



**STATEMENT
OF
ACCOUNTS**

2006-2007

Contents

Foreword by the Treasurer	1 - 4
Statement of accounting policies	5 - 7
Statement of responsibilities for the Statement of Accounts	8
Statement on the System of Internal Control	9 - 15
The Income and Expenditure Account	16 - 17
Statement of Movement on the General Fund Balance	18 - 19
Statement of Total Recognised Gains and Losses	20
The Balance Sheet	21
The Cash Flow Statement	22
Notes to the Income and Expenditure Account	23 - 30
Notes to the Balance Sheet	31 - 40
Notes to the Cash Flow Statement	41
FAU Outturn Statement	42 - 43
Glossary of terms	44 - 45

Foreword by the Treasurer

The purpose of the Statement of Accounts is to provide details of Merseyside Police Authority's financial activities for the year ending 31st March 2007. The Accounts are prepared in accordance with the Code of Practice on Local Authority Accounting. The statements may not always appear straightforward since the report has to meet technical, legal and professional standards. This foreword provides a brief explanation and overview of the financial performance of the Authority and highlights any significant features.

Background

Merseyside Police Authority is an independent body that oversees Merseyside Police. Its principal duty is to provide an efficient and effective police service on Merseyside. The Authority sets annual priorities and targets for Merseyside Police, sets the budget and a precept to finance expenditure not met by central government funding. It is responsible for managing overall expenditure within budget. However, responsibility for day to day financial management is delegated to the Chief Constable in accordance with the financial framework agreed by the Authority.

The Financial Accounts

The Accounts that follow this foreword provide further detail of the financial affairs of the Authority and comprise: -

- **Statement of Accounting Policies**, the purpose of this statement is to explain the basis of the figures in the accounts. The Accounting Policies adopted in preparing the Accounts accord with nationally accepted principles and are set out in detail on pages 5 to 7;
- a **Statement on the System of Internal Control** which provides assurance on the system of internal control that the Authority maintains and on the way it conducts its affairs;
- an **Income and Expenditure Account** which summarises the net cost for the year of all the functions for which the Authority is responsible, and demonstrates how that cost has been financed from General Government Grants and income from local taxpayers. For comparability and understandability the service expenditure analysis is in accordance with the Best Value Accounting Code of Practice;
- **Statement of Movement on the General Fund Balance** which links the movement in Income and Expenditure Account to the General Fund Balances during the year;
- **Statement of Total Recognised Gains and Losses** summarises all the gains and losses recognised during the year;
- a **Balance Sheet** which sets out the financial position of the Authority on 31st March 2007; and
- a **Cash Flow Statement** which summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

A glossary of terms has been prepared and is included at page 44 to assist readers to understand the technical accounting terminology.

It is noted that the format of the accounts have changed for 2006/07; the main changes to the accounts are as follows:-

- (i) changes to the statement of accounts comprising the replacement of the Consolidated Revenue Account and the Statement of the Total Movement on Reserves with an Income and Expenditure Account, Statement of Movement on the General Fund Balance and Statement of Total Recognised Gains and Losses;
- (ii) a requirement to group the 'core' financial statements together (i.e. Income and Expenditure Account, Statement of Movement on the General Fund Balance and Statement of Total Recognised Gains and Losses, Balance Sheet and Cash Flow Statement) followed by the notes to the core statements;
- (iii) the removal of the requirement to make notional capital charges; and
- (iv) the Pension Fund Accounts have been updated to accord with the changes in funding arrangements for Police Pensions.

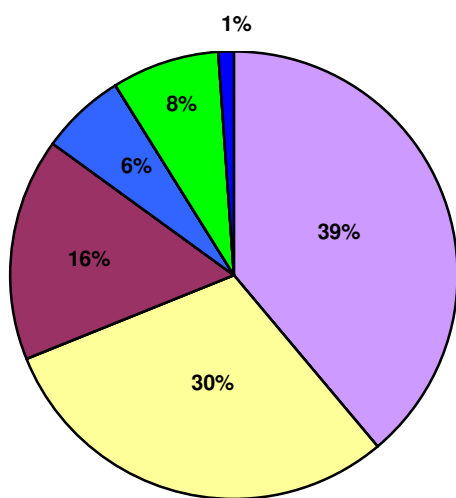
It is noted that the financial information for 2005/06 has been restated to ensure comparability with the new accounting requirements.

Financial Performance for the Year 2006/07

The Authority's Budget for 2006/07 was constructed under the principle of financial devolution, which allows budget holders to better manage the resources at their disposal and improve accountability to the Chief Constable.

The net revenue expenditure during 2006/07 amounts to £328.755m. In broad terms the following charts show where the Authority's money comes from and what it is spent on.

Where the Money Comes From

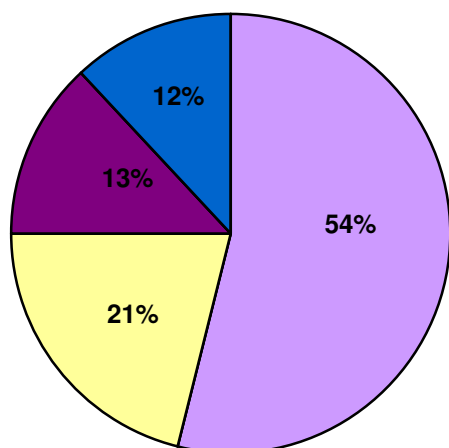


This table sets out where the Authority's resources come from

	£m	%
General Police Grant	126.527	39
National Non Domestic Rate	100.185	30
Precepts	51.479	16
Revenue Support Grant	19.339	6
Collection Fund	(0.042)	0
Total Government Grants and taxation	297.488	
Specific Grants	27.786	8
Utilisation of General Balances and Reserves	3.481	1
Total Resources	328.755	100

What the Money is Spent On

This 'table' analyses spending over the main types of expenditure



	£m	%
Police Pay	177.753	54
Police Staff Pay	69.232	21
Other Expenditure	40.928	13
Police Pensions	40.842	12
Total Expenditure	328.755	100

As can be seen from above the Authority receives the majority of its income from Government Grants and the precept, which is raised locally and is collected by the District Councils along with their council tax. In addition, in 2006/07 the Authority made a planned contribution to revenue from earmarked reserves and provisions of £3.481m to balance the budget. It is noted that in 2006/07 the Authority was restricted in the amount that it could raise through the precept, as the Government threatened all Local Authorities and Police Authorities with capping if they set precept increase above 5%. Consequently, the Authority set a precept increase of 5%, raising a total precept of £51.479m. This, coupled with a disappointing grant settlement, meant that the Authority had to make budget reductions of £2.5m in order to balance its budget.

The outturn position for 2006/07 shows total net expenditure of £325.274m. This represents an underspend of £0.677m, i.e. 0.21%, compared to the original 2006/07 budget. The main reasons for the underspend were the savings on the contingency for pay and prices and the delay of payments to Special Constable's.

A significant capital programme was also undertaken in the year with actual expenditure amounting to £9.090m. The major items of capital expenditure in the year included the continuation of the strategic IT developments, improvements to the Authority's estate and the ongoing vehicle replacement programme. In order to finance the capital programme the Authority received Home Office funding, borrowed, and utilised part of its capital reserves. The borrowing undertaken during the year was undertaken in accordance with the requirements under the Prudential Code and was well within the indicators approved by the Authority.

The Authority maintains General Balances and earmarked reserves in order to ensure that adequate financial resilience is maintained. As at the 31st March 2007 the Authority's General Balances stood at £6.641m and earmarked Reserves totalled £14.337m. In order to ensure that the level of the Authority's General Balances are robust and prudent the Treasurer and Chief Constable have undertaken a review of the level of these balances, taking account the risks included in the Authority and Force risk plans. The risk based review has concluded that by the end of 2007/08 General Balances should be £6.110m. The Treasurer has put a strategy in place to ensure that this level of General Balances is maintained. In respect of the earmarked reserves, the Authority's Medium Term Financial Strategy plans to utilise some of its earmarked reserves to gradually underpin a realignment of the revenue budget by the end of the three year planning period.

2007/08 and Beyond

In respect of 2007/08 in order for the Authority to set a balanced budget, with a 5% precept increase, the Authority has approved the release of £2.885m from its Reserves and Balances, and the Chief Constable and the Authority have agreed to make savings of £1.333m during 2007/08, whilst ensuring that the committed service levels incorporated within the 2007/08 policing plan are achieved. The Authority has also approved a three year medium term financial plan which aims to achieve a financially sustainable position by 2008/09, through the achievement of further reductions in spending, supported by the utilisation of the Pension Reserve balance and the projected release of part of the Insurance Reserve that has been made available through a more proactive and robust approach to risk management. This strategy will need to be reviewed following the announcement of the Government's Comprehensive Spending Review due in the autumn of 2007.

Further Information

This publication provides a review of the financial performance of the Police Authority for 2006/07. A summary set of accounts has also been produced and published on the Authority's website, at www.merseysidepoliceauthority.gov.uk. Comments are invited on the usefulness and readability of the Statement of Accounts and the summary document through the website.



Paul Johnson

Treasurer to the Police Authority
21st June 2007

Statement of accounting policies

Accounting policies are the principles applied to show the effect of transactions and events on the financial statements. The financial statements have been prepared in accordance with 'the Code of Practice on Local Authority Accounting in the UK 2006: A Statement of Recommended Practice (SORP)'. Any variations are shown in notes to the accounts or in the principles set out below.

The review and annual update of the SORP has introduced revised and additional requirements on the Authority, and a number of changes to Accounting Policies have been made, the most significant of which are as follows:

- capital financing charges for the use of fixed assets are no longer made to domains within net cost of services
- credits for government grants deferred are now posted to domains within net cost of services
- gains and losses on the disposal of fixed assets are recognised in the Income and Expenditure Account.

The comparative figures for 2005/06, compared with those published in the 2005/06 Statement of Accounts are included in the Explanation of Prior Period Adjustments on page 17.

1. Accruals of Income and Expenditure

All transactions of a revenue and capital nature are matched and accounted for in the period to which they relate, that is, in the period in which the goods or services were received and/or consumed.

2. Fixed Assets

Recognition

All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis in the accounts. Expenditure on fixed assets is capitalised, provided that the fixed asset yields benefit to the Authority for a period of more than one year. This excludes expenditure on routine repairs and maintenance of fixed assets which is charged to the Income and Expenditure account.

Measurement

Operational land and buildings and other operational assets are included in the Balance Sheet at the lower of net current replacement cost or net realisable value in existing use. Non operational assets are included in the Balance Sheet at net realisable value.

All assets are revalued by a qualified valuer on a rolling programme ensuring all assets are valued every five years.

Any changes in the value of assets are credited to the Fixed Asset Restatement Account.

Impairment

The value of assets is reviewed annually and when there is reason to believe its value has changed materially, the valuation is adjusted accordingly.

Disposals

Receipts over £10,000 from the sale of property, vehicles and equipment are defined as capital receipts. These are credited to a usable capital receipts reserve until they are used to finance new capital expenditure.

Depreciation

Depreciation is provided for on all operational fixed assets with a finite useful life. It is calculated by deducting the estimated residual value from the value of the asset and apportioning the charge over the estimated useful life of the asset. Depreciation is not provided for on land or non-operational buildings.

Depreciation is calculated as follows:

Buildings - calculated on a straight line basis over the estimated life of the building (40-75 years depending on the building).

Plant & Equipment - calculated on a straight line basis over 4 years.

Vehicles - calculated on a straight line basis over the estimated life of the vehicle (usually 3-5 years).

Helicopter - calculated on a straight line basis over 10 years.

Statement of accounting policies

Capital Charges & Depreciation

The Income and Expenditure account is charged with the annual provision for depreciation. This is a notional charge and does not impact on the amount required to be raised from local taxation. Depreciation is reversed out in the Statement on the General Fund Balance.

From 1st April 2006 there is no longer a capital finance charge based on a notional interest on the net asset values. The accounts for 2005/06 have been re-stated in line with the new accounting arrangements.

3. Interest

During the year interest receivable on surplus cash is credited to revenue. A proportion is credited to the Pensions Reserve and Insurance Reserve at the year end.

4. Interest Charges

External interest charges are paid on the inherited debt brought forward at 1st April 1986. This is administered by Wirral Metropolitan Borough Council and is being repaid on a straight-line basis in compliance with the Debt Redemption Order 1986.

5. Stocks and Stores

Stocks and stores, where applicable, are included in the Balance Sheet at the lower of cost or net realisable value. Included in the valuation of the stock are a number of vehicle parts which are held on a sale or return basis.

6. Grants

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

Capital grants are initially credited to the Government Grants Deferred Account and may cover all or part of the cost of the asset. The grant is subsequently released over the useful life of the asset to match the depreciation charged on the asset to which it relates.

For expenditure pre 1st April 1990, a Police Specific Loan Charges Grant is received which is set against the debt redemption costs charged to revenue over the life of the asset.

7. Provisions and Reserves

The Police Authority complies with the Code of Practice which sets out that provisions be made for any liabilities or losses which are likely, or sure to be incurred but the amounts or dates on which they arise are uncertain. It also states that they should only be utilised for the purposes for which they were established. There is also a provision for compensatory grant. All other amounts set aside are classified as reserves.

Full details of the provisions can be found at note 28 to the Core Financial Statements. Full details of the Authority's reserves are shown at note 33.

8. Leases

Lease rentals payable under operating leases are charged to the Income and Expenditure account.

9. Investments

All investments are shown in the Balance Sheet at cost price.

10. Overheads

Support Service costs are apportioned over the divisions of service shown in the Income and Expenditure account. The cost of the Corporate and Democratic Core and of non-distributed costs are shown separately on the Income and Expenditure account.

11. Contingent Liability

The Authority recognises material contingent liabilities in the notes to the Balance Sheet which arise from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control.

Statement of accounting policies

12. Pension Costs

The Police Authority participates in two different pension schemes which meet the needs of its officers and police staff. The schemes provide members with defined benefits related to pay and service as follows:-

Police Officers

This scheme is unfunded. From 1st April 2006 new financial arrangements were introduced for police officer pensions. A top up grant is received from the Home Office to meet the shortfall in the cost of normal police pensions. Full details of the new pensions accounts are shown at note 6 on page 25.

Police Staff

Police staff, subject to certain qualifying criteria, are eligible to join the Local Government Superannuation Scheme. The pension costs that are charged to the Authority's accounts in respect of these employees are equal to the contributions paid to the funded pension scheme for these employees. Further costs arise in respect of certain pensions paid to retired employees on an unfunded basis. The funding of this scheme is in accordance with the advice of a professionally qualified actuary, the last valuation having been at 31st March 2004.

All authorities have had to fully adopt the accounting policies contained within Financial Reporting Standard 17 (FRS17) "Retirement Benefits". The principle behind FRS 17 is that an organisation should account for retirement benefits when it is committed to give them, even if the actual benefit will be many years in the future. The liability for the total cost of pensions is included in the Balance Sheet. Following an error discovered in the data supplied for police officers last year the liability has been restated and has increased by £47.1m.

The liabilities of the Merseyside Superannuation Fund attributable to Merseyside Police are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

Statutory provisions limit the Authority in raising precepts to cover the amounts payable by the Authority to the pension fund in the year. In the Statement of Movement on the General Fund Balance 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 cash paid to the pension fund and also with the net costs of police pensions under the new accounting arrangements.

13. VAT

Vat is only included in income and expenditure when it is irrecoverable.

14. Redemption of Debt

Under the Local Government Act 1985, outstanding loan debt relating to police services was transferred to Merseyside Police on 1st April 1986. This debt is administered by Wirral Metropolitan Borough Council (WMBC). Loan charges are reimbursed by Merseyside Police to WMBC.

Loan debt incurred from 1st April 1986 is directly administered by Merseyside Police. Instalments of principal repayments are charged through the statutory Minimum Revenue Provision of 4%. The Police Authority also makes additional voluntary repayments.

15. Estimation

Estimation techniques have been used for the entries in respect of pensions liabilities. These figures are calculated by actuaries and details are shown at note 32 to the Balance Sheet.

Statement of Responsibilities for the Statement of Accounts

1. The Authority's responsibilities

The Authority is required:-

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

2. The Treasurer's responsibilities

The Treasurer is responsible for securing the preparation and production of the Authority's Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ('the Code'), is required to present fairly the financial position of the Authority at the accounting date and its Income and Expenditure for the year ended 31st March 2007.

In securing the preparation of the Statement of Accounts, the Treasurer has:-

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

The Treasurer has also:-

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

3. The Responsibilities of the Force Director of Resources

Under the Financial Management Code of Practice, issued under section 39 of the Police Act 1996, the Force Director of Resources has undertaken the responsibility for the day to day management of the financial activities of the Force, and prepared the Statement of Accounts in accordance with the requirements of the Treasurer.

TO THE MERSEYSIDE POLICE AUTHORITY

I certify that the Statement of Accounts set out on pages 9 – 41 reflects the true financial position and the Income and Expenditure of the Merseyside Police Authority for 2006/07 and has been prepared in accordance with the accounting principles and policies set out on pages 5 - 7. The Statement of Accounts have been authorised for issue on the 21st June 2007. Any events after this date have not been recognised.



Paul Johnson

Treasurer

21st June 2007

Statement on the System of Internal Control

1. Scope of Responsibility

The Authority is responsible for ensuring that 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 ensuring that there is a sound system of internal control which facilitates the effective exercise of the Authority's functions and which includes arrangements for the management of risk.

2. The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The 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, and to manage them efficiently, effectively and economically.

Accordingly, the scope of internal control spans the whole range of the Authority's and Force's activities and includes those controls designed to ensure:-

- the Authority's and Force's policies are put into practice;
- laws and regulations are complied with;
- required processes are adhered to;
- financial statements and other published information are accurate and reliable; and
- human, financial and other resources are managed efficiently and effectively.

The system of internal control has been in place at the Authority and the Force for the year ended 31st March 2007 and up to the date of approval of the annual report and accounts.

3. The Internal Control Environment

The Authority's system of internal financial control is fundamentally based around its committee structure, which is supported by Procedural Standing Orders, Financial Regulations, codes of conduct, a framework of regular management information, administrative procedures (including segregation of duties), management supervision, Force Financial Instructions, and a system of delegation and accountability. In addition, all reports to the Authority are required to contain a specific section detailing all associated risks.

The Authority has a statutory duty to secure the maintenance of an efficient and effective Police Force on Merseyside. The Authority discharges this duty through its committee structure, and the key elements in terms of the internal control environment include the following:-

Statement on the System of Internal Control

Resources and Strategy Committee – the main responsibilities of this Committee include consideration of:-

- the Authority's medium and long-term financial strategies for capital and revenue expenditure and the Authority's annual Budget;
- the quarterly Budget Monitoring Reports and reports on the Authority's out-turn for the year;
- the Annual Internal Audit Plan and monitoring performance in respect of the approved Plan;
- the Authority's risk management strategy and all associated risks; and
- reports from the Audit Commission and Her Majesty's Inspector of Constabulary.

Performance Scrutiny and Review Committee – the main responsibilities of this Committee include:-

- regularly scrutinising and monitoring all areas of police performance data, reporting to the Police Authority at each meeting on an exception basis together with general six-monthly updates;
- agreeing annual targets and the publication of the Authority's Annual Policing Plan and three-year Local Strategy Plan; and
- taking account of the Authority's consultation arrangements which informs the strategic planning process; and
- to consider, monitor and promote the regular Police performance statistics and make recommendations to the Authority in respect of the Annual Policing Plan.

Service Improvement Scrutiny Committee - the main responsibility of this Committee is to secure continuous improvement by:-

- managing service improvement reviews under the Authority's Best Value obligations utilising Project Boards to undertake the details of reviews and referring to it, for approval of the Project Initiation Document, emerging findings and principal recommendations;
- referring any principal recommendations and any management information arising from reviews to the Performance Review and Scrutiny Committee;
- considering outcome evaluation and any reports from the Chief Executive following reality checks into reviews; and
- at the request of the Authority, managing any reviews to be undertaken as a consequence of the Authority's annual strategic deliberations.

Governed by a Service Level Agreement between the Authority and Knowsley Metropolitan Borough Council (the 'lead' Authority), the Police Authority is supported by the Chief Executive, the Treasurer and officers from within the Police Authority Support Unit. The Support Unit provides the following:-

- Committee and Administrative Support;
- Internal Audit;
- Consultation and Communication arrangements; and
- Performance Management.

In addition, the lead Authority provides services in relation to Legal Advice, Human Resources, Estates Management, Insurance and Treasury Management.

The Authority has also established a Risk Management Strategy Group, led by the Authority's Treasurer to develop and implement an overall Risk Management Strategy. The group reports to the Resources and Strategy Committee.

Statement on the System of Internal Control

The development and maintenance of the system of internal control is undertaken by the Chief Constable within the Force, in consultation with the Treasurer. In particular, the system includes:-

- comprehensive financial accounting systems;
- setting targets to measure financial and other performance;
- the preparation of regular financial reports which indicate actual revenue and capital expenditure against the forecasts;
- an anti fraud strategy statement (including procedures for reporting and investigating suspected irregularities); and
- risk management systems.

In addition, policy and decision making within the Force ultimately rests with the Chief Constable. However, a number of corporate management controls are in place to support him in this process:

Chief Officer's Group (COG) - chaired by the Chief Constable and attended by the Chief Officers. The group is responsible for ensuring the control and direction of the Force, in accordance with the requirements of the Police Act. It also ensures the Force Strategy is implemented. The terms of reference are:-

- define, communicate and implement the Force Strategy;
- develop and approve supporting strategies which will contribute to the overall achievement of the Force Strategy;
- determine the overall operational and organisational structure of the Force;
- determine and oversee the financial and budgetary structure of the Force;
- determine senior officers' succession planning (superintending ranks and chief inspectors);
- commission new pieces of work to address the Force's priorities. Operate as approval body for establishment of corporate projects; and
- consider Force response to most significant risks as identified via Risk Management Group, Strategic Co-ordination and Risk Group for consideration by the Chief Constable.

Business Management Group (BMG) - chaired by the Chief Constable and attended by senior managers, heads of department, trade unions and staff associations. The group is the Force's main policy approval body, as well as considering other aspects of organisational change. The terms of reference are:-

- to operate as the Force's policy approval body;
- to consider the recommendations from Service Improvement Reviews before being remitted to Service Improvement Scrutiny Committee;
- to consider reports from HMIC and other external bodies which affect the policing of the Force and consider the proposed Force response; and
- to act as a consultative forum for organisational change.

Risk Management Group – the Force has introduced a bi-monthly Risk Management Group meeting structure, which is chaired by the Deputy Chief Constable and involves relevant departmental heads and Area Commander Representation. The group's primary responsibilities are to:-

- to operate as the Force strategic risk group, considering those risks assessed as the most significant for the Force;
- to agree a prioritised risk register;
- to consider significant performance risks and agree appropriate responses; and
- to consider thematic inspections undertaken by the Corporate Audit Team (CAT) and agree the programme of audits.

Statement on the System of Internal Control

Reputation Risk Group – chaired by the Deputy Chief Constable and attended by Head of Professional Standards Department, Head of Professional Standards Unit, Force Solicitor, Head of Strategic Development Department, Risk Manager, Head of Information Management Department and Press Office Manager. The group is responsible for:-

- identifying risks that may have a significant impact on the Force's reputation;
- agreement and development of the Force Reputation Risk Register; and
- ensuring all reputation risks have effective control strategies in place to mitigate risks.

Strategic Co-ordination and Risk Group (SCRG) - chaired by the Deputy Chief Constable and attended by Chief Officers, Head of Strategic Development, Force Risk and Business Managers. The group operates as the Force's strategic risk group, and also has particular focus on performance and co-ordination of development activity. The terms of reference are:

- to operate as the Force strategic risk group, considering those risks assessed as the most significant for the Force;
- to agree a prioritised risk register;
- to consider significant performance risks and agree appropriate responses; and
- to consider thematic inspections undertaken by the Corporate Audit Team (CAT) and agree the programme of audits.

4. Review of Effectiveness

The Authority has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the Internal Auditors, the Executive Officers within the Authority and the Chief Constable who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the Audit Commission and Her Majesty's Inspector of Constabulary.

In accordance with Section 5, Local Government and Housing Act 1989, the Chief Executive is appointed as the Monitoring Officer. This officer is responsible for ensuring that, at all times, the Authority acts within its legal powers. Similarly, in accordance with Section 151 of the Local Government Act 1972, the Treasurer is the officer responsible for ensuring the proper administration of the Authority's financial affairs. In discharging these functions during the year neither officer was required to report any adverse matters under these Acts. A complaint was made to the Standards Board for England about a Member's conduct, however, this complaint was rejected.

In order to ensure an independent review of the adequacy, or otherwise, of the system of internal financial control the Authority maintains an Internal Audit function. The Internal Audit function, under the independent control and direction of the Treasurer, has been arranged to carry out an independent examination of accounting, financial and other operations of the Authority, thereby reviewing and reporting upon:-

- the soundness and adequacy of financial management and other internal control systems and their implementation;
- the extent of compliance with and the financial effect of established policies, plans and procedures;
- to what extent assets and interests are accounted for and safeguarded from losses due to fraud, waste, extravagance and inefficiency;
- the arrangements for assessing and controlling risks, both financial and business related; and
- the suitability and reliability and other management data developed within the Authority.

Statement on the System of Internal Control

The Financial Services Manager is responsible for the day to day management of the Internal Audit Service, reports directly to the Treasurer, who has the right to report directly to the Chief Executive and the Chief Constable. Direct access to the Chairs of the Authority and the Resources & Strategy Committee is also sanctioned if considered appropriate.

The terms of reference for the Internal Audit Service require that work is conducted in accordance with professional standards, including those as set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Internal Audit in Local Government. In addition, Internal Audit is subject to regular reviews by the District Auditor, the findings of which are reported upon within his annual Management Letter.

Internal Audit's plans and performance are reported annually to the Resources and Strategy Committee. The Internal Audit plan for 2006/07 included the review of key financial systems such as payroll and pensions. In addition, it took into account a broader view of business risks not just financial risks, e.g. sickness absence procedures and time recording. Many of the reviews undertaken during the year, whilst identifying a number of weaknesses and making recommendations for possible improvement, have not identified any areas of major concern. Some areas reviewed were found to be particularly well controlled, with only minor recommendations being required to further enhance the control environment. On the basis of all the systems reviewed and reported on by Internal Audit during the year, it is felt that the internal financial control systems in place are generally operating satisfactorily. However, it is noted that a number of issues have arisen in specific areas which have led to a concentration of Internal Audit resources to ensure adherence to the requirements of the Internal Control environment. These issues were brought to the attention of the Authority by the Treasurer immediately he became aware of them. As a result of the internal reviews undertaken to date, the Force has substantially improved the control environment in these areas. Once these issues have reached their natural conclusion a detailed report will be submitted to the Authority as part of the Authority's reporting mechanism.

In accordance with the Accounts and Audit (Amendment) Regulations 2006 (Amended) the Authority has conducted a review of the effectiveness of its system of Internal Audit. Consequently, the Authority's Internal Audit Service has undertaken a self assessment of compliance with the recently revised CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006, using the self assessment checklist within the code to form the basis of the judgement. The Treasurer and the Financial Services Manager have completed the self assessment and have concluded that the Internal Audit Service overall complies with internal audit standards within the Code of Practice. However, the assessment has highlighted some areas where improvements can be made specifically around the performance management arrangements. It is proposed that further details will be provided in the Internal Audit outturn report submitted to the Resources & Strategy Committee in August. The report will include a detailed action plan to address any issues identified.

The system of internal financial control is also reviewed regularly by the External Auditor, i.e. the Audit Commission. As a consequence the Authority has adopted a managed audit approach, with Internal Audit working directly with the Audit Commission to facilitate the provision of the most effective audit of the Authority. In addition, the Audit Commission is now required to assess how well Police Authorities manage and use their financial resources by providing scored judgements on the Authority's arrangements in five specific areas. This is known as the Police Use of Resources Evaluation (PURE) and was completed for the first time in 2006, looking back at 2005/06. The assessment focuses on the importance of having sound and strategic financial management to ensure that resources are available to support the Authority's priorities and improve services. It covers financial reporting, financial management, financial standing, internal control and value for money. Each judgement area is given a score between one, i.e. inadequate performance and four, i.e. performing strongly, and the overall use of resources score is based on combining the scores. The Audit Commission scored the Authority an overall two, i.e. adequate performance. The individual score for the internal control area was also a two. The Authority and Force have produced an action plan to address the issues raised by the Audit Commission and are currently awaiting the results of the 2006/07 PURE assessment which is currently being finalised.

Statement on the System of Internal Control

Following the Audit Commission's review of risk management arrangements in 2005/06, work has continued to ensure that risk management processes are applied consistently and are embedded across the Force. The appointment of the Force Risk Manager in June 2006 has enabled the Force to review and update its risk management policy and procedures in line with national guidance.

The Force Risk Manager has introduced a three-tiered approach to managing risks within the Force – at a strategic level, which involves the management of high level, strategic risks that impact on the achievement of Force objectives, as well as the management of the Force's reputation risks and at an area/departmental level where identified risks relate to local/operational activities specific to an area/department.

The Risk Manager has visited all Command Teams in BCUs and Senior Management Teams in departments to promulgate information regarding risk management practices at a local level. In addition, a number of Risk Management Seminars have been held to provide nominated Risk Champions with training in how to identify, assess and address risks at a local level. All BCUs and departments now have in place a local risk register, all of which have been quality assured by the Risk Manager. The process of managing local risks is monitored quarterly and subject of regular review of the process.

The Force and Authority have adopted similar risk management processes to ensure that risks are identified, assessed, addressed and managed through the identification of mitigating controls in a consistent manner. The Force and Authority have produced a joint Strategic Risk Register, which details the overarching strategic risks that apply to both the Force and Authority. Risk Management has been a key influence in the budget process in terms of determining the level of general balances/ reserves, as well as influencing the Policing Plan process for 2007/08.

The Force's Strategic Risk Register is used to inform the Corporate Audit Team programme of work in terms of providing an assurance framework that risks are being effectively managed through suitable and appropriate control strategies and actions. Chief Officers approve all audit activity in-Force through SCRG.

5. Significant Internal Control Issues

Taking into account the work of the Chief Constable, Internal Audit, the Audit Commission, the HMIC and the various other reviews that were reported to the Authority during 2006/07, and the Corporate Governance arrangements in place, we can conclude reasonably that there were no significant internal control issues to report during 2006/07.

The Authority has adopted a Medium Term Financial Strategy in order to address the identified budget shortfall in 2007/08 and to reduce the reliance on one-off funding. As a commitment to this strategy the Chief Constable has agreed to identify a total of £1.25m of recurring budget savings in 2007/08. In addition, the financial forecasts for 2008/09 and beyond predict that the Authority will face significant financial deficits.

The establishment of a Structures and Ratios Board chaired by the Deputy Chief Constable, and attended by the Authority's Treasurer, is looking to achieve a cashable saving in police staff costs by 1st April 2008, through the rationalisation of police support functions. Such savings should contribute substantially toward offsetting the predicted budget shortfall for 2008/09. The aim of the review is also to improve the efficiency and effectiveness in the specified organisational functions, including an increase in the proportion of professionally qualified staff.

The Audit Commission is now required to undertake an annual PURE assessment on how well Police Authorities manage and use their financial resources. In its 2005/06 assessment it concluded that the Authority's overall score should be a two, i.e. adequate performance. As part of this assessment they scored the Authority a two in the area of Internal Control. The Authority is now addressing the issues identified by the Audit Commission with the aim of improving its overall score, particularly in the area of Internal Control.

Statement on the System of Internal Control

CIPFA is currently developing a Good Governance Framework for use by all local authorities, including Police Authorities. Each local government body operates through a governance framework, which brings together an underlying set of legislative requirements, governance principles and management processes. The new Framework document is intended to be followed as best practice for developing and maintaining a local code of governance and for discharging accountability for the proper conduct of public business, through the publication of an '**Annual Governance Statement**' that will make the adopted practice open and explicit. The 'Annual Governance Statement' will replace the 'Statement on Internal Control' from 2007/08.

Following the breakdown of the Police Mergers the Home Office is encouraging Forces to collaborate with other Forces in their region to help with tackling level 2 crime and other 'cross border issues'. The Authority and Force are currently working with other Authorities to identify possible collaboration opportunities. Once arrangements become established there will be a need to ensure that the governance arrangements and the internal control environment around the joint work is up to the Authority's standards.

Paul Johnson
Treasurer



Cllr Bill Weightman
Chairman of Merseyside Police Authority

Sheena Ramsey
Chief Executive



Bernard Hogan-Howe
Chief Constable



The Income and Expenditure account

This statement summarises the costs of all the functions for which the Authority is responsible, in accordance with BVACOP (Best Value Accounting Code of Practice). Due to Home Office changes on the allocation of expenditure and Force restructuring, direct year on year comparisons are not possible.

2005/06		2006/07
Net Expenditure		Net Expenditure
£000		£000
23,710	Reducing Crime	26,537
111,730	Investigating Crime	124,685
134,998	Promoting Public Safety	94,999
37,739	Assistance to the Public	60,729
759	Firearms, liquor and explosives licences	703
(3,078)	Non-Distributed Costs	4,030
885	Corporate and Democratic Core	859
306,743	Net cost of services	312,542
	Loss on the disposal of fixed assets	2
207	Seconded Officers	376
141	Total net deficit/(surplus) on trading undertakings	(89)
501	Interest payable and similar charges	448
(765)	Interest and Investment Income	(829)
122,446	Pensions interest cost and expected return on pensions assets	134,666
429,273	Net operating expenditure	447,116
(48,896)	Precepts	(51,479)
(15)	(Surplus)/Deficit on Collection Fund	43
(139,561)	Specific Police Grant	(125,466)
(819)	Amending Grant	(1,061)
(95,677)	Revenue Support Grant	(19,339)
(22,164)	National Non Domestic Rate income	(100,185)
122,141	Net deficit/(surplus) for year	149,629

The Income and Expenditure account

Explanation of Prior Period Adjustments

In the 2006/07 Statement of Accounts the Authority has adopted three significant new accounting policies that impact on the comparative figures for 2005/06 in the Income and Expenditure Account.

- capital financing charges for the use of fixed assets are no longer made to domains within net cost of services.
- credits for government grants deferred are now posted to domains within net cost of services.
- gains and losses on the disposals of fixed assets are recognised in the Income and Expenditure Account.

These changes have had the following impact on the comparative figures for 2005/06 compared with those published in the 2005/06 Statement of Accounts:

	Consolidated Revenue Account in 2005/06 Statement of Accounts	Removal of Capital Financing Charges	Relocation of Government Grants Deferred Credits	Amounts Now Shown Elsewhere	2005-06 Comparatives Income & Expenditure Format
	Net cost £000				Net cost £000
Reducing Crime	24,467	-403	-354		23,710
Investigating Crime	115,298	-1,900	-1,668		111,730
Promoting Public Safety	139,309	-2,296	-2,015		134,998
Assistance to the Public	38,944	-642	-563		37,739
Firearms, liquor and explosives licences	783	-13	-11		759
Non-Distributed Costs	-3,078				-3,078
Corporate and Democratic Core	913	-15	-13		885
Net cost of services	316,636	-5,269	-4,624	0	306,743
Seconded officers	207				207
Interest and investment income	-765				-765
Transfer from Asset Management Revenue Account	-9,392	5,269	4,624	-501	0
Interest Payable & Similar Charges	0			501	501
Pensions interest cost and expected return on pensions asset	122,446				122,446
Total net deficit/(surplus) on trading undertakings	141				141
Net operating expenditure	429,273	0	0	0	429,273

Statement of Movement on the General Fund Balance

The Income and Expenditure Account shows the Authority's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However the Authority is required to raise precepts on a different accounting basis, the main differences being:

Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.

The General Fund Balance compares the Authority's spending against the precept that it raised for the year, taking into account the use of reserves. This reconciliation statement summarises the difference between the outturn on the Income and Expenditure Account and the General Fund Balance.

2005/06		2006/07
Net Expenditure £000	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year	Net Expenditure £000
122,141	(Surplus)/Deficit for the year on the Income and Expenditure Account	149,629
(118,344)	Net Additional amount required by statute and non-statutory proper practices to be debited to the General Fund Balance for the year (see note on the next page)	(150,346)
3,797	Increase in General Fund Balance for the year	(717)
(9,721)	General Fund Balance brought forward	(5,924)
(5,924)	General Fund Balance carried forward	(6,641)

Statement of Movement on the General Fund Balance

Note of reconciling items for the Statement of Movement on the General Fund Balance

2005/06		2006/07	2006/07
£000		£000	£000
	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year		
-9,499	Depreciation and impairment of fixed assets	-10,735	
4,624	Government Grants Deferred amortisation	4,616	
0	Net loss/gain on sale of fixed assets	-2	
-180,390	Net charges made for retirement benefits in accordance with FRS 17	-219,371	
-185,265			-225,492
	Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year		
762	Minimum revenue provision for capital financing	906	
240	Capital expenditure charged in-year to the General Fund Balance	255	
65,724	Employer's contributions payable to the Pensions Account and retirement benefits payable direct to pensioners	71,350	
66,726			72,511
	Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year		
307	Voluntary revenue provision for capital financing	148	
235	Payment of Inherited Debt	235	
-347	Net transfer to/(from) earmarked reserves	2,252	
195			2,635
-118,344	Net additional amount required to be credited to the General Fund balance for the year		-150,346

Statement of Total Recognised Gains and Losses

This statement brings together all the gains and losses and shows the aggregate increase or decrease in the net worth of the Police Authority. In addition to the deficit on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the costs of retirement benefits.

2005/06		2006/07
Net Expenditure		Net Expenditure
£000		£000
122,141	(Surplus)/Deficit for the year on the Income and Expenditure Account	149,629
4,820	(Surplus)/Deficit arising on revaluation of fixed assets	5,646
366,811	Actuarial (gains)/losses on pension fund assets and liabilities	(239,881)
(225)	Increases in unapplied capital grant	(543)
493,547	Total recognised (gains)/losses for the year	(85,149)

The Balance Sheet

While the Income and Expenditure account identified the expenditure incurred and income earned during the year, the Balance Sheet shows the financial position of the Authority as at 31st March. The Balance Sheet for 2005/06 has been restated to show the recalculated pensions liability.

2005/06		2006/07	2006/07
£000		£000	£000
	Fixed assets		
	Operational assets:		
130,466	Land and buildings		125,058
16,460	Vehicles, plant and equipment, fixtures and fittings		15,071
1,253	Assets under construction		215
2,375	Non operational assets: Surplus Housing		2,550
150,554	Sub total		142,894
41	Long term debtors		15
150,595	Total long term assets		142,909
	Current assets:		
740	Stocks	937	
15,809	Debtors	20,073	
5,810	Investments	1,715	
52	Imprests	51	
111	Cash	6	22,782
173,117	Total assets		165,691
	Current liabilities:		
(6,100)	Short Term Loans	(6,100)	
(18,128)	Creditors	(17,620)	(23,720)
148,889	Total assets less current liabilities		141,971
(4,700)	Long term borrowing		(4,465)
(4,725)	Provision - insurance		(4,072)
(1,300)	Provision - compensatory grant		(1,600)
(17,562)	Government grants deferred account		(17,943)
(2,772,188)	Liability related to defined benefit pension scheme		(2,680,328)
(2,651,586)	Total net assets /(liabilities)		(2,566,437)
	Financed by:		
86,935	Fixed asset restatement account		80,919
13,935	Capital financing account		9,360
1,480	Usable capital receipts reserve		1,846
245	Unapplied capital grant		788
(2,772,188)	Pensions Reserve FRS 17		(2,680,328)
5,573	Pensions Reserve		2,787
6,510	Earmarked reserves (excluding Pensions)		11,550
5,924	General Balances		6,641
(2,651,586)	Total net worth		(2,566,437)

The Cash Flow Statement

This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

2005/06		2006/07
£000		£000
	Revenue activities	
311,687	Cash paid to and on behalf of employees	328,783
56,438	Other operating costs	51,456
-79	Rents	-67
-48,911	Council tax income (precepts)	-51,436
-22,164	Non-domestic rate income	-100,185
-95,677	Revenue support grant	-19,339
-167,124	Other Government grants	-177,556
-32,320	Charges for services and other cash receipts	-29,412
1,850	Revenue activities net cash flow	2,244
	Returns on Investments and Servicing of Finance	
500	Interest paid	446
-880	Interest received	-880
	Capital activities	
12,614	Purchase of fixed assets	8,063
-1,155	Sale of fixed assets	-367
-6,012	Capital grants received	-5,540
-2,390	(Reduction)/Increase in investments	-4,095
4,527	Net cash inflow before financing	-129
	Management of Liquid Resources	
	Income	
-4,800	New short term loans	0
	Expenditure	
235	Repayments of amounts borrowed	235
-38	Net cash inflow	106
	Increase/decrease in cash and cash equivalents	
-38	(Increase)/decrease in cash	105
0	(Increase)/decrease in petty cash	1
-38		106

Notes to the Core Financial Statements

NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

1. Leased assets - rentals

There are no costs in 2006/07 for leased assets. All leases have now been terminated and no further costs are due to be paid.

2. Publicity Account

Section 5 of the Local Government Act 1986 requires the Police Authority to maintain a separate memorandum account of expenditure and income on publicity. The summary of the net expenditure for 2006/07 appears below:

2005/06		2006/07
£000	Expenditure	£000
89	Recruitment advertising	43
243	Other advertising	263
1,133	Other publicity	1,166
1,465	Expenditure total	1,472

Notes to the Core Financial Statements

NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

3. Group Accounts

Authorities with, in aggregate, material and controlling interests in subsidiary and associated companies and joint ventures, which would be regarded as such under the Companies Act, are required to prepare summarised group accounts. An assessment of these criteria has shown that the Authority is not required to produce group accounts for the period to 31st March 2007.

4. Third Party Payments

Underwater Search and Marine Unit

The Underwater Search Unit serves the areas of Cheshire, Greater Manchester, Merseyside, Lancashire, Cumbria and North Wales and is staffed by police officers from the six constituent Police Authorities with the overall expenditure being met by those Authorities. The expenditure is apportioned on the basis of the provisional 2006/07 police grant allocations.

The Merseyside Police Authority incurs expenditure in the provision of police officers, equipment and vehicles. The reimbursement of this expenditure is included in the appropriate income line and in 2006/07 this amounted to £141,557. The Authority's contribution towards the overall cost of the Underwater Search Unit in 2006/07 was £187,915.

5. Pensions

As part of the terms and conditions of employment of its officers and other employees, the Authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the 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 two pension schemes:

Police Staff

The Local Government Pension Scheme for police staff is administered by Merseyside Superannuation Fund. This is a defined benefit scheme which is funded by a dedicated portfolio of assets to fund any liabilities of the scheme. The Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liability with investment assets. In addition, the Authority has made arrangements for the payment of added years to certain retired employees outside the provision of the scheme.

The cost of employer's contributions for police staff was £8.040m in 2006/07.

Police Officers

The Police Pension Scheme is a defined benefit scheme, governed by the Police Pensions Regulations 1987 and related regulations. It is an unfunded scheme meaning that there are no investment assets built up to meet the pensions liabilities. Following the introduction of the new financial arrangements for police officer payments a top up grant is received from the Home Office to meet the costs of pensions. The amounts remaining to be paid from Police grant are the notional employer contributions, charges for ill health retirements and injury awards. Full details of the Pensions accounts are shown at note 6.

The Police officers make a contribution equivalent to 11% or 9.5% of their salary (depending on which scheme they are in). In 2006/07 a revised scheme was introduced for new officers in April 2006 with contributions of 9.5%. In total £15.187m contributions have been netted off the retirement benefits payable to pensioners. The £15.187m excludes £0.338m for pension contributions received in 2006/07 but relating to 2007/08.

Notes to the Core Financial Statements

NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

6. Pensions Account

The accounts below reflect the new arrangements from 1st April 2006. The pension transactions are now split between two separate accounts. The pensions operating account shows the costs that reside with the Police Authority. The pensions account records all the transactions which are re-imbursed through the new top up grant from the Home Office.

	2006/07
	£000
Pensions Operating Account	
Uniform and Chief Officer Employers Pension Contributions	34,293
Capital Equivalent Ill Health Pension	1,584
Police Injury Gratuities	202
Injury Pensions	4,829
Personal Injury Pensions Post 1.4.06	25
Pensions Paid to 30 plus Officers	46
Employers Pension Contributions - Seconded Staff	(137)
Total	40,842
Pensions Account	
Expenditure	
Police Basic Pensions	23,354
Police Pensions Increases	8,047
Police Ill Health Basic	14,991
Police Ill Health Increase Pensions	5,811
Police Widow Pension Basic	2,183
Police Widow Pension Increase	2,653
Police Children Basic Pension	125
Police Children Pension Increase	32
Police Pension OLAS Lancashire	467
Police Pension OLAS Cheshire	215
Police Ill Health Commutations	1,682
Police Ordinary Commutations	14,208
Police Death in Service Grant	145
Police Transfer Value Payable	581
Total Expenditure	74,494
Income	
Police Transfer Value Receivable	(1,102)
Pension Top up Grant	(22,328)
Police Employers Pension Contribution Income	(34,293)
Capital Equivalent Income - Ill Health Pensions	(1,584)
Employees Pension Contributions	(14,878)
Employees Pension Contributions (new 9.5% scheme)	(309)
Total Income	(74,494)
Net	0

Notes to the Core Financial Statements

NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

7. Pensions contd.

We recognise the cost of retirement benefits 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 we are required to make against the precept is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement of the General Fund. The following transactions have been made during the year.

	Local Government Pension Scheme		Police Pension Scheme	
	31 Mar 06 £000	31 Mar 07 £000	31 Mar 06 £000	31 Mar 07 £000
Net Cost of Services:				
Current Service Cost	7,062	8,505	53,960	72,170
Past service cost	-3,578	0	500	4,030
Net Operating Expenditure				
Interest Cost	8,771	9,753	120,660	133,270
Expected Return on assets	-6,985	-8,357		
Net Charge to the Income and Expenditure Account	5,270	9,901	175,120	209,470
Statement of Movement in the General Fund Balance				
Reversal of net charges made for retirement benefits in accordance with FRS17	-5,270	-9,901	-175,120	-209,470
Actual amount charged against revenue for pensions in the year:				
Employers contributions payable to the scheme	7,484	8,040		
Actual net amounts charged to revenue retirement benefits paid to pensioners. (net of pension contributions and in 2006/07 net of top up grant)			58,240	40,842

Note 32 contains details of the assumptions made in estimating the figures included in this note.

Notes to the Core Financial Statements

NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

8. Remuneration of employees and members allowances

The numbers of employees whose remuneration was above £50,000 are as follows:

2005/06		2006/07	
140	£50,000 - £60,000	232	
22	£60,001 - £70,000	33	
19	£70,001 - £80,000	18	
1	£80,001 - £90,000	12	
2	£90,001 - £100,000	2	
1	£100,001 - £110,000	3	
1	£110,001 - £120,000	1	
0	£120,001 - £130,000	1	
1	£130,001 - £140,000	1	
0	£140,001 - £150,000	0	
0	£150,001 - £160,000	0	
0	£160,001 - £170,000	1	
1	£170,001 - £180,000	0	
188		304	

Remuneration covers all amounts paid to, or receivable by, an employee and includes sums due by way of expenses allowance and the estimated money value of any other benefits received by an employee other than in cash.

Total attendance allowances including national insurance paid to members during the year amounted to £225,663.

9. Audit Costs

2005/06		2006/07	
£000		£000	
67	Fees payable to the Audit Commission in respect of Financial Statements	79	
24	Fees payable to the Audit Commission for the Police Use of Resources and Whole of Government Accounts	21	
91	Total	100	

The amounts for 2005/06 have been restated to show comparative figures.

Notes to the Core Financial Statements

NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

10. Accountable Body for Safer Merseyside Partnership

The Authority is the accountable body for the Safer Merseyside Partnership. As a consequence the financial affairs of the Partnership were administered through the Authority. The Partnership ceased to operate from the 31st March 2005 and as a consequence the Authority has been responsible for the finalising and closure of the Partnership's accounts. The table below analyses the level of income and expenditure for the Partnership over the last 2 years.

2005/06		2006/07
£000		£000
98	Expenditure	31
(291)	Income	0
193	Transfer of surplus/(deficit) to earmarked reserves	(31)
0	Total	0

There is also £56,000 of stock remaining which is for materials for alley gates held by the Police Authority. This has not been included in the Balance Sheet or the reserve.

Notes to the Core Financial Statements

NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

11. Minimum Revenue Provision

As at 31st March 2007 the Authority had outstanding long term external loans of £4.465m. The external loan relates to inherited debt, administered by Wirral Metropolitan Borough Council. In line with the Prudential Code the revenue account is charged with amounts at least equivalent to 4% of the capital financing requirement adjusted so that it approximates the amounts previously calculated.

2005/06		2006/07
£000	Actual repayments	£000
235	External debt	235
1,069	Minimum Revenue Provision (Includes voluntary contribution)	1,054
1,304		1,289

Notes to the Core Financial Statements

NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

12. Related party transactions

The following groups are considered to be related parties with which the Authority undertakes transactions:

Other Merseyside Authorities:

Liverpool C.C.

Wirral M.B.C.

Knowsley M.B.C.

Sefton M.B.C.

St Helens M.B.C.

The Merseyside Superannuation Fund

Other Police Authorities

High Sheriff's and Chief Constable's Charitable Trust Fund

Central Government bodies:

Home Office

Department of the Environment, Transport & the Regions

The Authority has considered transactions with Members and senior officers and has concluded that there are no material transactions to disclose.

13. Internal trading operations

The In-House Cleaning Contractor was awarded the contract from 1st June 2001.

2005/06		2006/07
£000	Expenditure	£000
1,382	Employees	1,389
79	Cleaning & domestic services	56
8	Other supplies and services	1
27	Support services	11
1,496		1,457
-1,355	Contract receipts	-1,546
141	Net (surplus)/deficit	-89

14. The Euro

The Authority's financial system is capable of adapting to another currency. There is currently the facility to make payments in Euros. The potential impact of the Euro on the Authority is not significant.

15. Movement of Fixed Assets in Year

	Non-operational Land & Buildings	Operational land/buildings		Plant & Equipment	Vehicles & Helicopter	Fixtures & Fittings	Total
	£000	Completed £000	Work in progress £000	£000	£000	£000	£000
Value as at 1st April 2006	2,375	138,548	1,253	21,575	20,500	669	184,920
Additions	0	608	215	5,770	2,497	0	9,090
Transfers from work in progress	0	1,253	-1,253	0	0	0	0
Disposals	-139	-238	0	0	-1,415	0	-1,792
Revaluations	314	-5,423	0	-616	-801	-669	-7,195
Revaluation adjustment	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0
Gross value as at 31st March 2007	2,550	134,748	215	26,729	20,781	0	185,023
Depreciation as at 1st April 2006	0	-8,082	0	-14,027	-11,621	-636	-34,366
Depreciation for year	0	-1,626	0	-5,776	-3,333	0	-10,735
Depreciation adjustment	0	0	0	0	0	636	636
Written off in year	0	18	0	0	2,318	0	2,336
Depreciation as at 31st March 2007	0	-9,690	0	-19,803	-12,636	0	-42,129
Net book value as at 31st March 2007	2,550	125,058	215	6,926	8,145	0	142,894

31

16. Capital Financing

Capital Financing	2006/07
	£000
Government Grants	(4,997)
Revenue financing & financing from reserves	(255)
Borrowing	(3,838)
Total Capital Financing	(9,090)

Notes to the Core Financial Statements

NOTES TO THE BALANCE SHEET

17. Capital Financing Requirement

Capital Expenditure & Financing	2006/07
	£000
Opening Capital Financing Requirement	32,122
Capital Investment	
Operational assets	9,090
Sources of Finance	
Government Grants	(4,997)
Revenue financing & financing from reserves	(255)
Minimum Revenue Provision	(1,054)
Repayment for inherited debt	(235)
Closing Capital Financing Requirement	34,671
Explanation of movements in year	
Increase in underlying need to borrow (supported by Government financial assistance)	2,319
Increase in underlying need to borrow (unsupported by Government financial assistance)	230
Increase in Capital Financing Requirement	2,549

18. Information on assets held

Fixed assets owned by the Authority at 31st March include the following:-

	2005/06	2006/07
	No.	No.
Non-operational		
Surplus housing	20	19
Operational		
Force Headquarters	1	1
Police Training Centres	2	2
Police stations/Custody Suites	50	49
Retained housing	7	7
Medical Examination Centres	2	2
Vehicles	984	989

The number of assets for 2005/06 have been re-stated as 2 disposals had not been deducted.

Notes to the Core Financial Statements

NOTES TO THE BALANCE SHEET

19. Fixed asset valuation

The freehold and leasehold properties which comprise the Authority's property portfolio were all valued as at December 2002 by the Director of Property Services, Knowsley M.B.C. Properties are now valued on a rolling programme. In 2006/07 14 operational buildings and all surplus housing properties were revalued. The valuations were in accordance with the Statement of Asset Valuation Practice and Guidance Notes, as issued by the Royal Institute of Chartered Surveyors and other guidance notes as issued by the Chartered Institute of Public Finance and Accountancy. Depreciation has been provided for over their useful economic life and any impairment in the buildings has been considered in undertaking the valuations.

All other assets have been valued on the basis of historic cost, and depreciated over their useful economic life. A review of furniture and fittings undertaken in 2006/07. There has been minimal spend on fixtures and fittings over the last four years and the net book value at 1.4.07 was £0.033m. A decision was made to write off this balance.

Capital works involving land and buildings, once completed, are referred to the valuer to assess the impact on the Balance Sheet valuation. All material revaluations are accounted for in the year in which the scheme was completed.

20. Capital Contracts

As at 31st March 2007 the Authority had entered into the following capital contracts:

Adaptations at Headquarters for New Control Room (Project Lightning) - The total value of the contract is £289,965 of which £201,404 had been spent at 31st March 2007.

Upgrade Data Network - The total value of the contract is £695,000 of which £644,675 had been spent at 31st March 2007.

Hardware for Data Network - The total value of the contract is £202,364 of which £177,325 had been spent at 31st March 2007.

Notes to the Core Financial Statements

NOTES TO THE BALANCE SHEET

21. Capital receipts

2005/06		2006/07
£000		£000
	Unapplied receipts:	
325	Balance brought forward at 1st April	1,480
	Receipts during the year:	
1,052	Sale of Police Buildings	219
86	Sale of Police houses	137
17	Sale of vehicles	10
1,155	Total capital receipts during the year	366
0	Less: Financing of capital expenditure	0
1,480	Capital receipts unapplied at 31st March	1,846

22. Long term debtors

2005/06		2006/07
£000		£000
41	Car loans to employees	15
41	Total long term debtors	15

23. Debtors

2005/06		2006/07
£000		£000
5,300	Government departments	9,896
1,815	Other local authorities	2,673
2,372	Sundry debtors	1,476
6,353	Prepayments	6,069
(31)	Provision for bad debts	(41)
15,809	Total debtors	20,073

The amounts owed to the Police Authority in respect of general sundry debtors are kept continually under review and particularly in respect of the likelihood that some debts may not be paid. As at 31st March 2007 the provision for bad debts was £41,305.

Notes to the Core Financial Statements

NOTES TO THE BALANCE SHEET

24. Creditors

2005/06		2006/07
£000		£000
(1,061)	Government departments	(975)
(4,417)	Inland revenue	(4,870)
(1,421)	Other local authorities	(1,520)
(11,229)	Sundry creditors	(10,255)
(18,128)	Total external creditors	(17,620)

25. Cash

As at 31st March 2007 the Force held a total of £2,216,493 representing cash seized by Police and retained as evidence in support of crimes or cash handed into the Police as found property awaiting claim by the owner or finder.

The amount is not under the ownership of the Force which acts as steward on behalf of various parties and as such does not form part of the accounts of the Authority.

26. Long term loans

The figure for loans outstanding relates to inherited debt administered by Wirral Metropolitan Borough Council. Similar debts are administered on behalf of all Authorities comprising the former Merseyside County Council. As such it is not possible to provide an analysis of the amount outstanding for an individual Authority by lender category and maturity, the overall debt being managed as a single sum. However, in line with the Redemption of Debt Order (1986), the loans are being repaid on a straight-line basis over 40 years.

27. Contingent Liability

In accordance with FRS12 "Provisions, Contingent Liabilities and Contingent Assets" the Authority recognises that it potentially has a contingent liability of some £1.212m for insurable accidents, i.e. the risk in respect of motor, public and employees liabilities that have been incurred but as of yet the Authority have not yet received an insurance claim. The assessment has been made on the basis of historical insurance patterns and adjusted to reflect the fact that the Authority will not be liable for all claims reported.

Notes to the Core Financial Statements

NOTES TO THE BALANCE SHEET

28. Provisions

2005/06			2006/07	
Insurance	Comp. Grant		Insurance	Comp. Grant
£000	£000		£000	£000
(5,959)	(1,000)	Balance b/f	(4,725)	(1,300)
(2,884)	(300)	Contributions in year	(2,931)	(300)
2,290	0	Expenditure	2,381	0
1,828	0	Transfers to Earmarked Reserve	1,203	0
(4,725)	(1,300)	Balance c/f	(4,072)	(1,600)

In 2006/07 the Authority made a contribution of £2.931m to the insurance provision. The contributions made each year are in respect of the anticipated cost of claims in relation to that year and are based upon best advice received from the Authority's insurance brokers. This will have taken account of previous claims history and the anticipated outcomes of known claims. Self-insurance currently substantially assumes the risk in respect of public, employer and motor liabilities. The Authority continually reviews the level of the Insurance Provision to ensure it is at an appropriate level. Consequently during the year the Authority identified that the provision was overprovided for and subsequently transferred £1.203m out of the provision into an Insurance Reserve, thus ensuring that the provision was in line with the estimated value of present obligations, in accordance with the requirements of FRS12.

A partial provision has been made for the compensatory grant in respect of the transitional rent allowance and compensatory grant payments made in 2006/07, but not due for payment until April 2007. Compensatory grant is a payment made to officers in receipt of transitional rent allowance to reimburse them for the tax paid on this allowance. The grant payable is reducing each year as officers entitled to rent allowance retire. The amount paid in April 2007 was £1.638m. The provision will be reviewed during 2007/08 to fully provide for payments made in 2007/08 and will be utilised in March 2008.

Notes to the Core Financial Statements

NOTES TO THE BALANCE SHEET

29. Fixed asset restatement account

2005/06		2006/07
£000		£000
93,134	Balance as at 1st April	86,935
(4,236)	Revaluation in year	(7,196)
-424	Revaluation Adjustments	0
(3,212)	Disposals in year	(1,792)
1,673	Depreciation written off in year	2,972
86,935	Balance at 31st March	80,919

The balance represents the difference between the valuation of assets under the previous system and the revaluation as at 31st March 2007. The account has also been written down by the value of assets disposed of and debited or credited with the deficits or surpluses arising from revaluations.

30. Capital financing account

2005/06		2006/07
£000		£000
17,266	Balance as at 1st April	13,935
0	Capital financing - capital receipts	0
53	- revenue	197
187	- reserves	58
(3,571)	Adjustment for Provision for repayment of external loan	0
0	Adjustment for Minimum Revenue Provision, depreciation, repayment of external debt and amortisation of government grants	-4,830
13,935	Balance deferred 31st March	9,360

The capital financing account contains the amounts which are required by statute to be set aside from capital receipts for the repayment of external loans and the amount of capital financed from revenue and capital receipts. It also contains the adjustments for the Minimum Revenue Provision, depreciation and the repayment of external debt.

Notes to the Core Financial Statements

NOTES TO THE BALANCE SHEET

31. Pension Liabilities

Note 5 to the Income and Expenditure Account contains details of the Authority's participation in the Local Government Pensions Scheme (administered by Merseyside Superannuation Fund) and the Police Pension Scheme in providing police officers with retirement benefits.

The underlying assets and liabilities for retirement benefits attributable to the Authority are as follows:

	Local Government		Police		Total	
	Pension Scheme		Pension Scheme			
	£000	£000	£000	£000	£000	£000
	31-Mar-06	31-Mar-07	31-Mar-06	31-Mar-07	31-Mar-06	31-Mar-07
Estimated Liabilities in scheme	(195,038)	(200,291)	(2,713,330)	(2,632,050)	(2,908,368)	(2,832,341)
Estimated assets in scheme	136,180	152,013	0	0	136,180	152,013
Net Liability	(58,858)	(48,278)	(2,713,330)	(2,632,050)	(2,772,188)	(2,680,328)

Amounts for 2005/06 have been restated.

The liabilities show the underlying commitments that the Authority has in the long-run to pay retirement benefits. The total liability of £2,680m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance of £2,567m. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy. The £2,680m is partly offset by the earmarked pensions reserve of £2.8m leaving a net liability of £2,677.2m.

- 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.
- From 1st April 2006 the payments made in the year for police pensions are partly funded from a Home Office grant under new funding arrangements.

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 Local Government Scheme liabilities have been assessed by Mercer Human Resource Consulting Ltd., an independent firm of actuaries. Estimates for the Local Government Scheme are based on the latest full valuation of the scheme as at 1st April 2004. There was a change in the Local Government Pension Scheme which now permits employees retiring on or after the 6th April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. The actuaries have estimated that 50% of employees will take advantage of this change.

The Police Scheme liabilities have been assessed by the Government Actuaries Department using data provided by the Authority.

Notes to the Core Financial Statements

NOTES TO THE BALANCE SHEET

32. Pension Liabilities contd.

The main assumptions used in their calculations have been:

	Local Government		Police	
	Pension Scheme		Pension Scheme	
	31-Mar-06	31-Mar-07	31-Mar-06	31-Mar-07
Rate of inflation	2.9%	3.1%	3.2%	3.4%
Rate of increase in salaries	4.2%	4.4%	4.7%	4.9%
Rate of increase in pensions	2.9%	3.1%	3.2%	3.4%
Rate for discounting scheme liabilities	4.9%	5.4%	4.9%	5.4%

The Police Pension Scheme has no assets to cover its liabilities. Assets in the Local Government Pension Scheme are valued at fair value - principally market value for investments, and consist of the following categories, by proportion of the total assets held by the Scheme:-

	Expected			Expected		
	Return on			Return on		
	Assets	Assets at		Assets	Assets at	
	31.03.06	31.03.06	31.03.07	31.03.07		
	%	£000	%	%	£000	%
Equity investments	7.0%	83,070	61.0%	7.5%	88,624	58.3%
Government bonds	4.3%	22,878	16.8%	4.7%	25,538	16.8%
Other bonds	4.9%	6,537	4.8%	5.4%	8,969	5.9%
Property	6.0%	6,809	5.0%	6.5%	14,897	9.8%
Cash/Liquidity	4.5%	11,575	8.5%	5.3%	8,209	5.4%
Other	7.0%	5,311	3.9%	7.5%	5,776	3.8%
Total		136,180	100.0%		152,013	100.0%

Pensions Reserve

2005/06		2006/07
£000		£000
-2,290,711	Balance as at 1st April	-2,772,188
	Appropriations (to)/from Revenue:	
-180,390	Reversal of Net Charges made for retirement benefits in accordance with FRS17	-219,371
-47,100	Adjustment for restated amount 2005/06	0
65,724	Employer's contributions payable to the Pensions Account and retirement benefits payable direct to pensioners.	71,350
-319,711	Actuarial Gains and Losses	239,881
-2,772,188	Balance carried forward 31st March	-2,680,328

Notes to the Core Financial Statements

NOTES TO THE BALANCE SHEET

33. Statement of total movement on reserves

	Balance as at 1 April 2006	Contrib- utions to reserves	Contrib- utions from reserves	Balance as at 31 March 2007
	£000	£000	£000	£000
Details of movement in Earmarked Reserves				
Helicopter Reserve	40	315	-353	2
Internal Trading Reserve	74	90	0	164
Earmarked Capital Reserve	1,881	0	-1	1,880
Airwave	1,539	0	0	1,539
Carryover Reserve	0	885	0	885
Robbery Grant Reserve	0	3,214	0	3,214
Other Reserves	627	408	-225	810
Police Property Act Fund	21	12	-9	24
Earmarked Pensions Reserve	5,573	195	-2,981	2,787
Insurance Reserve	2,328	1,204	-500	3,032
	12,083	6,323	-4,069	14,337

The Pensions Reserve has previously been utilised to fund additional retirements. From 1st April 2006 there are new funding arrangements and the Pension Reserve will now be utilised to provide for any unexpected increase in ill health retirements or injury awards.

Actuarial Gains & Losses on Pension Reserve										
	2002/03		2003/04		2004/05		2005/06		2006/07	
	£000	%	£000	%	£000	%	£000	%	£000	%
Local Government Scheme										
Difference between the expected and actual return on assets	-17,794	11.3	10,217	11.3	5,121	4.9	17,561	12.9	-45	0.0
Differences between actuarial assumptions about liabilities and actual experience	0		0		2,917	1.8	-5,522	2.8	0	0.0
Changes in the demographic and financial assumptions	0		0		-31,803	20.0	-18,610	9.5	12,486	6.2
	-17,794		10,217		-23,765		-6,571	14.9	12,441	6.2
Police Pension Scheme										
Difference between the expected and actual return on assets	0		0		0		0		0	
Differences between actuarial assumptions about liabilities and actual experience	51,100	0.1	-2,420	0.1	5,690	0.3	31,480	1.2	57,240	2.2
Changes in the demographic and financial assumptions	0	18.7	-322,650	18.7	-419,870	18.8	-391,720	14.4	170,200	6.5
	51,100		-325,070		-414,180		-360,240		227,440	

Notes to the Core Financial Statements

NOTES TO THE CASHFLOW STATEMENT

34. Analysis of Government Grants

2005/06 £000		2006/07 £000
(139,561)	Police specific revenue grant	(125,466)
(95,677)	Revenue support grant	(19,339)
-819	Amending grant	(1,061)
0	Terrorism grant	(4,744)
(6,012)	Capital grants	(3,506)
(11,752)	Crime fighting fund grant	(9,499)
(4,862)	Other minor grants	(4,465)
0	Pensions Top-Up grant	(16,606)
(2,115)	DNA grant	(1,966)
(350)	Robbery initiative grant	0
(126)	National Security grants	0
(318)	Loan charges grant	(217)
(3,480)	Community Support Officers	(7,050)
(1,392)	Basic Command Unit Grants	(1,388)
(2,321)	Special Priority Payments Grant	(2,321)
(28)	Middle Market Drugs Unit	0
(268,813)	Total	(197,628)

35. Reconciliation of net surplus on the Income and Expenditure account to net cash flow from revenue activities

2005/06 £000		2006/07 £000	2006/07 £000
183	(Surplus)/deficit for the year		(677)
	Non-cash transactions		
-1,069	Capital charges	(2,028)	
-240	Financing of capital expenditure	0	
3,615	Contribution to/from General Balances	(40)	
651	Contribution to/from reserves	(1,777)	
337	Contribution to provisions	353	(3,492)
	Accruals basis		
-2,997	(Reduction)/increase in debtors	4,248	
-74	Increase/(reduction) in stock	197	
1,064	(Increase)/reduction in creditors	1,534	5,979
	Interest		
-500	Interest paid	(446)	
880	Interest received	880	434
1,850	Revenue activities net cash flow		2,244

FAU Outturn statement

This statement does not form part of the statutory accounts. It is to provide details of the outturn compared to the revised estimate as reported to the Authority. It does not include the entries for the new pensions requirement.

Outturn 2005/06	Summary level	Revised estimate 2006/07	Final Outturn 2006/07
£000		£000	£000
13,459	Strategic Development	10,860	11,127
	Citizen Focus		
0	Citizen Focus	7,763	7,765
0	Call Handling	7,373	7,329
		15,136	15,094
	Administrative Support		
8,975	Personnel and Development	12,430	12,432
23,318	Finance	25,744	25,677
32,293		38,174	38,109
	Operations		
155,449	Basic Area Operations	159,096	159,459
12,515	Calls Management & Response	0	0
1,421	Area Co-ordination	1,721	1,732
338	Street Crime Initiative	0	0
195	Special Constabulary	214	218
806	Community Relations	778	754
170,724		161,809	162,163
	Operational Support		
25,720	Operational Support	27,833	27,967
18,865	Crime and Intelligence	17,991	17,299
14,633	Force Crime Operations Unit	14,896	14,693
59,218		60,720	59,959
620	Operational contingency fund	694	690
1,881	Police Support Services Unit	1,941	1,981
	Non rechargeable financing items & levies		
73,233	Police pensions	40,818	40,842
207	Attachments	341	376
2,440	Forcewide services	1,589	1,729
173	Underwater Search Unit	177	166
9,626	Costs of Capital	4,635	4,612
(15,934)	Income	(1,564)	(2,352)
664	PNC charges	684	684
70,409		46,680	46,057
348,604	Net expenditure	336,014	335,180

FAU Outturn statement

Outturn 2005/06	Summary level	Revised estimate 2006/07	Final Outturn 2006/07
£000		£000	£000
348,604	Brought Forward - Net Cost of Services at November 2006 Prices	336,014	335,180
	Contingency for Pay & Prices	280	0
	Capital Appropriations		
-9,393	Transfer from Asset Management Revenue Account	0	0
0	Interest Payable	100	85
	Income		
-240	Interest and investment income	-251	-304
338,971		336,143	334,961
	Appropriations		
333	Net carry over from previous year	40	40
-40	Net carry over to 2007/08	304	885
-3,571	Adjustment to provision for repayment of external loans	0	0
0	Reversal of Depreciation & Government Grants released	-9,760	-9,760
0	Minimum Revenue Provision & Payment for MRDF	1,652	1,652
-3,907	Contribution to/(from) General Balances	134	677
300	Contribution to Compensatory Grant Provision	300	300
-1,158	Contribution to/(from) Pensions Reserve	-2,981	-2,981
-500	Contribution to/(from) Insurance Reserve	-500	-500
-223	Contribution to/(from) Property Act Fund		
-1,190	Additional Capitalisation of Estates/IT		
329,015	Total Net Expenditure to be met from Government Grants and Taxation	325,332	325,274
	Less: Specific Home Office Revenue Grants:		
-139,561	General Police Grant	-125,466	-125,466
-21,700	Specific Grants	-27,845	-27,787
-95,677	Revenue support grant	-19,339	-19,339
-819	Amending Adjustment	-1,061	-1,061
-22,164	Business rate income	-100,185	-100,185
-15	(Surplus)/Deficit on collection fund	43	43
-48,896	PRECEPT REQUIREMENTS	-51,479	-51,479
183	(Surplus)/deficit for the year to General Balances	0	0
-9,721	General revenue balance brought forward	-5,924	-5,924
3,614	Contribution to/(from) revenue	-174	-717
-5,924	General revenue balance carried forward	-6,098	-6,641

Council Tax Base (Number of Band D Properties)

423,833

Council Tax - Band D

£121.46

Increase on Previous Year (£6.07)

5%

Glossary of Terms

CAPITAL EXPENDITURE

This is expenditure on the acquisition of a fixed asset, or expenditure that adds to the value, or extends the useful life of an existing asset. Capital expenditure is not usually a direct charge to the Income and Expenditure Account, being normally met by loan, grant, external contribution or capital receipts.

CAPITAL EXPENDITURE FROM INCOME AND EXPENDITURE ACCOUNT

This relates to the financing of capital expenditure directly from revenue as opposed to financing from borrowing, other credit arrangements or grants.

CAPITAL RECEIPTS

Income from the sale of assets, which can only be used to finance new capital expenditure or repay outstanding debt on assets, financed from loans.

THE BALANCE SHEET

The Balance Sheet represents a summary of the assets, liabilities, funds and reserves of the Authority.

THE INCOME AND EXPENDITURE ACCOUNT

The account which summarises the cost of all the functions for which the Authority is responsible. It also includes notional depreciation charges for assets and the notional cost of retirement benefits earned by employees in the year.

COLLECTION FUND

An amount received from or paid to a Billing Authority based on the actual amount of council tax collected by the Billing Authority above or below the expected collection levels.

CREDITORS

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

DEBTORS

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

DEPRECIATION

An annual charge to reflect the extent to which an asset has been worn out or consumed during the financial year.

INVESTIGATING CRIME

This heading includes activities such as investigation, information gathering, analysis of crimes and criminal activity by detectives, specialist staff and specialist units .

NATIONAL NON DOMESTIC RATE

The level of National Non Domestic Rate (Business Rate) is determined by Central Government. Amounts collected by local authorities are paid into a national pool and the total is redistributed by Central Government in proportion to the population of each authority.

PRECEPT

This is the amount of Council Tax income county councils, police authorities, the Greater London Authority, parish councils and some fire authorities need to provide their services. The amounts for all local authorities providing services in an area appear on one Council Tax bill, which comes from the billing authority.

Glossary of Terms

PRECEPTING AUTHORITY

This is an authority which sets a precept to be collected by billing authorities through the Council Tax bill. County councils, police authorities, the Greater London Authority, some fire authorities and parish councils are all precepting authorities.

PROMOTING PUBLIC SAFETY

This activity covers activities such as the provision of operational support units to cover traffic incidents, use of firearms, custody and dispatch, sporting events and other public activities.

PROVIDING ASSISTANCE TO THE PUBLIC

This heading covers activities such as involving the community in police activity through various initiatives, operating Police Community Support Officers and in dealing with the press and public relations.

REDUCING CRIME

This heading covers activities to reduce crime, for example through liaison with local communities and the management of specialist intelligence gathering units.

RESERVES

Monies set aside for specific future costs (e.g. Airwave) or generally held to meet unforeseen or emergency expenditure (e.g. General Balances).

REVENUE ACCOUNTS

The day-to-day expenditure and income of the Council on such items as salaries and wages of employees, running costs of services, and the purchase of consumable materials and equipment, together with the financing costs of capital assets.

REVENUE SUPPORT GRANT

General Government Grant support towards police authority expenditure.

SPECIFIC GRANTS

Targeted or ring-fenced grants are sometimes referred to as specific grants.

SPECIFIC POLICE GRANT

A specific revenue grant that police authorities receive from the Home Office.