that their carrying value is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains are charged to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service. Where decreases in value are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);

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

The Revaluation Reserve contains revaluation gains recognised since 1st April 2007 only (the date of its formal inception). Gains arising before that date have been consolidated into the Capital Adjustment Account.

Revaluation gains and losses are not permitted to have an impact on the General Fund Balance. Any gains and losses charged to the Comprehensive Income and Expenditure Statement are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

13. Investment Properties

Investment Properties are properties that are held to earn rentals, and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or for administrative purposes. Investment Properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm’s length. Investment Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains or losses on revaluation are debited or credited to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal, but disposals are otherwise accounted for in accordance with accounting policy 17.

Revaluation and disposal gains and losses are not permitted to have an impact on the General Fund Balance. Gains and losses charged to the Comprehensive Income and Expenditure Statement are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

All lease agreements the Authority has entered into in respect of investment properties let to third parties are operating leases. Rental income from investment property is recognised on a straight-line basis over the term of the lease and is credited to surplus or deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. Any lease incentives granted are recognised as an integral part of the total rental income.

14. Assets Held for Sale

Non-current assets are reclassified as an asset held for sale when it become probable that the carrying amount will be recovered principally through a sale transaction rather than its continuing use. This condition is regarded as met when:

- a sale is highly probable;
- the asset is available for immediate sale in its present condition;
- management are committed to the sale;
- the asset is being actively marketed for sale at a price that is reasonable in relation to its current fair value;
- the sale is expected to qualify for recognition as a completed sale within one year from the date of classification.

Assets held for sale are revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Income and Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognized in the surplus or deficit on the Provision of Services.

If an asset no longer meets the criteria to be classified as an asset held for sale, it is classified back to non-current assets and valued at the lower of:

- the carrying amount before it was classified as held for sale; adjusted for depreciation, amortisation and/or revaluations that would have been recognised had it not been classified as held for sale, and
- the recoverable amount at the date of the decision not to sell.

Assets to be abandoned or scrapped are not reclassified as assets held for sale.

The eventual disposal of an asset held for sale is accounted for in accordance with accounting policy 17.

Disposal gains and losses are not permitted to have an impact on the General Fund Balance. Gains and losses charged to the Comprehensive Income and Expenditure Statement are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

15. Intangible Assets

Purchased Software

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

Expenditure on software is recognised initially at cost. Amounts are only revalued where the fair value can be determined by reference to an active market. In practice, no software licences held by the Authority meet this criterion and they are therefore carried at amortised cost.

Revaluation gains and losses are not permitted to have an impact on the General Fund Balance. Any gains and losses charged to the Comprehensive Income and Expenditure Statement would therefore be reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

Expenditure incurred on an intangible asset after it has been recognised does not meet the recognition requirements of the Code and is charged to the Surplus or Deficit on the Provision of Services line in the Comprehensive Income and Expenditure Statement.

All expenditure on website development is charged to the Comprehensive Income and Expenditure Statement, since the website is primarily intended to promote the Authority's services.

Internally Generated Assets

All expenditure on the development of intangible assets is charged to the Comprehensive Income and Expenditure Statement, since the expenditure does not meet the recognition requirements of the Code.

Other Intangibles

At 31 March 2012 the Authority had no other intangible assets.

16. Impairment of Tangible and Intangible Assets

This policy applies to the impairment of property plant and equipment, investment properties, assets held for sale and intangible assets, modified as set out in the specific accounting policies for these categories of assets.

The Authority reviews its tangible and intangible assets annually to determine whether there is any indication that those assets have suffered an impairment. Where such indication exists, and if the differences are estimated to be material, the recoverable amount of the asset is estimated and an impairment loss is recognised for the shortfall (if any).

The recoverable amount is the higher of fair value (less costs to sell) and value in use. Value in use of a non-cash generating asset is the present value of the asset's remaining service potential. Value in use of a cash generating asset is the present value of the future cash flows expected to be derived from the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment in respect of a non-revalued asset is recognised as an expense against the relevant service line in the Comprehensive Income and Expenditure Account. An impairment loss on a revalued asset is recognised in the revaluation reserve to the extent that the impairment does not exceed the amount in the revaluation reserve for the same asset and thereafter in the Comprehensive Income and Expenditure Statement.

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

Impairment gains and losses are not permitted to have an impact on the General Fund Balance by statutory arrangements. The gains and losses are therefore reversed out of the General Fund Balance in the Movement on Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

17. Disposals of Tangible and Intangible Assets

This policy applies to the disposal of property plant and equipment, investment properties, assets held for sale and intangible assets, modified as set out in the specific accounting policies for these categories of assets.

When an asset is disposed of or decommissioned, the carrying value of the asset in the Balance Sheet is written off to the Other Operating Income and Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Where a significant separate component of an asset is replaced or restored, the carrying amount of the old component is de-recognised to avoid double counting. This includes de-recognition of significant parts of an asset not previously recognised as a separate component.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts and are credited to the Capital Receipts Reserve (the usable element) or the Capital Adjustment Account (the set-aside element if applicable) and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

Where there is deferred credit held in respect of the asset disposed of (e.g. a balance on the Donated Assets Account) this is written off to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal.

Disposal gains and losses are not permitted to have an impact on the General Fund Balance by statutory arrangements. The gains and losses are therefore reversed out of the General Fund Balance in the Movement on Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

18. Depreciation of Tangible Assets and Amortisation of Intangible Assets

This policy applies to property plant and equipment (except land and assets under construction) and intangible assets, modified as set out in the specific accounting policies for these categories of assets.

Depreciation is provided for on all property plant and equipment assets with a determinable finite life (i.e. excluding land) that are available for use by the systematic allocation of their depreciable amounts over their useful lives. Amortisation is similarly charged on intangible assets.

Depreciation is calculated on the following bases:

- Land is not depreciated;
- Buildings (excluding assets under construction) - straight-line allocation over the life of the asset, as assessed by the valuer at the time of valuation. Lives used range between 20 and 50 years;
- Vehicles, plant, furniture and equipment - a percentage of the value of each class of asset in the Balance Sheet. Percentages used are based on estimated lives of up to 5 years, as advised by a suitably qualified officer;
- Assets held for sale are not depreciated.

Amortisation of intangible fixed assets is calculated on the following basis:

- A percentage of the value in the Balance Sheet. Percentages used are based on finite useful lives of between 2 and 7 years, as advised by a suitably qualified officer.

Where an asset has major components with different estimated useful lives, these are depreciated or amortised separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Depreciation and amortisation are not permitted to have an impact on the General Fund Balance by statutory arrangements. The amounts charged to the Comprehensive Income and Expenditure Statement are therefore reversed out of the General Fund Balance in the Movement on Reserves Statement and posted to the Capital Adjustment Account.

19. Charges to the Comprehensive Income and Expenditure Statement for the Use of Tangible and Intangible Assets

The Comprehensive Income and Expenditure Statement is debited with the following amounts to record the real cost of holding tangible and intangible assets during the year:

- Depreciation attributable to tangible fixed assets;
- Amortisation attributable to intangible fixed assets;
- Revaluation and impairment losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off.

The Authority is not required to raise precept to cover depreciation, amortisation or revaluation and impairment losses. However, it is required to make an annual provision from revenue to contribute towards the reduction of its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance. Depreciation, amortisation and revaluation and impairment losses are therefore replaced by the contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

20. Short Term Investments

Short-Term Investments comprise interest-bearing deposits, held with banks and other financial institutions, maturing more than three months from the date of acquisition. They are carried at amortised cost using the effective interest method. Gains and losses are recognised in income when the deposits are derecognised or impaired, as well as through the amortisation process.

21. Inventories

Inventories are included in the Balance Sheet at average prices. Obsolete and slow moving items are written off during the year and reduce the value of inventories shown in the Balance Sheet.

This treatment differs from the requirements of the Code, which requires stocks to be shown at the lower of cost and net realisable value. It is considered that this difference in treatment does not have a material effect on the accounts.

All inventories comprise supplies that are intended for use in the provision of services.

22. Debtors

Debtors are recognised and measured at the fair value of the consideration receivable when the revenue has been recognised.

Where consideration is paid in advance of the receipt of goods or services or other benefit, the Authority recognises a debtor in respect of the payment in advance.

In most cases, the consideration receivable is in the form of cash or cash equivalents and the amount of revenue is the amount receivable. However if payment is on deferred terms, the consideration receivable is recognised initially at the cash price equivalent. The difference between this amount and the total payments is recognised as interest revenue in the Surplus or Deficit on the Provision of Services line in the Comprehensive Income and Expenditure Statement. Short duration receivables with no interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

There is no difference between the delivery and payment dates for non-contractual, non-exchange transactions (e.g. revenue from precepts) and therefore these transactions are always measured at the full amount receivable.

A provision for impairment of debtors is established when there is evidence that the Authority will not be able to collect all amounts due.

The amount of the provision is based on the Authority's best estimate of the likelihood of the recoverable amount. The carrying amount of the asset is reduced through the use of a doubtful debt provision account and the amount of the loss is recognised in the Comprehensive Income and Expenditure Statement within Cost of Services. When a debtor amount is uncollectable, it is written off against the doubtful debt provision account. Any subsequent recovery of amounts previously written off are credited to the Comprehensive Income and Expenditure Statement.

23. Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits that are repayable on demand. Cash equivalents are defined as deposits which are:

- repayable on demand or maturing within three months of the date of acquisition;
- readily convertible to known amounts of cash;
- are not subject to a significant risk of change in value.

For the purpose of the cash flow statement, cash and cash equivalents are shown net of outstanding bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

24. Creditors

Creditors are recognised and measured at the fair value of the consideration payable when the ordered goods or services have been received.

In most cases, the consideration payable is in the form of cash or cash equivalents and the amount of the expenses is the amount payable. However if payment is on deferred terms, the consideration payable is recognised initially at the cash price equivalent. The difference between this amount and the total payments is recognised as interest expense in the Surplus or Deficit on Provision of Services line in the Comprehensive Income and Expenditure Statement. Short duration payables with no interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

There is no difference between the delivery and payment dates for non-contractual, non-exchange transactions (e.g. expense relating to council tax and general rates) and therefore these transactions are always measured at the full amount payable.

Where consideration is received in respect of revenue, but the revenue does not meet the criteria for recognition of revenue, the Authority recognises a creditor in respect of the receipt in advance.

25. Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term financial instrument covers both financial assets and financial liabilities and includes both the most straightforward financial instruments (e.g. trade payables and receivables) and the most complex such as equity instruments.

Typical financial instruments are trade payables and trade receivables, borrowings, bank deposits and investments.

Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts the estimated future cash payments over the life of the instrument to the amount at which it was initially recognised. For the Authority this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

The Authority has not given any financial guarantees.

The Authority has not had any gains or losses on the repurchase or early settlement of borrowing, nor any premiums or discounts on financial liabilities.

Financial Assets

Financial assets are classified into two types:

- Loans and receivables - assets that have fixed or determinable payments but are not quoted in an active market;

- Available-for-sale assets - assets that have a quoted market price and/or do not have fixed or determinable payments. The Authority does not hold any available-for-sale assets.

Loans and Receivables

Loans and receivables are recognised when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For the Authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Immaterial Transaction Costs

Immaterial transaction costs that the Code would usually require to be applied to adjust a financial instrument’s initial carrying amount are written off immediately to the Surplus or Deficit on Provision of Services line in the Comprehensive Income and Expenditure Statement.

The Authority has not made any soft loans and no assets have been identified as impaired. There have not been any gains or losses arising on the de-recognition of a financial asset.

Compliance

In compliance with CIPFA guidance, the Authority has:

- Adopted CIPFA‘s Treasury Management in the Public Services: Code of Practice;

- Set treasury management indicators to control key financial instrument risks in accordance with CIPFA’s Prudential Code.

26. Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

Provisions are charged to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year the Authority becomes aware of the obligation and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation. When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year and where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service line in the Comprehensive Income and Expenditure Statement.

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

Contingent Liabilities

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

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

Contingent Assets

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

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

27. Leasing

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership from the lessor to the lessee. Leases that do not meet the definition of finance leases are accounted for as operating leases.

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

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets. This would include Private Finance Initiative (PFI) contracts, but the Authority does not have any contracts of this type.

The Authority as Lessee

Finance Leases

Assets held under finance leases are recognised on the Balance Sheet at the commencement of the lease at fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The corresponding liability to the lessor is included in the Balance Sheet as a finance lease obligation. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid are applied to write down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a finance charge debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- a charge for the acquisition of the interest in the asset - applied to write down the lease liability.

Assets recognised under finance leases are accounted for using policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life where ownership of the asset does not transfer to the Authority at the end of the lease period.

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

At 31 March 2012 the Authority did not hold any finance leases.

Operating Leases

Rentals payable under operating leases are charged to the Comprehensive Income and Expenditure statement on a straight-line basis over the term of the relevant lease, even where this does not match the pattern of payments

Benefits receivable as an incentive to enter into an operating lease are included within deferred income and recognised in the Comprehensive Income and Expenditure Statement on a straight-line basis over the lease term.

The Authority as Lessor

The Authority does not have any assets acquired under finance leases or operating leases that have been subsequently sub-let to third parties.

The Authority has not granted a finance lease over any of its assets.

The Authority has certain freehold properties let to third parties. These arrangements are all operating leases and the properties are classified as investment property. Rental income from investment property is recognised on a straight-line basis over the term of the lease and is classified as income within the appropriate segment in the Comprehensive Income and Expenditure Statement, even where this does not match the pattern of payments receivable.

28. Events after the Balance Sheet Date

Events after the balance sheet date are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. There are two types of events:

- adjusting events are those that provide evidence of conditions that existed at the end of the reporting period. Where any adjusting events are found amounts recognised in the Statement of Accounts are updated to reflect those adjusting events;

- non-adjusting events are those that are indicative of conditions that arose after the reporting period. The Statement of Accounts is not updated for non-adjusting events, but where material, disclosure is made in the notes of the nature and estimated financial effect.

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

29. Exceptional Items and Prior Period Adjustments

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

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

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

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

30. Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the Comprehensive Income and Expenditure Statement in that year to count against the Net Cost of Services. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net impact on council tax payers.

Certain reserves are kept to manage the accounting process for non-current assets, financial instruments, retirement and employee benefits. These do not represent usable resources for the Authority - these reserves are explained in the relevant policies.

The Authority has a Policy on Provisions and Reserves. This policy was last considered by the Authority at their meeting on 25 June 2012. The treatment of reserves and provisions within the accounts is in line with this policy.

31. Critical Accounting Estimates and Judgements

In applying the accounting policies, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The following critical judgements have been made in the Statement of Accounts.

Going Concern

The Police Reform and Social Responsibility Act 2011 received royal assent on 15 September 2011, and will see the dissolution of the Authority and replacement with a Police and Crime Commissioner on 22 November 2012. This will involve a transfer of functions, but the essentials of service delivery will be maintained and the Authority has determined that the going concern basis continues to be appropriate for the preparation of these financial statements.

Future Government Funding

There is a high degree of uncertainty about future levels of funding for police services. However the Authority has determined that this uncertainty is not sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

32. Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty

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

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

Property, Plant and Equipment

- Assets are depreciated over useful lives that are dependent on assumptions about the level of maintenance and repairs that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets;

• If the useful life of assets is reduced, depreciation increases and the carrying amount of assets falls. It is estimated that the annual depreciation charge for buildings would increase by £24k for every year that useful lives had to be reduced;

• Valuation of assets and consideration of impairment depends on a number of complex judgements and a firm of surveyors and valuers is engaged to provide the Authority with expert advice about the assumptions to be applied. The valuation (and any impairment review) is commissioned in accordance with UKPS 1.3 of the Royal Institution of Chartered Surveyors (RICS) Valuation Standards;

• The effects on the asset valuation of changes in the assumptions interact in complex ways and are difficult to evaluate;

• Assets under construction have not been valued, as the work did not finish until May 2012. The Authority has assumed that at 31 March 2012 the land and part-completed buildings were worth at least what they have cost to date.

Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Firms of consulting actuaries are engaged to provide the Authority with expert advice about the assumptions to be applied.

If, for example, pensioners lived on average 2 years longer than assumed, the pensions liability would increase by approximately 3.7%. However, the assumptions interact in complex ways. During 2011/12, the Authority's actuaries advised that the net pensions liability had increased by £4.1m as a result of estimates being corrected as a result of experience and decreased by £16.8m attributable to updating of the assumptions.

Provisions

The Authority has made a provision for the settlement of on-going claims not covered by insurers, based on claims received, historical experience of claims not received at the balance sheet date and estimated settlement values.

An increase over the forthcoming year of 10% in either the number of claims or the estimated average settlement would have the effect of adding £235k to the provision needed.

Due to the nature of the claims experience it is difficult to make a dependable assessment of the window during which particular litigation might determine, and consequently when any cost may be incurred.

A movement of 10% from long-term to current provisions would result in an increase of £235k in current liabilities and a consequential decrease in long-term liabilities.

Employee Benefits

The Authority has made an accrual for employee benefits outstanding at the year end, comprising flexi-time, annual leave and re-rostered rest days. The accrual is estimated based on returns from each department and data captured from the duties management system.

Approximately 83% of the accrual (£1.5m) relates to rest days in lieu (RDIL). An increase or decrease of 5% in the level of RDIL owed would change the accrual by £76k.

33. Accounting Standards that have been Issued but have not yet been Adopted

The Code requires adoption of amendments to *IFRS 7 Financial Instruments: Disclosures* with effect from 1 April 2012. These amendments are designed to allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitisations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

The Authority does not undertake this sort of transaction and does not believe that implementation of this standard will have a material impact on the financial statements.

NOTES TO THE ACCOUNTS

1. Supplementary information to the Movement in Reserves Statement

Analysis of adjustments between accounting basis and funding basis under regulations is shown below:

Current year	General Fund Balance	Earmarked Reserves	Capital Grants Unapplied Account	Capital Receipts Reserve	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Depreciation and impairment	3,950	-	-	-	3,950	(3,950)	-
Amortisation of intangible assets	646	-	-	-	646	(646)	-
Movement on donated assets account	-	-	-	-	-	-	-
Revaluation of property, plant & equipment	3,681	-	-	-	3,681	(3,681)	-
Movement in fair value of investment properties	(358)	-	-	-	(358)	358	-
Movement in fair value of assets held for sale	43	-	-	-	43	(43)	-
Net book value of disposals	3,116	-	-	-	3,116	(3,116)	-
Sale proceeds credited as part of gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2,047)	-	-	2,047	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	(2,047)	(2,047)	2,047	-
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	(979)	-	-	-	(979)	979	-
Application of grants to capital financing	-	-	-	-	-	-	-
Amounts by which pension costs calculated in accordance with the Code are different from the contributions due under pension scheme regulations	66,446	-	-	-	66,446	(66,446)	-
Amount by which precept income included in the Comprehensive Income & Expenditure statement is different from the amount taken to the General Fund under statute	212	-	-	-	212	(212)	-
Statutory provision for the repayment of debt	(235)	-	-	-	(235)	235	-
Amount by which the charge for accumulating compensating absences included in the Comprehensive Income & Expenditure Statement is different from the amount taken to the General Fund under statute	47	-	-	-	47	(47)	-
Income in relation to Donated Assets	(6)	-	-	-	(6)	6	-
Total	**74,516**	**-**	**-**	**-**	**74,516**	**(74,516)**	**-**

Prior Year - Restated	General Fund Balance	Earmarked Reserves	Capital Grants Unapplied Account	Capital Receipts Reserve	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Depreciation and impairment	3,965	-	-	-	3,965	(3,965)	-
Amortisation of intangible assets	634	-	-	-	634	(634)	-
Movement on donated assets account	-	-	-	-	-	-	-
Revaluation of property, plant & equipment	2,194	-	-	-	2,194	(2,194)	-
Movement in fair value of investment properties	47	-	-	-	47	(47)	-
Net book value of disposals	2,020	-	-	-	2,020	(2,020)	-
Sale proceeds credited as part of gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,863)	-	-	1,863	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	(1,863)	(1,863)	1,863	-
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	(1,441)	-	-	-	(1,441)	1,441	-
Application of grants to capital financing	-	-	(368)	-	(368)	368	-
Amounts by which pension costs calculated in accordance with the Code are different from the contributions due under pension scheme regulations	(53,807)	-	-	-	(53,807)	53,807	-
Amount by which precept income included in the Comprehensive Income & Expenditure statement is different from the amount taken to the General Fund under statute	(51)	-	-	-	(51)	51	-
Statutory provision for the repayment of debt	(235)	-	-	-	(235)	235	-
Amount by which the charge for accumulating compensating absences included in the Comprehensive Income & Expenditure Statement is different from the amount taken to the General Fund under statute	199	-	-	-	199	(199)	-
Total	**(48,338)**	**-**	**(368)**	**-**	**(48,706)**	**48,706**	**-**

2. Earmarked Reserves

Current Year	At 1 April 2011	Transfers (to)/from Revenue	Transfers to Finance Capital	Transfers between Revenue Reserves	Total Movement on Reserves	At 31 March 2012
	£'000	£'000	£'000	£'000	£'000	£'000
Capital Reserve	-	3,148	(1,580)	(1,568)	-	-
Estates Strategy Reserve	-	3,541	-	-	3,541	3,541
Major Capital Reserve	9,318	6,844	(11,497)	8,112	3,459	12,777
Capital Reserves	**9,318**	**13,533**	**(13,077)**	**6,544**	**7,000**	**16,318**
Insurance Reserve	933	322	(36)	-	286	1,219
Confiscated Monies Reserves	10	133	-	-	133	143
Revenue CRDP Reserve	1,252	(336)	-	198	(138)	1,114
Collaboration Reserve	1,522	-	-	(1,522)	(1,522)	-
Harmonisation Reserve	1,000	-	-	(1,000)	(1,000)	-
Transitional Costs	3,370	-	-	(3,370)	(3,370)	-
Priority Spending Reserve	199	-	-	(199)	(199)	-
Major Incident Reserve	805	-	-	-	-	805
Governance Reserve	125	94	-	-	94	219
Revenue Initiatives	656	75	-	(462)	(387)	269
Investment Initiatives	198	(9)	-	(189)	(198)	-
Revenue Reserves	**10,070**	**279**	**(36)**	**(6,544)**	**(6,301)**	**3,769**
Total	**19,388**	**13,812**	**(13,113)**	**-**	**699**	**20,087**

Prior Year	At 1 April 2010	Transfers (to)/from Revenue	Transfers to Finance Capital	Transfers between Revenue Reserves	Total Movement on Reserves	At 31 March 2011
	£'000	£'000	£'000	£'000	£'000	£'000
Capital Reserve	4,388	3,455	(7,796)	(47)	(4,388)	-
Major Capital Reserve	7,332	2,898	(1,163)	251	1,986	9,318
Priority Spending Reserve	413	-	(145)	(268)	(413)	-
Capital Reserves	**12,133**	**6,353**	**(9,104)**	**(64)**	**(2,815)**	**9,318**
Insurance Reserve	1,805	(824)	(48)	-	(872)	933
Confiscated Monies Reserves	28	(18)	-	-	(18)	10
Revenue CRDP Reserve	1,806	(583)	-	29	(554)	1,252
Collaboration Reserve	1,418	104	-	-	104	1,522
Harmonisation Reserve	1,000	-	-	-	-	1,000
Transitional Costs	1,000	-	-	2,370	2,370	3,370
Priority Spending Reserve	574	(23)	-	(352)	(375)	199
Major Incident Reserve	805	-	-	-	-	805
Governance Reserve	272	(149)	-	2	(147)	125
Accounting Treatment Reserve	1,439	-	-	(1,439)	(1,439)	-
Revenue Initiatives	1,441	(239)	-	(546)	(785)	656
Investment Initiatives	600	(402)	-	-	(402)	198
Revenue Reserves	**12,188**	**(2,134)**	**(48)**	**64**	**(2,118)**	**10,070**
Total	**24,321**	**4,219**	**(9,152)**	**-**	**(4,933)**	**19,388**

3. Unusable Reserves

	Note	**31 March 2012**	31 March 2011
		£'000	£'000
Revaluation Reserve	3a	**3,306**	3,777
Capital Adjustment Account	3b	**49,221**	43,637
Pensions Reserve	3c	**(1,138,826)**	(1,064,168)
Collection Fund Adjustment Account	3d	**79**	291
Accumulated Absences Account	3e	**(1,832)**	(1,785)
Total Unusable Reserves		**(1,088,052)**	(1,018,248)

3 (a) Revaluation Reserve

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

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

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

	Note	**2011/12**	**2011/12**	2010/11
		£'000	**£'000**	£'000
Balance at 1 April			**3,777**	1,412
Upward revaluation of assets			-	-
Surplus or deficit on revaluation of non-current assets not posted to Surplus/Deficit on the Provision of Services	18c		(189)	2,507
Difference between fair value and historical cost depreciation		(101)		17
Accumulated gains on assets sold or scrapped		(181)		(159)
Amount written off to the Capital Adjustment Account	3b	-	(282)	-
Balance at 31 March			**3,306**	3,777

3 (b) Capital Adjustment Account

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

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

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

Note 1 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	Note	**2011/12** £'000	2010/11 £'000
Balance at 1 April		**43,637**	39,295
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:			
- Charges for depreciation and impairment on non-current assets and amortisation of intangible assets		(4,596)	(4,599)
- Revaluation adjustments on Property, Plant and Equipment	18c	(3,681)	(2,194)
- Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		(3,116)	(2,019)
Adjusting amounts written out of the Revaluation Reserve	3a	282	142
Capital financing applied in the year:			
- Use of the Capital Receipts Reserve to finance new capital expenditure		2,047	1,863
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing		979	1,441
- Application of grants to capital financing of capital investment charged against the General Fund		-	368
- Statutory provision for the financing of capital investment charged against the General Fund		235	235
- Capital expenditure charged against the General Fund		13,113	9,152
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		358	(47)
Movements in the market value of Assets held for Sale debited or credited to the Comprehensive Income and Expenditure Statement		(43)	-
Movement in Donated Assets Account debited or credited to the Comprehensive Income and Expenditure Statement		-	-
Income in relation to Donated Assets		6	-
Balance at 31 March		**49,221**	43,637

3 (c) Pensions Reserve

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

	2011/12	2010/11 Restated
	£'000	£'000
Balance at 1 April	**(1,064,168)**	(1,162,406)
Actuarial gains or losses on pension assets and liabilities	(8,212)	44,431
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(87,896)	32,168
Employer's pension contributions and direct payments to pensioners payable in the year	21,450	21,639
Balance at 31 March	**(1,138,826)**	(1,064,168)

3 (d) Collection Fund Adjustment Account

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

	2011/12	2010/11
	£'000	£'000
Balance at 1 April	**291**	240
Amount by which precept income credited to the Comprehensive Income and Expenditure Statement is different from precept income calculated for the year in accordance with statutory requirements	(212)	51
Balance at 31 March	**79**	291

3 (e) Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2011/12	2010/11
	£'000	£'000
Balance at 1 April	**(1,785)**	(1,586)
Settlement or cancellation of accrual made at the end of the preceding year	1,785	1,586
Amounts accrued at the end of the current year	(1,832)	(1,785)
Amounts by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(47)	(199)
Balance at 31 March	**(1,832)**	(1,785)

4. Leases

The Authority as Lessee

The Authority leases a number of properties, which have been accounted for as operating leases. The total rentals payable in 2011/12 were £349k (2010/11 £328k).

The Authority uses certain other equipment financed under an operating lease. The amount paid in 2011/12 was £196k (2010/11 £161k).

Commitments under Operating Leases

At the balance sheet date the Authority was committed to making total payments of £630k (2010/11 £458k) under operating leases, analysed between:

		Expiring in less than 1 year	Expiring between 1 and 5 years	Expiring in over 5 years	**Total**
		£'000	**£'000**	**£'000**	**£'000**
2012	**Land and Buildings**	77	120	155	**352**
	Plant and Equipment	74	204	-	**278**
	Total	**151**	**324**	**155**	**630**
2011	Land and Buildings	53	106	138	297
	Plant and Equipment	50	111	-	161
	Total	103	217	138	458

The Authority as Lessor

The Authority leases out certain of its investment properties to tenants under operating leases. Under the terms of the operating leases no contingent rents are payable.

5 (a) Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice for Local Authorities (SeRCOP). However, decisions about resource allocation are taken on the basis of budget reports analysed across operational departments. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement);

- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year;

- expenditure on some support services is budgeted and accounted for centrally.

Current Year	Response & Reassurance	Crime	Specialist Operations	Corporate	Democratic Core	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income							
Targeted grant	39	360	591	5,926	-	1,083	**7,999**
Other income	334	68	718	2,043	11	2,282	**5,456**
	373	**428**	**1,309**	**7,969**	**11**	**3,365**	**13,455**
Expenditure							
Employee costs	50,161	23,358	19,201	3,742	536	19,425	**116,423**
Supplies and services	914	1,438	1,820	2,024	537	5,783	**12,516**
Premises costs	461	9	69	30	24	3,599	**4,192**
Transport	1,540	349	368	55	15	950	**3,277**
Financial	-	7	7	17,455	95	-	**17,564**
	53,076	**25,161**	**21,465**	**23,306**	**1,207**	**29,757**	**153,972**
Segmental Net Cost of Police Services	**52,703**	**24,733**	**20,156**	**15,337**	**1,196**	**26,392**	**140,517**

Reconciliation to the Comprehensive Income and Expenditure Statement (CIES):		**140,517**
Less:		
Amounts not included in Net Cost of Police Services	(14,047)	
Amounts reported below Cost of Police services in CIES	(1,214)	
Plus:		
Amounts not included in Segmental Net Cost of Police Services	14,240	**(1,021)**
Net Cost of Police Services		**139,496**

Prior Year - Restated	Response & Reassurance	Crime	Specialist Operations	Corporate	Democratic Core	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income							
Targeted grant	-	680	757	7,786	-	1,628	**10,851**
Other income	109	76	584	2,298	-	1,014	**4,081**
	109	**756**	**1,341**	**10,084**	**-**	**2,642**	**14,932**
Expenditure							
Employee costs	53,066	24,666	20,139	5,563	570	20,806	**124,810**
Supplies and services	683	1,923	1,889	1,663	764	6,637	**13,559**
Premises costs	37	29	93	72	21	4,191	**4,443**
Transport	304	360	407	44	12	2,041	**3,168**
Financial	-	7	7	8,611	(145)	81	**8,561**
	54,090	**26,985**	**22,535**	**15,953**	**1,222**	**33,756**	**154,541**
Segmental Net Cost of Police Services	**53,981**	**26,229**	**21,194**	**5,869**	**1,222**	**31,114**	**139,609**

Reconciliation to the Comprehensive Income and Expenditure Statement (CIES):		**139,609**
Less:		
Amounts not included in Net Cost of Police Services	(4,740)	
Amounts reported below Cost of Police services in CIES	(1,446)	
Plus:		
Amounts not included in Segmental Net Cost of Police Services	15,648	**9,462**
Net Cost of Police Services		**149,071**

5 (b) Reconciliation to Subjective Analysis

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

Current Year	Segmental Analysis	Amounts not reported to management for decision making	**Net Cost of Police Services**	Amounts reported below Net Cost of Police Services	**Surplus / Deficit on Provision of Services**
	£'000	£'000	**£'000**	£'000	**£'000**
Fees, charges & other service income	5,074	(19)	**5,055**	25	**5,080**
Interest and investment income	382	(315)	**67**	315	**382**
Precept income	-	-	**-**	61,352	**61,352**
Government grants and contributions	7,999	-	**7,999**	91,956	**99,955**
Total income	**13,455**	**(334)**	**13,121**	**153,648**	**166,769**
Employee expenses	116,423	5,150	**121,573**	73,320	**194,893**
Other service expenses	23,413	(646)	**22,767**	646	**23,413**
Depreciation, amortisation and impairment	-	8,277	**8,277**	(315)	**7,962**
Interest payments	89	(89)	**-**	89	**89**
Repayment of loan	235	(235)	**-**	-	-
Transfers to/from Reserves	13,812	(13,812)	**-**	-	-
Gain or loss on disposal of non-current assets	-	-	**-**	1,069	**1,069**
Total Expenditure	**153,972**	**(1,355)**	**152,617**	**74,809**	**227,426**
(Surplus) or Deficit on the Provision of Services	**140,517**	**(1,021)**	**139,496**	**(78,839)**	**60,657**

Prior Year - Restated	Segmental analysis	Amounts not reported to management for decision making	**Net Cost of Police Services**	Amounts reported below Net Cost of Police Services	**Surplus / Deficit on Provision of Services**
	£'000	£'000	**£'000**	£'000	**£'000**
Fees, charges & other service income	3,700	(17)	**3,683**	17	**3,700**
Interest and investment income	382	(382)	**-**	382	**382**
Precept income	-	-	**-**	61,186	**61,186**
Government grants and contributions	10,850	-	**10,850**	90,033	**100,883**
Total income	**14,932**	**(399)**	**14,533**	**151,618**	**166,151**
Employee expenses	124,810	8,013	**132,823**	(51,814)	**81,009**
Other service expenses	24,873	(886)	**23,987**	886	**24,873**
Depreciation, amortisation and impairment	-	6,794	**6,794**	47	**6,841**
Interest payments	118	(118)	**-**	118	**118**
Repayment of loan	235	(235)	**-**	-	**-**
Transfers to/from Reserves	4,505	(4,505)	**-**	-	**-**
Gain or loss on disposal of non-current assets	-	-	**-**	157	**157**
Total Expenditure	**154,541**	**9,063**	**163,604**	**(50,606)**	**112,998**
(Surplus) or Deficit on the Provision of Services	**139,609**	**9,462**	**149,071**	**(202,224)**	**(53,153)**

6. Other Operating Income and Expenditure

	2011/12	2010/11 Restated
	£'000	£'000
Police Pension Top-up Grant paid to Pension Scheme	12,024	10,007
Gains and losses on the disposal of non-current assets	1,069	157
Movement in fair value of Assets held for Sale	43	-
Total	**13,136**	10,164

Following advice received from CIPFA and the Authority's auditors, the payment of the Police Pension Top-up Grant to the Police Pension Scheme has been included in Other Operating Income and Expenditure 2011/12, rather than as part of Cost of Police Services. The comparative figures for 2010/11 have been restated on the same basis.

7. Gains and losses on disposal of non-current assets

An analysis of the gains and losses on disposal of tangible and intangible assets is shown below.

	2011/12 Expenditure	**2011/12 Income**	**2011/12 Total**	2010/11 Expenditure	2010/11 Income	2010/11 Total
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
(Gain) / loss on:						
Property, plant and equipment	1,069	-	**1,069**	164	(31)	133
Assets held for sale	2,047	(2,047)	**-**	1,855	(1,831)	24
Total	**3,116**	**(2,047)**	**1,069**	2,019	(1,862)	157

8. Financing and Investment income and expenditure

Financing and investment income and expenditure in the year totalled £59.1m (2010/11 £61.4m).

	2011/12 Expenditure	**2011/12 Income**	**2011/12 Total**	2010/11 Expenditure	2010/11 Income	2010/11 Total
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
Interest payable:						
On bank account	3	-	**3**	10	-	10
On other loan	86	-	**86**	108	-	108
Pensions interest cost	65,018	-	**65,018**	66,310	-	66,310
Expected return on pensions assets	-	(5,381)	**(5,381)**	-	(4,710)	(4,710)
Interest income from cash and cash equivalents and short-term investments	-	(315)	**(315)**	-	(382)	(382)
Amounts in relation to Investment Properties:						
Net rental expenditure	49	(14)	**35**	67	(17)	50
Movement in fair value	-	(358)	**(358)**	47	-	47
Total	**65,156**	**(6,068)**	**59,088**	66,542	(5,109)	61,433

Investment Property rentals

Gross and net rental income from Investment Properties.

	2011/12	2010/11
	£'000	£'000
Properties let to tenants under operating leases:		
Gross rent receivable	14	17
Property operating expenses	(5)	(9)
	9	8
Properties that did not generate any rental income:		
Property operating expenses	(44)	(58)
Net rental expenditure	**(35)**	(50)

9. Taxation and Non-Specific Grant Income

		2011/12	2010/11
	Note	**£'000**	£'000
Precept Income	10	61,352	61,186
Non-Domestic Rates redistribution		24,221	28,725
Home Office grant payable towards the cost of retirement benefits		12,024	10,007
Non-ringfenced Government Grants:			
- Police Grant		47,245	45,689
- Revenue Support Grant		7,487	4,171
Capital Grants and contributions		979	1,441
Total		**153,308**	151,219

10. Precept Income

The Police Authority levies a precept on all the District and Unitary Councils within North Yorkshire equivalent to the amount they need to collect in Council Tax on behalf of the North Yorkshire Police Authority.

		2011/12	2010/11
	Note	**£'000**	£'000
Precept set by NYPA		61,289	61,011
Collection fund surplus received		275	124
		61,564	61,135
Adjustment of surplus to accruals basis	3d	(212)	51
Total		**61,352**	61,186

The constituent Councils' contributions were as follows:-

	2011/12	2010/11
	£'000	£'000
Craven	4,597	4,592
Hambleton	7,399	7,369
Harrogate	12,614	12,685
Richmondshire	3,929	3,941
Ryedale	4,370	4,327
Scarborough	8,489	8,479
Selby	6,226	6,128
York	13,728	13,665
Total	**61,352**	61,186

11. Grant Income

In addition to the grants included in Taxation and Non-Specific Grants Income (Note 9), the Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2011/12:

	2011/12	2010/11
Credited to Services	**£'000**	£'000
Rural Funding Allocation *	-	906
Anti-Terrorism	1,256	1,517
Basic Command Unit Funding *	-	357
Crime Fighting Fund *	-	1,951
Criminal Records Bureau	370	591
Debt Charges Grant	164	175
DNA / Forensic *	-	471
Economic Crime Unit	253	135
Local Criminal Justice Board Grant	44	153
PCSO Funding / Neighbourhood Police Grant	3,422	3,422
Special Officers Training Grant	11	-
Special Priority Payments *	-	886
Initial Police Training Grant *	-	76
Domestic Violence Coordinators	107	73
Odyssey	35	12
95 Alive	29	125
Impact	22	-
Precept Freeze Grant	1,532	-
National Procurement Hub	3	-
Special Police Grant	751	-
Total	**7,999**	10,850

* Grants totalling £4.647m have been incorporated into the Police Grant with effect from 1 April 2011.

The Authority has received a number of grants that have yet to be recognised as income as they have conditions attached to them which have not been met during the year. At 31 March 2012 current liabilities include £205k (2011 £236k) in respect of Revenue Grants received in advance and £4k (2011 £nil) in respect of Capital Grants received in advance.

12. Other amounts credited/charged to the Comprehensive Income and Expenditure Statement

12 (a) Movement in provisions

There has been a significant increase in provisions for other insurances. This follows an actuarial review which enabled a quantification of the potential cost of claims not yet made (see Note 25).

12 (b) Inventories expensed during the period

	2011/12	2010/11
	£'000	£'000
Uniforms/other items	295	281
Garage	340	302
Write-down of inventories recognised	9	(2)
Total inventory charges recognised in the Comprehensive Income & Expenditure Statement	**644**	581

There were no reversals of any previous write-down in inventories.

12 (c) Sponsorship

The Authority has the power to receive gifts, loans of property and sponsorship up to a limit of 1% of the annual revenue budget (2011/12 limit £1.4m). Contributions are made under specific agreements and if not utilised in the year of receipt are carried forward. During the year £33k (2010/11 £8k) was utilised from the sponsorship and donation accounts in reflection of expenditure primarily on focused safety and crime reduction initiatives. £12k (2010/11 £11k) has been carried forward into 2012/13.

12 (d) Police Authority Costs

In 2011/12 net Police Authority costs amounted to £1.101m (2010/11 £1.367m), analysed as follows:-

	2011/12	2010/11
	£'000	£'000
Statutory Officers	158	185
Direct Members Costs	195	206
Other Members Costs	-	5
Support : Employees Costs	262	211
Support : Treasurer costs	194	186
Support : Other Costs	25	166
External Audit Fees	73	79
Internal Audit Fees	58	69
Subscriptions	22	33
Authority Initiatives	106	127
Other (including Local Policing Summaries)	64	100
Total Expenditure	**1,157**	1,367
Income from recharge of staff to other Police Authorities	(56)	-
Net Expenditure	**1,101**	1,367

Further details of members of the Police Authority, and their remuneration, are contained in the Remuneration Report.

12 (e) Audit Fees

The Police Authority incurred the following fees relating to external audit and inspection (all payable to the Audit Commission). No other services have been provided by the external auditors in 2011/12 (2010/11 £nil).

	2011/12	2010/11
	£'000	£'000
External Audit Fees	73	79
Other services	-	-
Total	**73**	79

13. Partnership Arrangements

13 (a) Local Criminal Justice Board (LCJB)

The Force provides financial management on behalf of the LCJB, which is a combined Board made up of Criminal Justice Agencies.

During 2011/12 the Authority received funding of £nil (2010/11 £126,000) from the Office for Criminal Justice Reform on behalf of the LCJB. Expenditure of £43,708 (2010/11 £120,251) has been incurred and included in these accounts, funded by grant income brought forward from 2010/11.

13 (b) Regional Collaboration

The Regional Collaboration Programme was developed following the Home Office withdrawal of its plans in 2005 to merge Police Forces. Regional Collaboration is very different to a formal merger and is bringing opportunities to the participating Forces across many policing activities whilst retaining local Police Forces, local identity and local accountability.

Governance arrangements are in place to support regional collaboration. A Joint Police Authority Committee (JPAC) is constituted under section 101 and 107 of the Local Government Act 1972. JPAC is a sub-committee of each participating Police Authority and was the first of its kind in the country. It comprises the chairs, vice-chairs and other members from each of the four police authorities and was formed to support Section 23 of the Police Act 1996/Police and Justice Act 2006. Income and expenditure charged to the Regional Collaboration programme is in accordance with the Financial Regulations and Standing Orders of West Yorkshire Police Authority.

Regional Collaboration is funded from contributions made by the four participating forces. Where there is deemed to be equal benefit the contribution is based on equal shares. Where benefit is not deemed to be equal, the level of contribution from each Force is dependant upon an assessment of the benefit to be derived from each specific project or initiative, primarily based upon net revenue expenditure proportions.

West Yorkshire Police Authority publish memorandum accounts for the Regional Collaboration Programme within their Financial Statements. The memorandum accounts for 2011/12 show the following information:

	2011/12	2010/11
	£'000	£'000
Staff Costs	6,368	5,006
Property related expenses	379	845
Supplies and services	1,418	1,136
Transport related expenses	729	696
Expenditure	**8,894**	7,683
Contributions	7,712	6,295
Other income – Home Office	1,240	1,528
Income	**8,952**	7,823
Surplus in year	**58**	140
Contributions		
West Yorkshire	**3,090**	2,366
South Yorkshire	**1,987**	1,558
North Yorkshire	**1,189**	1,091
Humberside	**1,446**	1,280
Total Contributions	**7,712**	6,295

JPAC have agreed to the adoption of a lead force/authority model to provide managers and staff/officers engaged in Regional Working with consistent Human Resources policy and practices. South Yorkshire Police Authority have agreed to act as the lead authority. Under this arrangement, South Yorkshire Police Authority will employ police staff on a permanent, substantive basis and Police officers will be seconded to South Yorkshire Police. The other Police Authorities within the Yorkshire and Humberside Region have agreed to indemnify South Yorkshire Police Authority to ensure that any costs are shared between them in the event of any employment tribunal or civil court claims related to regional employment.

Specific Home Office funding related to services delivered via the regional structure are shown within the contributions. This expenditure is included under the appropriate cost headings within the Comprehensive Income and Expenditure Account "Net Cost of Services".

The total net expenditure of this Authority during 2011/12 in relation to the Yorkshire and the Humber regional collaboration work is £1,188k (2010/11 £1,078k). £1,189k (2010/11 £1,091k) was contributed directly to the Joint Arrangement managed by West Yorkshire Police Authority. The difference of £1k (2010/11 £13k) reflects costs recovered in excess of actual in-year spend.

Regional Collaboration costs have had the following impact on the Cost of Police Services shown on the face of the Comprehensive Income and Expenditure Statement:

Current Year	Share of Regional Expenditure	NYPA Expenditure	**Total Expenditure**	NYPA Income	**Net Impact**
	£'000	£'000	**£'000**	£'000	**£'000**
Roads Policing	377	-	**377**	-	**377**
Intelligence	578	-	**578**	-	**578**
Specialist Investigations	234	-	**234**	-	**234**
National Policing	-	590	**590**	(591)	**(1)**
Total	**1,189**	**590**	**1,779**	**(591)**	**1,188**

This analysis is not available for 2010/11.

14. Property, Plant and Equipment

Movements in Property, Plant and Equipment during the year ending 31 March 2012 were as follows:-

Current Year	Note	**Police Stations and other commercial properties**	**Police Houses**	**Plant and Equipment**	**Vehicles**	**Assets under Construction**	**Total**
		£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Cost or Valuation							
Opening Value at 1 April 2011		27,432	3,264	11,991	8,772	5,125	56,584
Additions		3,805	-	1,295	1,045	9,376	15,521
Disposals		(1,078)	-	(284)	(634)	-	(1,996)
Reclassifications		-	(1,676)	-	-	-	(1,676)
Revaluations	18c	(4,865)	284	-	-	-	(4,581)
Impairments	18d	-	-	-	-	-	-
Closing Value at 31 March 2012		**25,294**	**1,872**	**13,002**	**9,183**	**14,501**	**63,852**
Depreciation							
Opening Value at 1 April 2011		(125)	(44)	(6,681)	(4,396)	-	(11,246)
Charge for the year		(687)	(57)	(1,811)	(1,395)	-	(3,950)
Reclassifications		-	-	-	-	-	-
Write back depreciation on disposals		30	-	283	614	-	927
Write back depreciation on revaluations	18c	678	77	-	-	-	755
Write back depreciation on impairments	18d	-	-	-	-	-	-
Closing Value at 31 March 2012		**(104)**	**(24)**	**(8,209)**	**(5,177)**	**-**	**(13,514)**
Net Book Value as at 31 March 2012		**25,190**	**1,848**	**4,793**	**4,006**	**14,501**	**50,338**

Net book value at 31 March 2012 can be analysed as follows:	
Property, Plant and Equipment	35,837
Assets under construction	14,501
	50,338

Movements in Property, Plant and Equipment during the year ending 31 March 2011 were as follows:-

Prior Year	Note	**Police Stations and other commercial properties**	**Police Houses**	**Plant and Equipment**	**Vehicles**	**Assets Under Construction**	**Total**
		£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Cost or Valuation							
Opening Value at 1 April 2010		24,269	4,692	9,533	9,411	739	48,644
Additions		3,417	3	2,585	1,894	4,386	12,285
Disposals		-	-	(77)	(2,583)	-	(2,660)
Reclassifications		-	(1,559)	(50)	50	-	(1,559)
Revaluations	18c	(254)	128	-	-	-	(126)
Impairments	18d	-	-	-	-	-	-
Closing Value at 31 March 2011		**27,432**	**3,264**	**11,991**	**8,772**	**5,125**	**56,584**
Depreciation							
Opening Value at 1st April 2010		-	-	(4,915)	(5,300)	-	(10,215)
Charge for the year		(509)	(99)	(1,870)	(1,487)	-	(3,965)
Reclassifications		-	-	38	(38)	-	-
Write back depreciation on disposals		-	-	66	2,429	-	2,495
Write back depreciation on revaluations	18c	384	55	-	-	-	439
Write back depreciation on impairments	18d	-	-	-	-	-	-
Closing Value at 31 March 2011		**(125)**	**(44)**	**(6,681)**	**(4,396)**	**-**	**(11,246)**
Net Book Value as at 31 March 2011		**27,307**	**3,220**	**5,310**	**4,376**	**5,125**	**45,338**
Net Book Value as at 1 April 2010		**24,269**	**4,692**	**4,618**	**4,111**	**739**	**38,429**

Net book value at 31 March 2011 can be analysed as follows:	
Property, Plant and Equipment	40,213
Assets under construction	5,125
	45,338

The Authority does not have any finance leases.

The Land and Buildings (police stations and other commercial properties plus police houses) are held at market valuation. The Authority has decided to undertake valuations on a rolling two year basis. All the larger properties plus approximately 50% of the rest of the portfolio were valued at 31 March 2011 and the larger properties plus the remaining 50% have been valued at 31 March 2012. The valuers, Mouchel Parkman, have confirmed that from the work undertaken by Mr G Tyerman MRICS no material impairments are required for the properties that have not been valued. The valuations were undertaken in accordance with the RICS Valuation Standards ("The Red Book") published by the Royal Institution of Chartered Surveyors.

The depreciation charge for the year, amounting to £3.9m (2010/11 £4.0m), has been charged to the Comprehensive Income and Expenditure Statement within Net Cost of Services.

Land and Buildings include a Police Box valued at £28k which is not being depreciated on the advice of the valuers.

15. Investment Property

Movements in investment property during the year are shown below:

	Note	**2011/12**	2010/11
		£'000	£'000
Brought forward carrying value at 1 April		**1,167**	1,918
Additions - other expenditure		-	-
Reclassification to Assets held for Sale		(570)	(704)
Revaluations included in income and expenditure account	18c	358	(47)
Carrying value at 31 March		**955**	1,167

All Investment Properties are freehold. Investment Properties are those held to earn rentals or for capital appreciation or both, rather than for use in the provision of services or for administrative purposes. All Investment Properties are either unlet or let to tenants under operating leases.

Investment Properties are held at market valuation. The Authority has decided to undertake valuations on a rolling two year basis. Approximately 50% of the portfolio was valued at 31 March 2011 and the remaining 50% has been valued at 31 March 2012. The valuers, Mouchel Parkman, have confirmed, from the work undertaken by Mr G Tyerman MRICS, that there were no material impairments for the properties that have not been valued. The valuations were undertaken in accordance with the RICS Valuation Standards ("The Red Book") published by the Royal Institution of Chartered Surveyors.

At the balance sheet date the Authority held a total of 7 investment properties (2010/11 10). All these properties were previously operational properties which are no longer required for operational purposes.

16. Intangible Assets

Intangible Assets comprise purchased software only. Movements during the year are shown below:

	2011/12	2010/11
	£'000	£'000
Cost		
Balance at 1 April	**3,415**	2,877
Additions - purchased	624	539
Balance at 31 March	**4,039**	3,416
Amortisation		
Balance at 1 April	**(1,624)**	(989)
Charge for the year	(646)	(634)
Balance at 31 March	**(2,270)**	(1,623)
Net Book Value at 31 March	**1,769**	1,793

The amortisation charge for the year, amounting to £646k (2010/11 £634k), has been charged to the Comprehensive Income and Expenditure Account within Net Cost of Services.

17. Assets Held for Sale

	Note	**2011/12 £'000**	2010/11 £'000
Balance at 1 April		**408**	-
Assets newly classified as held for sale:			
Property, Plant and Equipment		1,676	1,559
Investment Properties		570	704
Disposals		(2,047)	(1,855)
Revaluations	18c	(87)	-
Balance at 31 March		**520**	408

18. Analysis of amounts in relation to Non-Current Assets

18 (a) Financing of Non-Current Assets

The additions to non-current assets of £16.145m (2010/11: £12.824m) included a £6k donated vehicle. The table below shows the resources that have been used to finance the additions. Where capital expenditure is to be financed in future years by charges to revenue, the expenditure results in an increase in the Capital Financing Requirement (CFR). The CFR is a measure of the capital expenditure incurred historically that has yet to be financed.

		Note	**2011/12 £'000**	**2011/12 £'000**	2010/11 £'000
Opening Capital Financing Requirement				**1,292**	1,527
Capital Expenditure	Property, Plant and Equipment		15,515		12,285
	Donated vehicle		6		
	Sub-total	14	15,521		
	Intangible Fixed Assets	16	624	16,145	539
				17,437	14,351
Sources of finance:					
Capital Receipts				(2,047)	(1,863)
Capital Grants				(979)	(1,809)
Sums set aside from Revenue and Revenue Reserves		2	(13,113)		(9,152)
Donation Income			(6)	(13,119)	-
Minimum Revenue Provision				(235)	(235)
Closing Capital Financing Requirement				**1,057**	1,292

18 (b) Major Capital Schemes

The major items of capital expenditure are detailed in the table below:

Description	2011/12	2010/11
	£'000	£'000
IS Replacement Equipment	373	1,503
Estates Strategy - Major Schemes	3,743	3,409
Fleet Programme	1,040	1,894
Airwave Handheld Radios	737	-
Mobile Data	22	287
Capital work-in-progress - new build	9,375	4,387
Force Control Room Relocation	617	-
Vehicle Radio Replacement	-	690
Other Schemes (Below £200K)	232	654
Donated Vehicle	6	-
Total	**16,145**	12,824
The expenditure was incurred across the following asset categories:		
Property, plant and equipment	15,521	12,285
Investment Property	-	-
Intangible Assets	624	539
Total	**16,145**	12,824

18 (c) Revaluation

The revaluations have had the following impact on these accounts:-

Current Year	Land and Buildings	Police Houses	Sub Total	Investment Properties	Assets held for sale	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Revaluation charged/(credited) to Revaluation Reserve	437	(292)	145	-	44	189
Revaluation charged/(credited) to Income and Expenditure	3,750	(69)	3,681	(358)	43	3,366
Total	**4,187**	**(361)**	**3,826**	**(358)**	**87**	**3,555**
Cost	4,865	(284)	4,581	(358)	87	4,310
Depreciation	(678)	(77)	(755)	-	-	(755)
Total	**4,187**	**(361)**	**3,826**	**(358)**	**87**	**3,555**

Prior Year	Land and Buildings	Police Houses	Sub Total	Investment Properties	Assets held for sale	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Revaluation (credited) to Revaluation Reserve	(2,333)	(174)	(2,507)	-	-	(2,507)
Revaluation charged/(credited) to Income and Expenditure	2,203	(9)	2,194	47	-	2,241
Total	**(130)**	**(183)**	**(313)**	**47**	**-**	**(266)**
Cost	254	(128)	126	47	-	173
Depreciation	(384)	(55)	(439)	-	-	(439)
Total	**(130)**	**(183)**	**(313)**	**47**	**-**	**(266)**

At 31 March 2012 the cost or valuation of assets subject to revaluation can be analysed as follows (all other assets are held at cost):

	Land and Buildings	Police Houses	Sub Total	Investment Properties	Assets held for sale	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Revalued at:						
31 March 2011	4,123	978	**5,101**	269	382	**5,752**
31 March 2012	21,171	894	**22,065**	686	138	**22,889**
Total	**25,294**	**1,872**	**27,166**	**955**	**520**	**28,641**

18 (d) Impairment

Property, Plant and Equipment and Investment Properties

The surveyors were requested to review the condition of the assets not valued at 31 March 2012 and have confirmed that they do not consider that there is any material impairment in connection with the condition of these properties (31 March 2011 - none).

The surveyors provided information on changes in market values on a district by district basis and the Authority has concluded that the changes in market value are not material. Accordingly, no impairments have been recorded at 31 March 2012 (31 March 2011 - none).

Intangible Assets

There were no impairments of intangible assets at 31 March 2012 (31 March 2011 - none)

18 (e) Amounts charged to Comprehensive Income and Expenditure Account

	Note	**2011/12**	2010/11
		£'000	£'000
Depreciation of Property, Plant and Equipment	14	3,950	3,965
Revaluation	18c	3,681	2,194
Impairment		-	-
Sub-Total Property, Plant and Equipment		**7,631**	6,159
Amortisation of Intangible Fixed Assets	16	646	634
Revaluation Investment Properties	18c	(358)	47
Revaluation Assets Held for Sale	18c	43	-
Total		**7,962**	6,840

18 (f) Capital Commitments

At 31 March the Authority was committed to the following capital expenditure:-

	31 March 2012	31 March 2011
	£'000	£'000
IS Replacement Equipment	-	19
Plant and Equipment	112	-
Estates Strategy	1,219	1,124
Major Capital New Provision	3,516	11,326
Fleet Vehicles	550	97
Automated Number Plate Recognition	11	-
Software/System Upgrades	135	-
Information Systems Rolling Programme	36	15
Estates Transformation Programme Improvements	9	-
Total as at 31 March	**5,588**	12,581

Capital commitments related to the following asset categories:		
Property, plant and equipment	5,437	12,581
Investment Property	-	-
Intangible Assets	151	-
Total	**5,588**	12,581

There were no commitments in relation to repairs or maintenance at the year end (2010/11: £nil).

19. Financial Instruments

	Long-term		**Current**	
	31 March 2012	31 March 2011	**31 March 2012**	31 March 2011
	£'000	£'000	**£'000**	£'000
Debtors				
Loans and receivables (incl accrued interest)	-	-	38,793	42,968
Total Debtors	**-**	-	**38,793**	42,968
Borrowings				
Financial liabilities at amortised cost	471	706	236	235
Total Borrowings	**471**	706	**236**	235
Creditors				
Financial liabilities at amortised cost	-	-	11,117	12,699
Total Creditors	**-**	-	**11,117**	12,699

Income, Expense, Gains and Losses

	2011/12			2010/11		
	Financial Liabilities measured at amortised cost	**Financial Assets: Loans and receivables**	**Total**	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Interest expense	(89)	-	(89)	(118)	-	(118)
Total expense in Surplus or Deficit on the Provision of Services	**(89)**	**-**	**(89)**	(118)	-	(118)
Interest income	-	315	315	-	382	382
Total income in Surplus or Deficit on the Provision of Services	**-**	**315**	**315**	-	382	382
Net gain/(loss) for the year	**(89)**	**315**	**226**	(118)	382	264

Fair Value of Assets and Liabilities Carried at Amortised Cost

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

- For Public Works Loan Board (PWLB) and other loans payable, the discount rate used is the PWLB rate for new borrowing;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable, the fair value is taken to be the carrying amount or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair value of each class of financial assets and liabilities which are carried in the balance sheet at amortised cost is disclosed below.

Financial Liabilities - carried at amortised cost

	31 March 2012		31 March 2011	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	£'000	**£'000**	£'000	£'000
Bank overdraft	479	479	1,928	1,928
Short-term borrowing	236	236	235	235
Long-term borrowing	471	632	706	942
Other Creditors	10,638	10,638	10,771	10,771
Financial liabilities	**11,824**	**11,985**	13,640	13,876
Current	11,353	11,353	12,934	12,934
Long-term	471	632	706	942
	11,824	**11,985**	13,640	13,876

The fair value is greater than the carrying amount because the long-term borrowing is at a fixed rate and the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date.

Financial Assets - Loans and receivables

	31 March 2012		31 March 2011	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	£'000	**£'000**	£'000	£'000
Short-term investments	-	-	9,420	9,437
Cash and cash equivalents	31,888	31,889	28,961	28,962
Debtors	8,151	8,151	5,794	5,794
Provision for doubtful debts	(1,246)	(1,246)	(1,207)	(1,207)
Total Financial Assets	**38,793**	**38,794**	42,968	42,986

The differences between fair value and the carrying amount are attributable to fixed interest instruments receivable being held with interest rates that are higher than the prevailing rate estimated to be available at 31 March.

20. Inventories

	31 March 2012	31 March 2011
	£'000	£'000
Uniforms/Other Items	136	133
Garage	110	78
Total as at 31 March	**246**	211

All inventories comprise supplies used in the provision of services.

21. Debtors

	31 March 2012	31 March 2011
	£'000	£'000
Amounts receivable from related parties:		
Central government bodies	4,410	2,063
Other Local Authorities (including Police Authorities)	647	620
NHS bodies	1	7
Other debtors external to general government	3,093	3,105
	8,151	5,795
Provision for Doubtful Debts	(1,246)	(1,207)
	6,905	4,588
Value Added Tax	1,628	781
Payments in advance	3,110	654
Total as at 31 March	**11,643**	6,023

Other Local Authorities (including Police Authorities) includes £54k (2010/11 £91k) in respect of regional collaboration with other Police Authorities in Yorkshire and Humberside.

All debtors at the end of the current and previous year are due within one year.

Movement in the provision for doubtful debts during the year was as follows:

	2011/12	2010/11
	£'000	£'000
Balance at beginning of year	**(1,207)**	(1,207)
Written off as uncollectable	-	-
Recovered during the year	-	
Provided against in year	(39)	-
Balance at end of year	**(1,246)**	(1,207)

The Authority does not generally allow extended credit for customers, such that only £269k (2010/11 £173k) of the £631k (2010/11 £801k) listed debtors balance is past its due date for payment. The past due amount can be analysed as follows:

	31 March 2012	31 March 2011
	£'000	£'000
Less than three months	(11)	29
Three to six months	73	14
Six months to one year	58	40
More than one year	149	90
Total	**269**	173

22. Cash and cash equivalents

	31 March 2012	31 March 2011
	£'000	£'000
Cash at bank and in hand	22	24
Short-term deposits falling due within 3 months	31,866	28,937
Cash and short-term deposits	**31,888**	28,961
Bank current account	(479)	(1,928)
Total cash and cash equivalents	**31,409**	27,033

Banking Arrangements

The Authority has the following facilities with North Yorkshire Barclays Corporate:

- BACS £24,500,000
- Company Barclaycard £215,000
- Business Internet Banking £10,000,000

The Authority holds two current accounts, one is a holding account from which wages and salaries are paid, the other is for general banking and at the end of each day cleared balances are automatically swept into the Business Premium account which earns 0.25%. There are also two Treasury Fixed Deposit accounts.

The Authority does not have a formal overdraft facility in place and no security is provided to the bank for the above banking arrangements. At 31 March 2012 and 31 March 2011 cheques written but not yet presented at the bank resulted in the bank account balance showing as overdrawn.

23. Borrowing

The Authority has a loan transferred from North Yorkshire County Council. The loan is unsecured and is repayable in equal instalments of £235,400 per annum. Interest is due on the loan at a fixed rate of 9.145% per annum.

An analysis of the remaining repayments for the loan is presented below. It is based on the remaining period at the balance sheet date to the contractual maturity date. The amounts presented are the contractual undiscounted cash flows based on the earliest date on which the Authority can be required to pay.

	31 March 2012	31 March 2011
	£'000	£'000
Within one year	236	235
Between one and two years	236	236
Between two and five years	235	470
	707	941
Less: amount due for settlement within one year (shown within current liabilities)	(236)	(235)
Amount due for settlement after one year	**471**	706

24. Creditors

	31 March 2012	31 March 2011
	£'000	£'000
Amounts due to related parties:		
Central government bodies	82	129
Other local authorities (including Police Authorities)	570	584
NHS bodies	3	1
Public corporations and trading funds	80	144
HMRC employment taxes and national insurance	2,186	2,257
Other creditors external to government	10,462	10,547
Income and grants received in advance	802	776
Total as at 31 March	**14,185**	14,438

Other local authorities (including Police Authorities) includes £20k (2010/11 £nil) in respect of regional collaboration with other Police Authorities in Yorkshire and Humberside.

25. Provisions

2011/12	Employee Related	Other Insurance	Total
	£'000	£'000	£'000
At 1 April 2011	**570**	**1,410**	**1,980**
Additional provision required	402	375	777
Amounts utilised during year	(194)	(209)	(403)
Unused amounts credited to income statement	-	-	-
Effect of discount	-	-	-
At 31 March 2012	**778**	**1,576**	**2,354**

Provisions have been analysed between short-term and long-term as follows:

	Employee Related	Other Insurance	Total
2011/12	£'000	£'000	£'000
Short-term	669	687	1,356
Long-term	109	889	998
Total	**778**	**1,576**	**2,354**
2010/11			
Short-term	380	561	941
Long-term	190	849	1,039
Total	570	1,410	1,980

All cases are individually insignificant. Employee Related provisions relate to claims arising from the Authority's employers liability cover, together with other employee related provisions. Other Insurance provisions relate to claims arising from the Authority's non-employee related insurance cover, principally motor and material damage claims.

Sums have been set aside to provide for the settlement of on-going claims not covered by insurers (identified as Provisions) and to provide for other possible events that might give rise to claims retained in Reserves. Based on past experience of the time taken to settle claims, an estimate has been made of the proportion of claims which are likely to be settled within 12 months of the balance sheet date, and these are provided as current liabilities.

The Authority has made arrangements with its insurers to provide cover for:

- liability claims subject to a policy excess of £75,000 for any one occurrence;
- liability and third party motor claims aggregating over £1.2 million;
- third party motor claims subject to an excess of £75,000 for any one occurrence;
- material damage to property, together with consequential business interruption, subject to a policy excess of £1,000 for any one occurrence in respect of all risks cover, £250 for any one occurrence in respect of cover for Money and £75,000 for any one occurrence for all other incidents;
- computer, motor uninsured loss recovery, engineering, airside liability, fidelity guarantee, personal accident, travel and contract works subject to policy terms and conditions.

A thorough review of the level of provisions has identified an increase in the amount required to be held as a provision against outstanding insurance claims.

There are no reimbursements from third parties expected in relation to any of the above provisions.

26. Retirement Benefits

Participation in Pension Schemes

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

The Authority participates in three pension schemes:-

- The Local Government Pension Scheme (LGPS) for Police Staff, administered by North Yorkshire County Council. This is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

- Two Police Pension Schemes for Police Officers. These are unfunded defined benefit final salary schemes, meaning that there are no investment assets built up to meet the pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due. The second scheme was introduced in April 2006 with the intention that joint contributions of employers and employees would finance the full costs of pension liabilities. All Police Officers recruited from April 2006 onwards will become members of the new scheme and the previous scheme has been closed to new members. The Authority's participation in the Police Schemes is administered by Greater Manchester Police Authority.

Under the Police Pension Fund Regulations 2007, if the amounts receivable by the pension funds for the year is less than the amounts payable, the Police Authority must annually transfer to the pension funds an amount required to meet the deficit. Subject to parliamentary scrutiny and approval, up to 100% of this cost is met by a central government pension top-up grant. If however the pension funds are in surplus for the year, the surplus is required to be transferred from the pension funds to the Police Authority which must then repay the amount to central government.

Transactions Relating to Retirement Benefits

The cost of retirement benefits is recognised in the Net Cost of Services when they are earned by employees, 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 General Fund Balance.

Following advice received from the Authority's auditors, the presentation of the transactions in respect of the Police Pension funds have been amended to show reduced contribution from the Authority and an actuarial gain on the assets of Police Pension Schemes. The comparative figures for 2010/11 have been restated on the same basis.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement during the year:-

	2011/12				2010/11 Restated
	LGPS	**Police Pension Scheme 1987**	**Police Pension Scheme 2006**	**Total**	Total
	£'000	**£'000**	**£'000**	**£'000**	£'000
Comprehensive Income and Expenditure Statement					
Net Cost of Services					
Current Service Cost	4,359	21,250	1,810	**27,419**	30,493
Past Service Cost - exceptional item	-	-	-	**-**	(124,431)
Curtailment Cost	840	-	-	**840**	170
	5,199	21,250	1,810	**28,259**	(93,768)
Financing and Investment Income and Expenditure:					
Interest Cost	6,268	58,210	540	**65,018**	66,310
Expected return on assets in the scheme	(5,381)	-	-	**(5,381)**	(4,710)
	887	58,210	540	**59,637**	61,600
Net charge (credit) to surplus or deficit on provision of services	6,086	79,460	2,350	**87,896**	(32,168)
Other comprehensive income					
Actuarial (gains) and losses on scheme assets and liabilities	4,122	1,702	2,388	**8,212**	(44,431)
Net charge (credit) to Comprehensive Income and Expenditure Statement	**10,208**	**81,162**	**4,738**	**96,108**	(76,599)
Movement in Reserves Statement					
Reversal of net charges made to surplus or deficit on provision of services for retirement benefits in accordance with IAS19	6,086	79,460	2,350	**87,896**	(32,168)
Actual amount charged against the General Fund Balance for the year					
Employers contribution payable to the scheme	(5,820)	(12,252)	(1,178)	**(19,250)**	(19,669)
Retirement benefits payable to pensioners	-	(2,200)	-	**(2,200)**	(1,970)
Total	**266**	**65,008**	**1,172**	**66,446**	(53,807)

The figures for the Police Pension Scheme 1987 include the Injury Awards which are funded directly by the Police Authority.

In addition to the recognised gains and losses included in the Comprehensive Income and Expenditure Statement, actuarial losses of £8.212m (2010/11 gains £14.431m) are included in the Movement in Reserves Statement. The cumulative amount of actuarial losses recognised in Other Comprehensive Income and Expenditure (previously the Statement of Total Recognised Gains and Losses) since the inception of revised accounting for pension benefits in 2003/04 is £391.635m (2010/11 £383.423m).

Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of present value of scheme liabilities

	2011/12				2010/11
	Funded Liabilities	**Unfunded Liabilities**		**Total**	Total
	LGPS	**Police Pension Scheme 1987**	**Police Pension Scheme 2006**		
	£'000	**£'000**	**£'000**	**£'000**	£'000
Balance at 1 April	(112,880)	(1,024,870)	(8,230)	**(1,145,980)**	(1,232,537)
Current service cost	(4,359)	(21,250)	(1,810)	**(27,419)**	(30,493)
Interest cost	(6,268)	(58,210)	(540)	**(65,018)**	(66,310)
Contributions by scheme participants	(1,711)	(5,650)	(630)	**(7,991)**	(8,657)
Actuarial gains and (losses)	-	(15,680)	(580)	**(16,260)**	33,494
Benefits paid	3,897	34,080	-	**37,977**	34,262
Curtailment cost	(840)	-	-	**(840)**	(170)
Past service costs	-	-	-	**-**	124,431
Balance at 31 March	**(122,161)**	**(1,091,580)**	**(11,790)**	**(1,225,531)**	(1,145,980)

Reconciliation of fair value of the scheme assets

	2011/12				2010/11 Restated
	LGPS	**Police Pension Scheme 1987**	**Police Pension Scheme 2006**	**Total**	Total
	£'000	**£'000**	**£'000**	**£'000**	£'000
Balance at 1 April	81,812	-	-	**81,812**	70,131
Expected return on plan assets	5,381	-	-	**5,381**	4,710
Actuarial gains and (losses)	(4,122)	13,978	(1,808)	**8,048**	10,937
Employer contributions	5,820	14,452	1,178	**21,450**	21,639
Contributions by scheme participants	1,711	5,650	630	**7,991**	8,657
Benefits paid	(3,897)	(34,080)	-	**(37,977)**	(34,262)
Balance at 31 March	**86,705**	**-**	**-**	**86,705**	81,812

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

The actual gain on scheme assets in the year was £1.259m (2010/11 gain £5.437m).

Scheme History

	2011/12	2010/11	2009/10 restated	2008/09 restated	2007/08
	£'000	£'000	£'000	£'000	£'000
Present value of liabilities:					
LGPS	(122,161)	(112,880)	(112,397)	(69,985)	(82,576)
Police Pension Scheme 1987	(1,091,580)	(1,024,870)	(1,115,030)	(747,090)	(794,620)
Police Pension Scheme 2006	(11,790)	(8,230)	(5,110)	(1,650)	(1,380)
Total	**(1,225,531)**	(1,145,980)	(1,232,537)	(818,725)	(878,576)
Fair value of assets (LGPS):	86,705	81,812	70,131	39,365	54,062
Surplus/(deficit) in the scheme:					
LGPS	(35,456)	(31,068)	(42,266)	(30,620)	(28,514)
Police Pension Scheme 1987	(1,091,580)	(1,024,870)	(1,115,030)	(747,090)	(794,620)
Police Pension Scheme 2006	(11,790)	(8,230)	(5,110)	(1,650)	(1,380)
Total	**(1,138,826)**	(1,064,168)	(1,162,406)	(779,360)	(824,514)

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £1,138.826m (2010/11 £1,064.168m) has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance of £1,059.192m (2010/11 £990.134m). However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy.

The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

Finance is only required to be raised to cover Police Pensions when the pensions are actually paid. Funding arrangements for the Police Pension Fund are detailed in the Police Pension Fund Accounts.

The projected employer contribution rates for 2012/13 as provided by the Actuary are as follows:

Scheme	**Percentage of pensionable pay**
Local Government Pension Scheme (LGPS)	16.8%
Police Pension Scheme 1987	55.2%
Police Pension Scheme 2006	48.8%

These are the projected rates that would be required to fully cover the pension costs arising in the year and do not represent the actual cost or contributions to be made.

History of experience gains and losses

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

	2011/12	2010/11	2009/10 restated	2008/09 restated	2007/08 restated
	%	%	%	%	%
Differences between the expected and actual return on assets:					
Percentage of scheme assets	**(5.0%)**	0.9%	30.4%	29.3%	8.4%
Experience gains and losses on liabilities:					
Percentage of scheme liabilities	**(1.5%)**	(1.3%)	(0.5%)	(1.7%)	(0.4%)

The Authority expects to make employer contributions of £4.254m to the Local Government Pension Scheme in the year to 31 March 2013. Employer contributions to the Police Pension Schemes in the same period are expected to be £12.870m.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Police Pension Schemes liabilities have been assessed by the Government Actuary's Department ("GAD") and the LGPS liabilities have been assessed by Mercer Limited, an independent firm of actuaries, estimates for the LGPS being based on the latest full valuation of the scheme as at 31 March 2010.

The principal assumptions used by the actuaries have been:-

	Local Government Pension Scheme		**Police Pension Schemes**	
	2011/12	2010/11	**2011/12**	2010/11
Long-term expected rate of return in assets in the scheme:				
Equity investments	**7.0%**	7.5%	**-**	-
Government bonds	**3.1%**	4.4%	-	-
Other bonds	**4.1%**	5.1%	-	-
Cash/liquidity	**0.5%**	0.5%	-	-
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	**22.2 yrs**	22.1 yrs	**23.3 yrs**	24.1 yrs
Women	**24.8 yrs**	24.7 yrs	**25.7 yrs**	27.3 yrs
Longevity at 65 for future pensioners				
Men	**23.6 yrs**	23.5 yrs	**25.6 yrs**	26.1 yrs
Women	**26.4 yrs**	26.3 yrs	**27.8 yrs**	29.2 yrs
Rate of inflation	**2.6%**	3.00%	**2.50%**	3.00%
Rate of increase in salaries	**4.35%**	4.75%	**4.70%**	5.30%
Rate of increase in pensions	**2.6%**	3.00%	**2.50%**	2.60%
Rate for discounting scheme liabilities	**5.1%**	5.50%	**4.90%**	5.70%
Take up of option to convert annual pension into retirement grant	**50.00%**	50.00%	**-**	-

The Police Pension Schemes have no assets to cover their liabilities. The LGPS assets consist of the following categories, by proportion of the total assets held:

	31 March 2012	31 March 2011
Equity Investments	**70.8%**	74.7%
Government Bonds	**20.2%**	8.9%
Other Bonds	**8.2%**	15.9%
Cash / Liquidity	**0.8%**	0.5%
Other	**-**	-
	100%	100.0%

27. Contingent Liabilities

The Authority has not made provision in these accounts for the potential outcome of legal proceedings pending conclusion in relation to Civil and Employment Claims where it is not considered probable that a payment or a transfer of economic benefits will be required to settle the obligations.

On behalf of the Yorkshire and Humberside authorities Humberside Police Authority have entered into a property lease arrangement. The annual costs associated with this property are shared between the four forces within the region. North Yorkshire Police Authority have agreed to indemnify Humberside Police Authority against the future costs in the unlikely event that the joint collaborative arrangements are discontinued during the lifetime of the lease arrangements.

The Joint Police Authority Committee has agreed to the adoption of a lead force/authority model to provide managers and staff/officers engaged in Regional Working with consistent Human Resources policy and practices. South Yorkshire Police Authority have agreed to act as the lead authority. Under this arrangement, South Yorkshire Police Authority will employ police staff on a permanent, substantive basis and Police officers will be seconded to South Yorkshire Police.

This Authority has agreed to indemnify South Yorkshire Police Authority for its share of any costs in the event of any employment tribunal or civil court claims related to regional employment. This indemnity is unlimited. At this time, it is not possible to predict the value or timing of any obligations falling due as a result of this indemnity.

Note 25 (Provisions) explains the treatment in respect of provision for amounts as known at the date of these accounts.

28. Events after the Reporting Period

The Authority has considered events that have occurred since the Balance Sheet date, up to the date that the accounts have been authorised for issue. Other than as mentioned below, no events have been identified which could materially impact on the figures in these Financial Statements, nor which would require disclosure to maintain the fair presentation of the Financial Statements.

No material or significant events have occurred after the reporting period at the time of compiling these accounts which are not already referred to or which amend the content of the Statement of Accounts.

In November 2012 the Police and Crime Commissioners (PCC) will be elected. The Authority will cease to exist on 22 November 2012 and the PCC will take on all the Authority's statutory funding. The requirement to police North Yorkshire and the City of York will continue and there will continue to be a Chief Constable and police force. The duties and responsibilities along with the assets and liabilities will be transferred to the new bodies and accordingly these accounts are prepared on the basis of a going concern.

29. Net Cash Flows from Operating Activities

Net Cash Flows from Operating Activities include:

	2011/12	2010/11
	£'000	£'000
Interest received	**331**	366
Interest paid	**89**	118

30. Net Cash Flows from Investing Activities

	2011/12	2010/11
	£'000	£'000
Purchase of property, plant and equipment, investment property, intangible assets and assets under construction	16,145	12,824
Purchase of short-term investments	17,650	31,700
Proceeds from the sale of property, plant and equipment and assets held for sale	(2,047)	(1,863)
Proceeds from short-term investments	(27,000)	(33,950)
Net Cash Flows from Investing Activities	**4,748**	8,711

31. Net Cash Flows from Financing Activities

	2011/12	2010/11
	£'000	£'000
Receipts from borrowing	**-**	-
Repayments of borrowing	235	235
Net Cash Flows from Financing Activities	**235**	235

32. Related Party Transactions

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

The Authority has sound arrangements for internal control and corporate governance (including a scheme of delegations and purchase, contract and procurement regulations) which minimise the potential for a single member or officer to constrain the actions of the Authority, and which seek to ensure that the Authority obtains Value for Money in all transactions.

Central Government

Central Government has effective control over the general operations of the Authority. It is responsible for providing the statutory framework within which the Authority operates, provides a substantial part of its funding in the form of grants and prescribes the terms of many of the transactions the Authority has with other parties.

Central Government has a role, together with the Authority and the Chief Constable, in the tripartite system of police governance. Government Grants received are set out in Notes 9 and 11. Grant receipts outstanding at 31 March 2012 are included in debtors (Note 21).

Other Local Authorities (including Other Police Authorities)

Local Government provides a proportion of the funding for the Authority and nominates Members of the Authority. Details of precepts are set out in Note 10. Transactions with the Yorkshire and Humberside Police Authorities in respect of Regional Collaboration are set out in Note 13(b). The amounts owing to and from Other Local Authorities at the Balance Sheet date are included in debtors (Note 21) and creditors (Note 24).

Key Management

Key Management of the Authority are also classed as related parties. Key Management are considered to be all chief officers, elected members, the Chief Executive of the Authority and other persons having the authority and responsibility for planning, directing and controlling the activities of the Authority, including the oversight of these activities.

Members of the Authority have control over the Authority's financial and operating policies. Members' allowances are disclosed in the Remuneration Report.

During 2011/12 accommodation and meeting facilities to the value of £2k (2010/11 £7k) were provided by a company controlled by one Member. The balance owing to the company at 31 March 2012 was £nil (2010/11 £nil).

The Police Authority is a member of the Association of Police Authorities (APA) and both members and senior officers engage with the APA on Authority business. During 2011/12 the Authority incurred subscription and conference costs of £29k (2010/11 £25k). No amounts were outstanding at 31 March 2012 (2010/11 £nil).

Senior officers are members of the Association of Chief Police Officers (ACPO) and engage with ACPO on force business. During 2011/12 the Authority incurred subscriptions and other costs of £42k (2010/11 £25k). The Authority received £93k (2010/11 £62k) from ACPO in relation to reimbursement of costs of officers seconded to ACPO. At 31 March 2012 £26k (2010/11 £6k) was owed to the Authority by ACPO.

During the year the Authority paid rental and service costs of £6k (2010/11 £12k) to an organisation in which one member was employed. No amounts were outstanding at 31 March 2012 (2010/11 £nil).

The Authority purchased and received services to a value of £55k (2010/11 £90k) from, and provided services to the value of £43k (2010/11 £nil) to, organisations in which members or senior officers had positions on the governing body. In all instances transactions were made with proper consideration of declaration of interest. The relevant members did not take part in any discussion or decision in relation to the transactions. Where appropriate, details of these transactions are recorded in the Register of Members interests. At 31 March 2012 £nil (2010/11 £6k) was owed by the Authority to these organisations.

Remuneration of Senior Management is disclosed in the Remuneration Report.

Pension Schemes

Transactions with Pension Schemes are set out in Note 26.

33. Nature and Extent of Risks arising from Financial Instruments

Key Risks

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

- **Credit risk** the possibility that other parties might fail to pay amounts due to the Authority;
- **Liquidity risk** the possibility that the Authority might not have funds available to meet its commitments to make payments;
- **Re-financing risk** the possibility that the Authority might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms;
- **Market risk** the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates movements.

Overall procedures for managing risk

The Authority's overall risk management procedures focus on the unpredictability of financial markets and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework based on the Local Government Act 2003 and associated regulations. These require the Authority to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment guidance issued through the Act. Overall, these procedures require the Authority to manage risk in the following ways:

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders/constitution;
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
  - The Authority's overall borrowing;
  - Its maximum and minimum exposures to fixed and variable rates;
  - Its maximum and minimum exposures to the maturity structure of its debt;
  - Its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with Government guidance.

These are required to be reported and approved at or before the Authority's annual Authority Precept setting budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Authority's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

The annual Treasury Management Strategy which incorporates the prudential indicators was approved by the Authority for 2011/12 on 7 February 2011 and is available on the Authority's website. The key issues within the Strategy were:

- The Authorised Limit for 2011/12 was set at £23.3m. This was the maximum limit of external borrowings or other long-term liabilities;
- The Operational Boundary was expected to be £10.9m. This was the expected level of debt and other long-term liabilities during the year;
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and 50% based on the Authority's net debt.

These policies are implemented by the Financial Services Directorate. The Authority maintains written principles for overall risk management, as well as written policies (Treasury Management Practices - TMPs) covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash. These TMPs are a requirement of the Code of Practice and are reviewed periodically.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers.

This risk is minimised through the Annual Investment Strategy, which is based solely upon the use of "specified investments", with all investments being sterling denominated with maturities up to a maximum of 364 days and meeting a minimum "high" credit rating. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above.

This Authority uses the creditworthiness service provided by Sector. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moodys and Standard and Poors, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies;
- Credit Default Swap spreads to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

The full Investment Strategy for 2011/12 was approved by the Full Authority on 7 February 2011 as part of the Treasury Management Strategy and is available on the Authority's website.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings.

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies of £31.888m (2010/11 £38.381m) cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2012 that this was likely to crystallise.

The following analysis summarises the Authority's maximum exposure to credit risk on other financial assets, based on experience of default, adjusted to reflect current market conditions.

	Total		**Estimated maximum exposure to default**	
	31 March 2012	31 March 2011	**31 March 2012**	31 March 2011
	£'000	£'000	**£'000**	£'000
Short-term investments	-	9,420	-	-
Cash and cash equivalents	31,888	28,961	-	-
Other debtors and amounts owed by related parties	6,905	4,588	1,246	1,207
Total	**38,793**	42,969	**1,246**	1,207

No breaches of the Authority's counterparty criteria occurred during the reporting period and the Authority does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

An age analysis of the amounts due from debtors is disclosed in Note 21.

Collateral - During the reporting period the Authority held no collateral as security.

Liquidity Risk

The Authority manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Authority has ready access to borrowings from the money markets to cover any day-to-day cash flow needs, and the PWLB and money markets for access to longer-term funds. The Authority is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

All sums owing are due to be paid in less than one year.

Refinancing and Maturity risk

The Authority maintains a significant investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Authority relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer-term financial liabilities and longer-term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Authority approved treasury and investment strategies address the main risks and the Financial Services Directorate addresses the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of existing and proposed financial liabilities; and

- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Authority's day-to-day cash flow needs, and the spread of longer-term investments provide stability of maturities and returns in relation to the longer-term cash flow needs.

The maturity profile of financial liabilities is set out in Note 23.

Market Risk

Interest Rate Risk

The Authority is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Authority, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates - the interest expense charged to the Comprehensive Income and Expenditure Statement will rise (however this Authority does not currently have any variable rate borrowings);
- Borrowings at fixed rates - the fair value of the borrowing will fall (no impact on revenue balances);
- Investments at variable rates - the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- Investments at fixed rates - the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement.

The Authority has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Authority’s prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long-term returns, similarly the drawing of longer-term fixed rates borrowing would be postponed.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	2011/12
	£'000
Increase in interest payable on variable rate borrowings	-
Increase in interest receivable on variable rate investments	423
Decrease in fair value of fixed rate investment assets	6
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	23

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in Note 19 - Fair Value of Assets and Liabilities carried at Amortised Cost

Price Risk

The Authority does not generally invest in equity shares or marketable bonds.

Foreign Exchange Risk

The Authority has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to gains or losses arising from movements in exchange rates.

POLICE PENSION FUND ACCOUNT

for the YEAR ENDED 31 March 2012

2010/11		2011/12		
		Police Pension Scheme 1987	**Police Pension Scheme 2006**	**Total Police Pension Fund Account**
£'000		**£'000**	**£'000**	**£'000**
	Contributions receivable			
	From Employer			
13,156	Normal	11,804	1,178	12,982
395	Early retirement	448	-	448
10	Re-imbursement of unabated pensions of '30+' Police Officers	1	-	1
13,561		12,253	1,178	13,431
5,865	From Members	5,343	456	5,799
19,426		17,596	1,634	19,230
	Transfers in			
775	Individual transfers from other schemes	307	166	473
192	Received from other Authorities re pre-1974 pensioners	164	-	164
	Benefits payable			
(24,618)	Pensions	(25,955)	-	(25,955)
(5,346)	Commutations and lump sum retirement benefits	(5,672)	-	(5,672)
-	Lump sum death benefits		-	-
	Payments to and on account of leavers			
5	Refunds of contributions	-	(4)	(4)
(309)	Individual transfers out to other schemes	(140)	-	(140)
(132)	Paid to other Authorities re pre-1974 pensioners	(120)	-	(120)
(10,007)	**Deficit for the year before transfer from the Police Authority of amount equal to the deficit**	**(13,820)**	**1,796**	**(12,024)**
10,007	Additional funding payable by the Police Authority to fund the deficit for the year	13,820	(1,796)	12,024
-	**Net amount payable/receivable for the year**	**-**	**-**	**-**

POLICE PENSION FUND NET ASSETS STATEMENT

at 31 March 2012

2010/11			**2011/12**
£'000		Note	**£'000**
-	Current Assets	5	75
-	Current Liabilities	6	(75)
-	**Net Assets**		**-**

NOTES TO THE POLICE PENSION FUND ACCOUNTS

1. Accounting Policies

The Pension Fund Accounts have been prepared in accordance with the IFRS Code and on an accruals basis. This means that sums due to or from the Pension Fund are included as they fall due, whether or not the cash has been received or paid. The accounting convention adopted is historical cost.

2. Operation of Police Pension Schemes

The Authority operates two Pension Schemes for Police Officers. These are unfunded schemes, meaning that there are no investment assets built up to meet the pension liabilities and cash has to be generated to meet actual pension payments as they eventually fall due. The second scheme was introduced in April 2006, with the intention that joint contributions of employers and employees would finance the full costs of pension liabilities. All Police Officers recruited from April 2006 onwards will become members of the new scheme and the previous scheme has been closed to new members.

The charge in the accounts of the Authority represents the net cost of pensions and other benefits paid, after deducting contributions receivable from members. Members contribution rates vary between 9.5% and 11% of pensionable pay.

3. Funding of Police Pension Schemes

The funding arrangements for Police Pension Schemes changed on 1 April 2006. Before 1 April 2006 the schemes did not have a percentage of pensionable pay type of contribution, rather the Police Authority was responsible for paying pensions of former employees on a pay-as-you-go basis. Under the new funding arrangements the schemes remain unfunded but the Authority no longer meets the pension outgo directly, instead the Authority pays an employer’s contribution, based on a percentage of pay, into the Pension Fund. Each individual Police Authority in England and Wales is required by legislation to operate a Pension Fund for Police Officers and the amounts that must be paid into and paid out of the Pension Fund are specified by regulation.

Under the new arrangements, the Pension Fund will be balanced to nil at the end of the year by either paying over to the Police Authority the amount by which amounts receivable by the Fund for the year exceeded the amounts payable or by receiving cash from the Police Authority equal to the amount by which the amount payable from the pension fund for the year exceeded the amount receivable.

The Police Authority will either pay an amount equal to the amount received from the Pension Fund to the Home Office or receive a pension top-up grant from the Home Office equal to the amount paid to the Pension Fund.

4. Liabilities in Relation to Retirement Benefits

The Pension Fund Accounts do not take account of liabilities to pay pensions and other benefits after the period end. Details of the liabilities for retirement benefits attributable to the Authority at 31 March 2012, and of the basis for assessing those liabilities, are included in note 26 to the Core Statement of Accounts.

The present value of the Police Pension scheme liabilities, based on the most recent full valuation of the scheme (as at 31 March 2007) and updated to the balance sheet date are disclosed below:

	31 March 2012	31 March 2011
	£'000	£'000
Police Pension Scheme 1987	1,091,580	1,024,870
Police Pension Scheme 2006	11,790	8,230
Total present value of liabilities	**1,103,370**	1,033,100

Full details of the liabilities for retirement benefits attributable to the Authority at 31 March 2012, and of the basis for assessing those liabilities, are included in Note 26 to the Core Statement of Accounts.

5. Current Assets

	31 March 2012	31 March 2011
	£'000	£'000
Short-term debtors	**75**	-
Total	**75**	-

6. Current Liabilities

	31 March 2012	31 March 2011
	£'000	£'000
Reduction in funding receivable from the Police Authority	**58**	-
Accruals	**17**	-
Total	**75**	-

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORTH YORKSHIRE POLICE AUTHORITY

Opinion on the Authority and Pension Fund financial statements

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

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

Respective responsibilities of the Treasurer and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the financial position of North Yorkshire Police Authority as at 31 March 2012 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial transactions of the police pension fund during the year ended 31 March 2012 and the amount and disposition of the fund's assets and liabilities as at 31 March 2012, other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

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

Matters on which I report by exception

I report to you if:

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

I have nothing to report in these respects.

Other matters on which I am required to conclude

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

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

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

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

Certificate

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

Mark Kirkham
District Auditor
Audit Commission
Eshton Office
Wynyard Park House
Wynyard Park
TS22 5TB

[Date]

NORTH YORKSHIRE POLICE AUTHORITY

ANNUAL GOVERNANCE STATEMENT

This Annual Governance Statement (AGS) provides the position as at 31 March 2012. It describes the governance environment including the main elements for discharging governance responsibilities. This should be considered alongside the respective roles of each of the formal Boards and decision-making forums of the North Yorkshire Police Authority ('The Authority'). The terms of reference for each Board and the overall structure of the Authority is described in detail and can be found at www.nypa.gov.uk. This AGS also includes the plans for the financial year 2012/13 acknowledging the preparatory work underway for the transfer of Strategic Governance to Police and Crime Commissioners in November 2012.

1 . SCOPE OF RESPONSIBILITIES

The North Yorkshire Police Authority (NYPA) is responsible for ensuring its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Authority is also responsible for putting in place proper arrangements for the governance of its affairs and facilitating the exercise of its functions, which includes ensuring a sound system of internal control is maintained through the year and that arrangements are in place for the management of risk. In exercising this responsibility, the Authority places reliance on the Chief Constable of the North Yorkshire Police Force ('the Force') to support the governance and risk management processes in his day-to-day management of the Force and in his use of resources delegated to him by the Authority.

This Code of Corporate Governance is consistent with and based on the principles of the CipFA/SoLACe Framework: *Delivering Good Governance in Local Government.*

2 . THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises:

- the systems and processes, and culture and values by which the Authority is directed and controlled and
- its activities through which it accounts to and engages with the community.

It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services, including achieving value for money.

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

This governance framework has been in place at the Authority during the financial year ending 31 March 2012.

3 . THE GOVERNANCE FRAMEWORK

The Chief Constable is responsible for operational policing matters, the direction and control of police personnel, and for putting in place proper arrangements for the governance of the Force. It is however the Authority who is required to hold him or her to account for the exercise of those functions and those of the persons under his/her direction and control.

It therefore follows that the Authority must satisfy itself that the Force has appropriate mechanisms in place for the maintenance of good governance, that these are consistent with the standards adopted within this Code and that these operate in practice.

The following describes the key elements of the systems and processes that comprise the governance arrangements that have been put in place for the Authority and Force.

3.1 Organisational Purpose

3.1.1 NYPA is the statutory body responsible at law for the efficiency and effectiveness of the North Yorkshire Police Service and has ultimate organisational responsibility for the governance of the police service.

3.1.2 The Chief Constable of North Yorkshire Police (NYP) is accountable to the Authority for the efficient and effective deployment of:

- all holders of the office of Constable, over whom he exercises ‘direction and control’ by virtue of s. 10 Police Act 1996;
- all other staff engaged in the prevention, investigation and prosecution of crime and disorder, over whom he exercises ‘direction and control’ by virtue of s. 15 Police Act 1996;
- all other organisational resources, the direction and control of which the Authority has delegated to him, in his capacity as the police service’s Chief Executive, to manage on the Authority’s behalf in pursuit of its strategic objectives.

3.1.3 Together, they form the ‘body corporate’ of the local police service - each with a different but integrated and complementary role to play in ensuring effective and efficient delivery of policing.

3.1.4 The Authority believes that it should discharge its overall governance responsibility through the following key arrangements:

- arrangements for establishing and monitoring the achievement of the Police Authority’s objectives and arrangements for the performance management of the police service and the reporting thereof;
- arrangements to identify, assess and manage the risks to achieving the Authority’s objectives;
- arrangements to facilitate policy and decision-making in the Force and Authority;
- arrangements for ensuring the economical, effective and efficient use of resources and assets by the Authority;
- arrangements to ensure compliance with established policies, procedures, laws and regulations by the Force and Authority;
- arrangements for the financial management of the Force/Authority and financial reporting;
- arrangements to extend the governance principles to partnerships;
- arrangements for consulting and communicating with stakeholders.

3.1.5 Whilst undertaking these responsibilities in conjunction with the Chief Constable, as both its professional operational adviser under s.10, Police Act 1996 and organisational Chief Executive, the Authority is clear that it has primacy of decision-making and will establish clear standards and expectations in so far as all the above activities are concerned.

3.2 Operating Principles

3.2.1 The Authority operates in accordance with the following key principles, which underpin all the Authority's activities described in this Statement:

- We respect the tripartite relationship and the roles of the Chief Constable and the Home Secretary within it;

- We will take decisions and actions in the best interests of the people on whose behalf policing is delivered and we adopt the principle of collective responsibility for decisions of the Authority, except in extreme circumstances;

- We are committed to continuous improvement in both our activities and in policing and will identify and apply best practice and best value, wherever it is found;

- We aspire to apply the highest standards of openness, transparency, integrity, respect for others and corporate governance in all our activities;

- We will work in partnership, predominantly with North Yorkshire Police but also with all other agencies and individuals with an interest in policing, and in particular local councils, towards improving the quality of life of residents, businesses and visitors;

- We will strive to be accountable to the people of the area for the delivery of the service.

3.3 Decision making structure

3.3.1 The Authority fulfils its functions through a decision-making matrix which involves:

- Delegation of powers to Boards, sub-committees and to officers. This involves groups of Members of the Authority and officers being given powers to act on behalf of the Authority, but subject to conditions set out in the Scheme of Delegation and in other Regulations, as below. There are also informal working groups of members and officers providing linkages on key areas of corporate activity between the Chief Constable's management responsibilities and the authority's decision-making framework;

- Financial and Contract Regulations and Property Procedure Rules - setting out how resources are managed and used throughout the organisation.

3.4 Officer Structure

3.4.1 The Chief Constable, under the provisions of s10 and 15 Police Act 1996, has 'direction and control' of NYP. Through that statutory provision, he is independent of the Authority for the purposes of operational policing. However, the Authority also regards the Chief Constable as the organisational Chief Executive and has delegated to him the majority of the Authority's powers and duties for the management of corporate resources. The Authority looks to him for professional advice to the Authority on setting organisational strategies, objectives and targets for service development and performance and will hold him to account for both operational and organisational performance.

3.4.2 The Police Authority is the holder of the Police Fund and all the fixed assets used in the delivery of policing and is the employer of all staff other than police officers. However, it has delegated all its powers to manage those assets to the Chief Constable, with the exception of those assets necessary to operate the Authority itself.

3.4.3 However, despite the delegation of powers to the Chief Constable for the management of those resources, the Police Authority retains overall control of those resources. The Authority has ultimate responsibility in law for their use and requires the Chief Constable to exercise his delegated powers within policies and procedures established by the Authority.

3.4.4 The Authority's Treasurer is responsible for advising the Authority on the appropriateness of financial management arrangements within the police service and for financial strategy. For NYPA, this role was until December 2011 combined with the Force Chief Finance Officer role. This arrangement has been reviewed in preparation of the transition to Police and Crime Commissioners and consequently there are now two discrete roles of Authority Treasurer and Force Chief Officer Resources.

3.4.5 The Authority's Chief Executive is responsible for supporting the Authority in:

- Undertaking activities which have not been delegated to officers (described at 3.1.4 above);
- Holding to account:
  - o the Chief Constable for activities at 3.1.2 above;
  - o other officers who exercise powers and duties delegated by the Authority.

The Authority's Chief Executive is also the statutory Monitoring Officer, with responsibilities for ensuring legal and administrative probity throughout the police service.

4. GOVERNANCE ARRANGEMENTS

The following is a description of the arrangements in place during 2011/12 for the discharge of the governance activities identified in 3.1.4 above:

(a) arrangements for establishing and monitoring the achievement of the Police Authority's objectives and arrangements for the performance management of the police service and the reporting thereof.

- together, the Force and Authority maintain a **Community Engagement Strategy** which seeks to ensure that community views about the current performance of the Force and future service development needs are captured and analysed and used to prompt performance and policy review activity and service response priority development. The strategy is heavily based on the continued development of Safer Neighbourhood Policing. Active engagement with the community and maintenance of the **Service Standards** have and will remain a key element of NYP activity in the immediate term. Alternative methods of capturing customer feedback are also under active consideration. Developments will be considered that enable a continued focus on the community up to and post the appointment of the Police and Crime Commissioner.

- the **3 year policing strategy and policing plan** sets out the long-term objectives of the Police in North Yorkshire. It is the policy statement within which NYP define the ambitions, improvements, services and functions over the medium term. It is reviewed annually following an organisational strategic assessment (which includes an analysis of how our service is perceived by our community through our Community Engagement strategy) in a process that is linked to the updating of the 5 year Medium Term Financial Plan and the setting of the annual budget. The 2012/15 Strategy identified 6 priority areas with specific targets for service improvement.

- the **Medium Term Financial Plan** (MTFP) sets out how the Policing Strategy will be financed over the medium term. The Plan is regularly updated and is approved quarterly by the Authority. A recent development is that the Medium Term People Plan (MTPP) will be presented to members alongside the MTFP. This clearly demonstrates the alignment of the approach to Financial and People Planning. A version of the MTFP was considered when the annual budget was set and was approved by the Authority in February 2012. A further updated version (36) of the Financial Plan was integrated with the people plan and considered at the Full Authority in March 2012. These cover the period 2012/17 and complement the Business Development Plan.

• A comprehensive series of **Corporate Strategies** is in place setting out the organisation's strategic approach to the achievement of the Policing Strategy objectives.

• The 5 year **Business Development Plan** sets out the major areas of service improvement identified as necessary across the organisation to achieve the objectives in the Policing Plan. This is subject to regular refinement in order to ensure that its component elements remain mutually complementary. These include the MTFP, the MTPP, the Learning and Development Plan, Corporate Strategies and the Capital & Revenue Development Plan. This informs annual budget setting and progress is subject to appropriate scrutiny through the Performance Management Framework.

• The **Performance Management Framework** continues to evolve in order to enable proportionate scrutiny on organisational performance. Forcewide refinement includes the consolidation of forcewide meetings into the Basic Command Unit (BCU) Operational Board chaired by the Assistant Chief Constable (ACC) for Safer Neighbourhood Delivery. This complements the development of the single BCU and addresses operational and organisational business. There is quarterly reporting by the Chief Constable of key performance indicators and other organisational performance measures to the Full Authority. The Performance and Scrutiny Board are presented with in depth performance analysis on thematic issues as determined by the Scheme of Delegation.

(b) arrangements to identify, assess and manage the risks to achieving objectives

• The Authority and Force have a joint approach to **Risk Management** which is laid out in the Corporate Risk Management Strategy. Application of the Strategy is overseen by the Risk Management Group chaired by the Chief Constable. The Chairs of the Police Authority's Policy and Planning and Ethics and Standards Boards, together with the Authority Chief Executive are members of this Group as is the Chief Officer Resources (COR). Risk Registers are prepared and maintained at Corporate, Directorate and Service Unit levels. The generic risk assessment methodology is consistently applied to change initiatives, specific projects or areas of policy development to facilitate full integration into corporate planning and control.

• **Internal Audit** arrangements operate to best practice professional standards through a collaborative Joint Service Arrangement with West Yorkshire Police Authority and are assessed and validated by the Audit Commission. The Police Authority Collaboration agreement pertaining to Internal Audit Services and the Audit Strategy were endorsed at Ethics and Standards Board in February 2012. The annual work programme is set out in an Audit Plan following the production of an Audit Needs Assessment and consultation with the Chief Constable, the External Auditor and the Authority. The Ethics and Standards Board approves the Audit Plan (most recently in February 2012) and receives, thereafter, regular reports on its progress and on detailed findings and recommendations. The Internal Auditor expresses an opinion to the NYPA Ethics and Standards Board on the controls in place for the Authority on an annual basis.

• A risk-based **Business Continuity Planning** process has been developed to enable the Force and Authority to fully comply with the requirements of the Civil Contingencies Act 2004. Business Continuity Plans are in place for all critical and non-critical Directorate/Service Units and live exercising of those plans is carried out.

• The COR as Chair of the Internal Control, Risk and Compliance Working Group maintains an awareness of key internal control issues which input into the Annual Governance Statement and Areas for Development.

• The **Performance Management** framework is a major component of the organisation's management of risk to the achievement of key objectives.

• The Professional Standards Directorate (PSD) collate and disseminate lessons learned or points of **organisational learning**. These are drawn from a vastly expanded range of sources and from every Directorate of the Force as well as complaints and other professional standards investigations. The Force's risk management system is used as the electronic receptacle for NYP's Organisational Learning database. The use of the system for this purpose will enable earlier identification of new corporate risks which may emerge from organisational learning points, as well as effecting more efficient recognition of measures for the management of existing identified corporate and other risks. Guidance to address issues arising from organisational learning is disseminated by way of a regularly distributed Organisational Learning Bulletin to the workforce. The Organisational Learning function, situated as it is within PSD, is a useful, additional instrument for rectifying professional practice and an effective supplement to internal governance measures within the Force.

(c) arrangements to facilitate policy and decision making in the Force and Authority

• The Authority maintains a **Constitution** which explains its role within the tripartite system of governance in the police service and how it undertakes that role. The **Code of Corporate Governance** and this **Annual Governance Statement** set out how the tripartite structure of governance works and its impact on decision-making within the North Yorkshire police service. For all non-operational policing decisions, the **Scheme of Delegation** sets out how the Police Authority operates, how decisions are made and by whom, and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people. Alongside the Scheme of Delegation, detailed **Financial and Contract Regulations and Property Procedure Rules** are in place which set out the parameters of decision-making throughout the organisation. These are reviewed and updated at least annually to ensure that they are consistent with the operating requirements of the Police Service and the Authority and, increasingly, partner organisations with whom the police service delivers services collaboratively.

• All 17 Members of NYPA meet together as the **Authority** 5 times per year to approve the budget, Policing Plan and Strategy, Final Accounts, etc. However, most of the Authority's decision-making and oversight and scrutiny functions, as described in the Scheme of Delegation, are undertaken by four Boards. All meetings are open to the general public. At its annual meeting in June each year the Authority appoints its Chair, to act until the next annual meeting.

• One of the four Boards is the Ethics and Standards Board, which has been in operation since January 2011. The principal role of the Board is to act as the responsible body charged with ensuring that a sound system of internal control operates throughout the organisation. In doing so, it provides independent assurance to the Authority on the adequacy of the risk management framework and the associated control environment and independent scrutiny of the Authority's financial performance to the extent that it affects the Authority's exposure to risk and weakens the control environment. It also oversees the **Financial and Contract Regulations and Property Procedure Rules**. This Board undertakes an annual self-assessment of its effectiveness.

• The Chief Constable and his Chief Officer Team are responsible for all operational policing decisions and, subject to the provisions of the Scheme of Delegation, for managing the police service in accordance with the strategic framework and direction established by the Authority and for co-ordinating the use of resources throughout the organisation.

• **Statutory Officers / Codes and Protocol** - the Chief Constable's independence of decision-making on operational policing matters is set out in the Police Act 1996. Non-operational decision-making powers have been delegated to him by the Police Authority to enable him to undertake the management of NYP. The Authority has employed officers who have designated specific duties to ensure that the Authority acts within the law and uses its resources wisely and protocols are in place for these roles.

• **Registers of interests, gifts and hospitality** are maintained for Members, Police Officers and police staff. Details of **Related Party Transactions** are sought from all Members and senior officers and are reported in the Annual Financial Statements.

(d) arrangements for ensuring the economical, effective and efficient use of resources and assets

• A **Finance and Funding Strategy** is in place to provide the strategic basis for the MTFP and setting out the longer-term approach of the Authority to the resourcing needs of the service.

• **Budgeting and financial control systems**, as set out in the **Financial Regulations** and the **Devolved Resource Manual (DRM)** are in place and are applied consistently throughout the organisation.

• **Regular reviews of management accounts and Capital and Revenue Development Plan spending are carried out** by the Chief Officer Team and the Authority's Finance and Resources Thematic Group, covering income/expenditure trends against forecasts and possible impacts on balances, reserves and provisions.

• **Quarterly (and annual) corporate financial performance reports** are submitted to the Full Authority.

• The Authority/Force has a **Business Benefits Strategy** in place which ensures that all proposals for service improvement, especially those which entail investment of resources, are subject to business benefit evaluation measures. All proposals for major new investment are subject to Business Case approval by the Police Authority before they are accommodated within the MTFP and the Business Development Plan (BDP). Financial efficiencies identified as business benefits during this process are withdrawn from the MTFP in the year they are anticipated to be met. Post-implementation reviews of BDP projects are carried out by the Chief Constable and/or the Authority as appropriate to ensure that the anticipated benefits have accrued.

• The Authority/Force have delivered considerable savings over the past few years via a forcewide change programme. The savings and reduced level of budget and predicted expenditure along with resource are represented in the MTFP and MTPP. These saving areas and cost reduction achieved and required in future years were considered when the budget was set and are directly linked into future medium term financial planning.

• **The Asset Management Strategy** continues to develop. This is a fundamental aspect of ensuring service delivery, delivering savings and future planning. As a consequence it is directly linked to the Capital and Revenue Development Programme which in turn influences and informs assumptions within the MTFP and MTPP.

• A fundamental programme of work, the **Towards 2012, the Next Steps Programme** commenced during 2009/10. The resultant recommended service reviews were prioritised and initial activity undertaken during 2010/11 under the auspices of the **Nine Steps Programme**. During the 2011/12 year the output of this planning was implemented as a corporate change programme. This achieved cost reductions and overall savings to meet the MTFP projections in light of public sector funding cuts and the implications for policing in North Yorkshire. The resultant structural and behavioural change has aspects that cover the whole organisation. Ongoing monitoring of the implementation of reviews continues by the Force through the Strategic Advisory Group,

• As a direct result of this operational demand profiling, NYP changed its operational structure to become district-based, whereby **Safer Neighbourhood** Commanders (SNCs) direct local policing and partnership working through the Safer Neighbourhoods structure. These SNCs report to the Director of Response and Reassurance, who is supported by two further Directors, of Crime and Specialist Operations respectively. This centralisation of the command of operational resources will allow more effective deployment based on varying demands (such as seasonal fluctuations in different locations) and, through the subsequent and multiple service reviews, provides numerous opportunities to realign services and reduce duplication and cost.

• **The Risk Management methodology** has been utilised to capture and treat key risks arising from each service review that may hinder the achievement of objectives. These risk registers form part of the governance mechanism for each review and the programme as a whole.

• Clearly defined **Financial and Contract Regulations and Property Procedure Rules** are in place setting out arrangements for incurring actual expenditure, collecting income, making claims for grants, buying/selling property, etc. These will continue to be refined during 2012/13 so as to reflect, the change to procurement processes as a result of the introduction of the Yorkshire & Humber regional procurement initiative and the Asset Transfer requirements of the Police Reform and Social Responsibility Act 2011 and the election of the Police and Crime Commissioner and the appointment of the Police and Crime Panel.

• **Independent monitoring** takes place of all the above by the Chief Executive/Monitoring Officer, Section 151 Officer (Treasurer) and Internal Audit Service on a regular basis.

(e) arrangements to ensure compliance with established policies, procedures, laws and regulations by the Force and Authority

• The Authority Chief Executive is currently the officer designated by the Police Authority as the **Monitoring Officer** and is responsible for performing the duties imposed by **Section 5** of the **Local Government and Housing Act 1989** which relate to ensuring the legality of the Authority's operation. There is a protocol in existence which sets out how this role will be fulfilled in association with NYP's Director of Legal and Compliance Services. Similarly, the Authority's Treasurer has responsibility under s.151 of the Local Government Act to ensure proper financial arrangements and use of public money. Together, they have statutory responsibility to ensure that there is no unlawfulness of activity or maladministration and that all the Authority's rules and regulations are complied with. The Treasurer makes use of Internal Audit services in that role. In addition to carrying out the work specified in the Annual Audit Plan, the Internal Auditor also provides:

o advice and assistance to service managers in the design and implementation of system controls
o support to managers in the prevention and detection of fraud, corruption and other irregularities

• The Authority's rules and procedures are published on the Authority's web site and on the NYP Intranet service. All staff within the service empowered to make decisions are made aware of the material and how to access it.

• The Police Service has a statutory **complaints procedure** that is advertised by leaflets and on the NYP website. The procedure includes targets for acknowledging and responding to complaints in full. The service is also subject to a statutory conduct and performance regime. The Complaints Procedure is overseen by the Police Authority, the Independent Police Complaints Commission and Her Majesty's Inspectorate of Constabulary (HMIC). The Police Authority also has a procedure for considering complaints against both members and officers of the Authority which is advertised on its website.

• **NYPA members** have a significant role to play in ensuring compliance and propriety. NYPA members have adopted a Code of Conduct to ensure high standards in the way they undertake their duties. Members must complete a Register of Interests which is publicly available. The Authority has established a **Standards Committee**, which trains and advises Members on the Code of Conduct and monitors its operation. Members have also undergone voluntary vetting checks. Finally, the Standards Committee has in place procedures for the investigation and determination of complaints against Members.

• The Authority has approved and implemented formal **Anti-Fraud and Anti-Corruption and Confidential Reporting arrangements** which include confidential reporting (whistle-blowing) provisions and Counter Fraud arrangements, prepared by the Professional Standards Directorate (PSD). The Authority's Ethics and Standards Board has oversight of the operation of the Anti-fraud Anti-corruption and Confidential reporting arrangements. The strategy provides clear mandatory guidance for the ethical and lawful conduct of business activities by all members, officers and employees, of with both NYPA and NYP, as well as providing such mandatory guidance to those people who act as contractors, agents or volunteers in connection with the business of the Force or the Authority.

• The existence of **Anonymous Messenger** and other Professional Standards reporting lines are the subject of regular promotion internally through various media. The fact that Anonymous Messenger continues to receive messages indicates the efficacy of the proactive culture of integrity promoted within NYP.

• The requirements of the **Data Protection and Freedom of Information** legislation are co-ordinated within NYP by an Information Management Unit which is also responsible for ensuring that arrangements are in place to ensure appropriate security and quality of information held by the police service.

• Arrangements are in hand to ensure that the organisation is well placed to demonstrate compliance with the **Public Sector Equality Duty** (PSED). Oversight will be monitored through the **Equality, Diversity and Human Rights (EDHR) Leadership Group** the Terms of Reference of which were presented to NYPA in March 2012. The Group is in itself a demonstration of the organisational commitment to embedding EDHR within the workplace and service delivery. This will be recognised as an Area for Development in 2012/13.

• The NYP Professional Standards Directorate (PSD) has active oversight of:

o the Chief Constable's Delivery Unit (which conducts audits; acts as single point of contact for HMIC inspections and Internal Audit; arranges Chief Constable's Quarterly Challenge Days etc);
o the Force Policies and Procedures maintenance and review function;
o an expanded Organisational Learning function (drawing organisational learning from an expanded range of sources from across all Directorates of the Force).

• Within the Force the Internal Control, Risk & Compliance Working Group chaired by the COR with representatives from Professional Standards, Human Resources and Legal & Compliance Services convenes monthly to deliberate on significant internal control risks and issues, integrity matters and litigation risks and issues and makes onward recommendations where deemed appropriate.

• HMIC undertook a review of integrity within the Police Service of England and Wales during the summer and autumn of 2011. The resultant report entitled "Without Fear or Favour" had been commissioned by the Home Secretary following the phone hacking allegations and sought to explore the appropriateness of Police relationships with the media and other parties where there may be undue influence. The Ethics and Standards Board were presented with reports from the Chief Constable and Chief Executive in relation to HMIC findings and self-assessment integrity questionnaire. A summary of the existing controls pertinent to said findings was considered alongside proposals for continued development and control enhancement. As part of the review of the governance environment in 2011/12 it was considered appropriate to undertake the "Self-Check Integrity Questionnaire" that accompanied the HMIC report. This has been undertaken by the Force. Any identified gaps shall be considered for progression as Areas for Development in 2012/13 whilst allowing flexibility to incorporate national proposals that emerge in line with HMIC recommendations.

(f) arrangements for the financial management of the Force/Authority and financial reporting

• The Authority has approved **Financial and Contract Regulations and Property Procedure Rules**. The purpose of these rules is to set out a framework within which the Authority conducts the financial affairs of the Police Service. These rules are designed to ensure that proper financial arrangements are in place and operational at all times. They are applied by the Police Authority Treasurer for operation throughout NYP and NYPA and are reviewed on an annual basis. There is alongside this a series of polices and strategies that the Authority has adopted and which govern the way in which financial activities are undertaken. This includes comprehensive strategies and practices for Treasury Management. This was reviewed and updated during 2011/12 in light of new national guidance. The Authority complies with the Code of Practice in relation to Treasury Management.

• The **statutory duties of the NYPA Treasurer** in relation to financial management derive from five principal sources:

o Section 151 of the Local Government Act 1972;
o Section 114 of the Local Government Financial Act 1988;
o Local Government Act 2000 (particular decisions contrary to policy or budget);
o Local Government Act 2003 (prudential limits for borrowing and investment);
o Accounts and Audit Regulations 2003 (as amended).

• A statutory Code of Practice is in place for financial administration within the police service setting out the respective responsibilities of the Authority and its Treasurer and the Chief Constable and the COR. Within the North Yorkshire Police Service, the post of Treasurer is the principal advisor to the Authority on all financial matters. NYP Chief Officer Team receive financial advice to the office of the Chief Constable through the COR who is a member of the NYP Chief Officer Team. This mode of operation was reviewed during 2011/12 and a further review will be undertaken during 2012/13, which will take into consideration the transfer of Strategic Governance to Police and Crime Commissioners and any related guidance on the respective roles of statutory officers within Police Forces . The Policing Service in North Yorkshire have the implications of how the new governance arrangements will operate under active consideration. These will be considered as Areas for Development during 2012/13.

• The COR drafts the **Medium Term Financial Plan** and presents it quarterly to the Policy and Planning Board and annually to the Authority when it approves the **Revenue Budget, Capital Plan, Efficiency Plan and Treasury Management Position**. The Treasurer is responsible for determining the accounting procedures, the form of financial records and statements and for maintaining the financial accounts of the Authority and seeks assurance from the COR through the Chief Constable in that regard. The COR ensures that proper accounting arrangements are established throughout the Force. The Chief Constable is responsible for the satisfactory operation of financial and accounting systems within NYP and the Chief Executive within NYPA.

• The Devolved Resource Manual sets out the expectations of all budget holders relating to financial administration and budgetary and financial control. The Authority prepares and publishes an annual **Statement of Accounts** that conforms to all statutory and professional requirements, codes of practice and timetables.

• The **external auditor** for 2011/12 is the Audit Commission: they will publish an Annual Audit and Inspection Letter in September setting out their assessment of the Authority's accounts and the extent to which the Authority has achieved value for money in the use of resources.

• CIPFA have published a "**Statement of the Role of the Chief Financial Officer in Local Government**" which describes the role and responsibilities of the CFO and sets out five key principles that define the core activities and behaviours that underpin the role, and the organisational arrangements required to support them. There is an expectation that authorities will comply with the statement or explain their reasons for not doing so.

• The five key principles are that the CFO:

o Is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the authority's strategic objectives sustainably and in the public interest;
o Must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer-term implications, opportunities and risks are fully considered, and alignment with the authority's overall financial strategy;
o Must lead the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively;
o Must lead and direct a finance function that is resourced to be fit for purpose;
o Must be professionally qualified and suitably experienced.

• The Treasurer and COR undertake the role of CFO in accordance with the arrangements detailed in the Home Office Financial Management Code of Practice, and in compliance with the CIPFA statement.

(g) arrangements to extend the governance principles to partnerships

• The Authority and Force, separately and together, engage with a number of external agencies in a significant number of partnership enterprises, statutory or otherwise. Through the generation of Partnership Agreements for Community Safety Partnerships, the Authority has ensured that appropriate governance arrangements exist for those partnerships where it is a separate statutory partner. NYP is actively considering its relationships within key partnerships and will continue to ensure that these remain effective and meet the requirements of NYP and the community. This has been identified as a key area of work which will continue throughout and beyond transitional activity.

• The Force and Authority are increasingly involved in joint service delivery with other regional forces and authorities through collaboration arrangements and agreements. Such arrangements are overseen by a formal Joint Committee of all four Authorities in the region; a Regional Chief Constables Group and a Regional Collaboration Board comprised of Chairs of Police Authorities and Chief Constables. Regional Standing Orders have been developed for such activities and frameworks of governance, including performance monitoring, are developing. A **Regional Efficiency and Productivity Strategy** has been adopted by all 8 partners and work is underway to reassess a programme of options to deliver the strategy objectives.

(h) arrangements for consulting and communicating with stakeholders

• together, the Force and Authority maintain a **Community Engagement Strategy** which seeks to ensure that community views about the current performance of the Force and future service development needs are captured and analysed and used to establish organisational strategic visions and objectives and to prompt performance and policy review activity and service response priority development. The strategy is heavily based on the development of Safer Neighbourhood Policing on Neighbourhood Management principles. This has seen an increase from 18 to 20 Safer Neighbourhood Areas based on the philosophy of local and flexible. Managers for the 202 Beats are actively engaged with their community, each setting local quarterly rolling priorities for their area based on community feedback.

• Increasingly, such engagement activity is undertaken on a multi-agency basis to drive service response activity at Community Safety Partnership and Local Strategic Partnership levels leading to jointly agreed Local Area Agreement targets set in response to community priorities.

• Each Safer Neighbourhood Team (SNT) has an identified key individual network of partners and stakeholders with which to engage and a rolling programme of community meetings to attend. This intelligence is analysed and used locally to establish local neighbourhood service priorities and corporately to drive organisational improvement.

• NYP and, to a lesser extent, NYPA are involved in a matrix of stakeholder partnership activities at local and strategic levels. This has been mapped and will be reviewed to ensure such activity is effective and contributes to service improvement and to external expectations in light of public sector funding restrictions.

• A range of public attitude and user satisfaction is carried out by NYP and used by NYP and NYPA for performance management and service improvement purposes.

• NYPA retains its own consultation capacity to gauge public opinion of matters specifically within its remit (e.g. precept consultation, etc).

• Both NYP and NYPA make extensive use of the Council tax leaflet, media campaigns and websites to give public messages and feedback on performance as well as increasing the access of the public to information about the work of the service and to enable the public to hold the Authority and the police to account.

5. REVIEW OF EFFECTIVENESS

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

• the system of internal audit;
• the system of internal control.

5.2 These reviews have been undertaken by the Authority, its Chief Executive and Treasurer and by the Chief Constable. Their work has been informed by the work of internal auditors, and also managers within the Authority and the Force who have the responsibility for the development and maintenance of the governance environment.

5.3 In addition comments made by the external auditors and other review agencies and inspectorates have informed this review.

5,4 The Governance Framework has been under review by NYPA and the Chief Constable over the past year. This has taken into account national and regional development in police governance which has necessitated local dialogue about governance arrangements in terms of the roles of the Authority and Chief Constable within the tripartite relationship and decision-making and officer support structures needed to underpin them.

5.5 During the period March - June, a comprehensive review of the governance environment took place comprising:

- "Refreshment" of the Annual Governance Statement for 2011/12 financial year and an identification of the key areas which will result in refinements to those arrangements in place during 2012/13;
- Internal NYP review of the governance arrangements within Force, including:

  - o A review of the progress against Areas for Development submitted as part of last year's Annual Governance Statement, and the progress against each of the action points;
  - o A look at the effectiveness of wider governance processes, such as performance management, business planning, internal control, community engagement, accountability and partnership arrangements;
  - o Consideration of the organisational position with regard to the self assessment questionnaire for police forces and authorities that was published in the HMIC "Without Fear of Favour" Report.

- A review of the activities of the various internal and external sources of assurance, such as External Audit and HMIC and progress made in responding to recommendations;
- Progress made in responding to Internal Audit and External Audit recommendations is undertaken and formally reported quarterly to ESB;
- A review of the effectiveness of Internal Audit arrangements, including progress against the previous External Audit recommendations and compliance with the Code of Audit Practice;
- A review of the corporate risk register in terms of identifying where the main corporate governance risks lie for the year ahead;
- A review the effectiveness of the regulatory framework - Scheme of Delegation, Standing Orders, Regulations, following refinements to Treasurer arrangements etc;
- An assessment of the effectiveness of the governance arrangements supporting the change programme.

5.6 The review was carried out in the light of the rapidly changing national and local environment for governance in a police context and the uncertainty in the current climate. It took into account the following key organisational drivers:

- Increasing challenges to the longer-term financial and operational sustainability of NYP as a unit of delivery due to potential Financial pressures;
- Individual and partnership performance against the priorities identified in the Comprehensive Area Assessment;
- The requirement for the police service nationally to deliver savings over the next few years in light of the continuing CSR pressures and budget and the settlement received by NYPA;
- Modifications to the delivery structure of NYP being implemented 2011/12;
- Preparation for the introduction of a Police and Crime Commissioner for the City of York and North Yorkshire;
- The emerging impacts arising from the Hutton and Winsor review recommendations and the changes to police officer and staff terms and conditions and pensions and subsequent organisational impact.

5.7 The Force reviewed these for their impact and the findings were presented by the Chief Constable to the NYPA Chief Executive to enable an updated AGS to be prepared.

5.8 The findings of the relative elements of the review itself and the overall assessment of the effectiveness of the governance framework have been worked into a plan to address weaknesses and ensure continuous improvement of the system is in place. This follows in section 6 below.

6 . SIGNIFICANT GOVERNANCE ISSUES

The review of the Governance environment has identified areas where further development of our governance arrangements are necessary to satisfy the governance standards outlined in the Code of Corporate Governance. These areas of development, and the steps we propose to take to address them, are outlined below. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

- A comprehensive review of the governance framework is currently being undertaken as part of the transition to the new model of governance in the police service introduced by the Police Reform and Social Responsibility Act 2011. All areas of the current framework will be impacted by this work and the full arrangements will not be determined until after the Police and Crime Commissioner takes office on 22 November. However, arrangements are being made to ensure that governance processes are fit for purpose on Day 1 of the new system with further amendment thereafter at the discretion of the PCC.

- Numerous areas for development or review have been identified by NYP and NYPA as part of the self-assessment of performance against the HMIC Integrity Review. These will be pursued during the current financial year alongside HMIC's re-inspection of those matters in October.

- There is a need to further develop the governance of regional collaborative activity in three areas, as follows:

    - The preparation of a regional s22 Agreement consolidating the legal basis for and arrangements through which the four forces and authorities of the Yorkshire and the Humber Region have agreed to collaborate to provide services. We are anxious to conclude this matter prior to the new Police and Crime Commissioners coming into office;

    - Scrutiny of existing and future collaboration projects is to focus on ensuring that projects agreed for implementation by the Joint Police Authority Committee (JPAC) deliver the benefits for the region and individual forces set out in the original business case;

    - There is a need to make sure that there is absolute clarity, at the time of approving business cases for collaborative provision, of the standard of service to be delivered and that individual chief officers and authorities are content with that standard of future service. Furthermore, there is a need for contract management arrangements within forces to monitor the standard.

Signed

....	Jane Kenyon Chair of NYPA
....	Jeremy Holderness Chief Executive of NYPA
....	Tim Madgwick Acting Chief Constable NYP

on behalf of the members and senior officers of the North Yorkshire Police Authority and North Yorkshire Police Service

GLOSSARY OF TERMS

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

ACCRUED BENEFITS: The benefits for service up to a given point in time, whether vested rights or not.

ACTUARIAL GAINS AND LOSSES: For a defined benefit scheme, the changes in actuarial deficits or surpluses that arise because events have not coincided with the actuarial assumptions made for the last valuation (experience gains or losses) or the actuarial assumptions have changed.

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

AGENCY SERVICES: The provision of services by an authority (the agent) on behalf of another authority, which is legally responsible for providing those services. The responsible authority reimburses the authority providing the service.

AMORTISED COST: The cost of an intangible asset after amortisation, which is the systematic allocation of the depreciable amount of an asset over its useful life.

ANNUAL GOVERNANCE STATEMENT: Describes the governance framework incorporating the systems and processes, culture and values by which the Authority is directed and controlled and its activities through which it accounts to and engages with the community.

APPROPRIATIONS: Amounts transferred to or from revenue or capital reserves.

ASSET: An item owned by the Authority, which has a value; for example, land and buildings, vehicles, equipment, cash.

AUDIT COMMISSION: An independent body, established under the Local Government Finance Act 1982. It is the responsibility of the Audit Commission to appoint external auditors to the Police Authority. The Audit Commission has a duty to ensure that the Police Authority makes proper arrangements for ensuring the economy, efficiency and effectiveness in their use of resources and has the power to undertake special “value for money” studies.

BALANCES: The total general balances available to the Police Authority are the accumulated surplus of income over expenditure which enable the Authority to operate without borrowing until the first precept and grant payments are received in the early part of the financial year. Balances are also used to cover any unexpected expenditure during the financial year.

BALANCE SHEET: This sets out the financial position of the Police Authority on a particular date. It shows the balances and reserves at the Authority’s disposal, its long-term indebtedness, the fixed and net current assets employed in its operations and summarised information on the fixed assets held.

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.

CAPITAL ADJUSTMENT ACCOUNT: The account through which all financing of fixed assets is charged.

CAPITAL EXPENDITURE: Expenditure on new assets or on the enhancement of existing assets so as to prolong their life or enhance market value.

CAPITAL FINANCING CHARGES: The repayment of loans and interest used to pay for capital projects.

CAPITAL GRANT: Grant from Central Government used to finance specific schemes in the capital programme. Where capital grants are receivable these are used, as far as possible, to finance capital expenditure to which they relate in the year that the grant is received.

CAPITAL RECEIPTS: The proceeds from the sale of an asset, which may be used to finance new capital expenditure or to repay outstanding loan debt, as laid down within rules set by Central Government.

CAPITAL RESERVE: Created to provide an alternative source of financing for capital expenditure and to ensure some stability in the level of capital programmes that can be financed.

CASH FLOW STATEMENT: This summarises the cash receipts and payments of the Authority arising from transactions for both revenue and capital purposes.

CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY (CIPFA): This is the main professional body for accountants working in the public services.

COLLECTION FUND: A fund administered by each District Council in which individuals' Council Tax payments are paid. The Police Authority raise a precept on the fund to finance part of their net revenue expenditure.

COLLECTION FUND ADJUSTMENT ACCOUNT: The account through which to implement the accruals basis for recording the precept in these accounts without affecting the bottom line for taxpayers.

COMPONENT ACCOUNTING: Component accounting requires that where an asset has several components, which can be physically separated from the principal asset and which have significantly different useful lives, these should be recognised separately and should be depreciated based on their respective useful lives. Component accounting aims to improve depreciation accounting and thus improves the measurement of operating results. It also facilitates accounting for replacements.

CONTINGENCY: The sum of money set aside to meet unforeseen expenditure or liability.

COUNCIL TAX: The local tax levied on householders, based on the relative market values of property, which helps to fund local services.

CREDIT APPROVAL: Authorisations given by Central Government to local authorities, which enable them to finance capital expenditure by borrowing or other credit arrangements such as leasing.

CREDITORS: Individuals or organisations to whom the Authority owes money at the end of the financial year.

CURRENT ASSETS AND LIABILITIES: Currents assets are items that can be readily converted into cash. Current liabilities are items that are due immediately or in the short term.

CURRENT SERVICE COSTS (PENSIONS): The increase in the present value of a defined benefit scheme's liabilities expected to arise from the employee service in the current period.

CURTAILMENT: For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service.

DEBTORS: Individuals or organisations who owe the Authority money at the end of the financial year.

DEFERRED LIABILITIES: Liabilities which, by arrangement, are payable beyond the next year, at some point in the future or paid off by an annual sum over a period of time.

DEFERRED PENSIONS: Individuals who have ceased to be active members but are entitled to benefits payable at a later date.

DEFINED BENEFIT SCHEME: A pension scheme which defines the benefits independently of the contributions payable and the benefits are not directly related to the investments of the scheme.

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

DIRECT REVENUE FINANCING: Resources provided from the authority's revenue budget to finance the cost of capital projects.

DISCRETIONARY BENEFITS: Retirement benefits which the employer has no legal, contractual or constructive obligation to award and which are awarded under the authority's discretionary powers.

EARMARKED RESERVES: These reserves represent monies set aside that can only be used for a specific purpose.

EXPECTED RATE OF RETURN ON PENSION ASSETS: For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

EXTRAORDINARY ITEMS: Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the authority and are not expected to recur.

FINANCE AND OPERATING LEASE: A Finance lease transfers all of the risks and rewards of ownership of a fixed asset to the lessee. If these leases are used, the assets acquired have to be included within the fixed assets in the balance sheet at the market value of the asset involved. With an operating lease the ownership of the asset remains with the leasing company and an annual rent is charged to the relevant service revenue account.

FINANCIAL REGULATIONS: A written code of procedures approved by the Authority, intended to provide a framework for proper financial management.

FIXED ASSETS: Tangible assets that yield benefits to the Authority and the services it provides for a period of more than one year.

FORMULA SPENDING SHARE (FSS): An assessment by Central Government of how much an authority needs to spend to provide a common level of service, having regard to its individual circumstances. It is used to distribute Revenue Support Grant and Police Grant.

GAD: The Government Actuaries Department. They provide estimates of the liabilities of the Police Pension Scheme.

GOING CONCERN: The concept that the Authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and balance sheet assume no intention to curtail significantly the scale of operations.

GOVERNMENT GRANTS: Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.

IMPAIRMENT: A reduction in the value of an asset from the balance sheet value occurring as a result of a change in the condition and consumption of the asset or as a result of market conditions.

INCOME AND EXPENDITURE ACCOUNT: This summarises the resources generated and consumed by the Police Authority for the year and shows how the costs have been financed by local taxpayers, central government and reserves.

INTEREST INCOME: The money earned from the investment of surplus cash.

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

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS): Standards and Interpretations adopted by the International Accounting Standards Board (IASB). They comprise:
(a) International Financial Reporting Standards;
(b) International Accounting Standards; and
(c) Interpretations developed by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC).

INVESTMENTS (PENSION FUND): The investments of the Pension Fund will be accounted for in the statements of that Fund. However, authorities are also required to disclose, as part of transitional disclosures relating to retirement benefits, the attributable share of pension scheme assets associated with their underlying obligations.

MINIMUM REVENUE PROVISION (MRP): The statutory minimum amount which an authority is required to set aside on an annual basis as a provision to redeem debt.

NET BOOK VALUE: The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

NET CURRENT REPLACEMENT COST: The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

NATIONAL NON-DOMESTIC RATES (NNDR): The business rate in the pound is the same for all non-domestic ratepayers and is set annually by the government. Income from business rates goes into a central government pool that is then distributed to authorities according to resident population.

NON-OPERATIONAL ASSETS: Non-operational assets are fixed assets held by the Authority but not directly occupied or used in the delivery of services. They include surplus properties awaiting disposal and assets that are under construction.

OPERATIONAL ASSETS: Fixed assets held and occupied, used or consumed by the Police Authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

OUTTURN: The actual amount spent in the financial year.

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

PAYMENTS IN ADVANCE: These represent payments prior to 31st March for supplies and services received after 1st April.

PENSION FUND: A fund which makes pension payments on retirement of its participants.

POLICE GRANT: A grant paid by the government to police authorities as a proportion of the Formula Spending Share or FSS.

PRECEPT: The income which the Authority requires the District Council to raise from Council Tax on behalf of the Police Authority.

PROJECTED UNIT METHOD: An accrued benefits valuation method in which the scheme liabilities make allowances for projected earnings. The scheme liabilities at the valuation date relate to:-
• the benefits for pensioners and deferred pensioners, and their dependents, allowing where appropriate for future increases; and
• the accrued benefits for members in service at the valuation date.

PROVISION: An amount set aside to provide for a liability that is likely to be incurred but the exact amount and the date on which it will arise are uncertain.

PUBLIC WORKS LOAN BOARD (PWLB): A government agency which provides longer-term loans to local authorities at interest rates only slightly higher than those at which the government itself can borrow.

RECEIPTS IN ADVANCE: These represent income received prior to 31st March for supplies and services provided by the Authority after 1st April.

RESERVES: Monies set aside by the authority that do not fall within the definition of provisions.

RETIREMENT BENEFITS: All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

REVENUE CONTRIBUTIONS TO CAPITAL: Contribution from the Income and Expenditure Account to finance capital expenditure and thus reduce the requirement to borrow.

REVENUE SUPPORT GRANT (RSG): General government grant support towards police authority expenditure.

REVALUATION RESERVE: This account represents the difference between the current valuation of fixed assets and the historic costs of those assets. This Account came into effect 1 April 2007.

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

SERVICE REPORTING CODE OF PRACTICE FOR LOCAL AUTHORITIES (SeRCOP): A CIPFA guide to accounting for best value which provides a consistent and comparable calculation of the cost of services.

SETTLEMENT: An irrevocable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligations and the assets used to effect the settlement.

SPONSORSHIP: The voluntary provision of non-public funds, services, equipment or other resources that enable the police to enhance or extend the normal service provided.

STATEMENT OF ACCOUNTING POLICIES: This explains the basis of the figures in the accounts. The accounts can only be properly appreciated if the policies that have been followed in dealing with material items are explained. Changes in policies from previous years have been clearly shown.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS: This explains both the Authority and Treasurer’s responsibilities in respect of the Statement of Accounts.

STATEMENTS OF STANDARD ACCOUNTING PRACTICE (SSAP): These standards were adopted by the Accounting Standards Board (ASB) from its predecessor, the Accounting Standards Committee (ASC), and regulate the preparation and presentation of financial statements. Any new Standards are now referred to as Financial Reporting Standards (FRS). The CIPFA Code of Practice on Local Authority Accounting 2007 requires compliance to these Standards or disclosures in the notes if there are any material departures from those Standards.

TRANSFER VALUES: Payment made by one pension scheme to another in respect of accrued pension rights when a member of a scheme changes pensionable employment.

TREASURY MANAGEMENT POLICY (TMP): This is the policy adopted by the Authority to manage its investments, cash flows, and banking transactions. It governs the control of risks associated with these activities and the pursuit of optimum investment return balanced with security of investment.

WORK IN PROGRESS: The cost of work done on an uncompleted project at the balance sheet date.