



**STATEMENT OF ACCOUNTS**  
**2009-2010**

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## Foreword by the Treasurer

### 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 31<sup>st</sup> March 2010. 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, and sets the budget and a council tax 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 7 to 12;
- an **Annual Governance Statement**, which explains how the Authority has complied with its own Code of Corporate Governance, and also 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 31<sup>st</sup> March 2010;
- a **Cash Flow Statement** which summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes; and
- a **Pension Fund Account** which summarises the amounts received into and paid out of the police officer pension fund operated by the Authority during the year.

Notes to the above statements and a glossary of terms have been prepared and are included to assist readers to understand the technical accounting terminology.

The format of the accounts has changed for 2009/10; the main changes to the accounts are as follows:-

- (i) **Police Objective Analysis** – in previous years, the Net cost of services in the Income and Expenditure Account has been represented by a single Police Services figure and there were no separate mandatory or discretionary subdivisions of this figure. This year for the first time, a new Police Objective Analysis format is used for presenting the Police Services figure to assist users of the data in the management, comparison and review of the figures. The Police Service net expenditure is now shown over nine sub divisions, the largest being Local Policing, Criminal Justice Arrangements and Specialist Investigations.
- (ii) **Collection Fund** - Billing Authorities in England are required by statute to maintain a separate fund (the Collection Fund) for the collection and distribution of amounts due in respect of council tax and national non-domestic rates. Up to 2008/09 the Statement of Recommended Practice (SORP) required the Council Tax income included in the Income and Expenditure Account of the Authority to be the amount that under regulation is required to be transferred to the General Fund for the year. This is calculated as the precept for the year plus the share of the surplus or deficit arising on the previous year's Collection Fund of each Billing Authority. In accordance with the 2009/10 SORP, from the year commencing 1<sup>st</sup> April 2009, the Council Tax income included in the Income and Expenditure Account for the year shall be the accrued income for the financial year, thus reflecting a true and fair view of the in year position of the Authority.
- (iii) **Senior employees and relevant police officers remuneration** – there is a new requirement for the disclosure of the individual remuneration details of senior employees and relevant police officers for each financial year. A senior employee is a person whose salary is more than £150,000 per year, or whose salary is at least £50,000 per year (to be calculated pro rata for a part-time employee) and who is:-
- (a) the designated head of paid service, a statutory chief officer or a non-statutory chief officer of a relevant body, those terms having the meaning given by the Local Government and Housing Act 1989;
  - (b) the head of staff for a relevant body which does not have a designated head of paid service; or
  - (c) any person having responsibility for the management of the relevant body.
- A 'relevant police officer' is a chief constable, the Commissioners of the Metropolitan Police and the City of London Police, and any other police officer above the rank of superintendent whose salary is £150,000 or more per year. Any officer who receives remuneration above £150,000 is required to be named.
- (iv) **Members remuneration** – although not a statutory requirement, the Authority on the 22<sup>nd</sup> April 2010 approved the full disclosure of the remuneration paid to individual Members in the year.

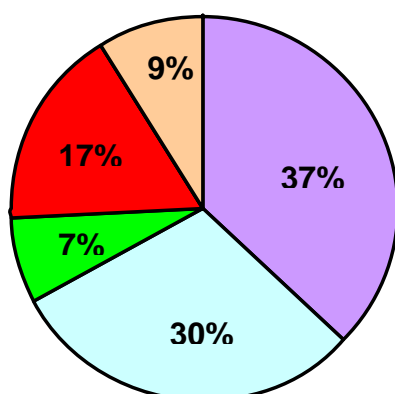
As a consequence the financial information for 2008/09 where appropriate has been restated to ensure comparability with the new accounting requirements.

## Financial Performance for the Year 2009/10

The Authority's Budget for 2009/10 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, and ultimately the Authority.

The net revenue expenditure during 2009/10 amounted to £361.244m. In broad terms the following charts show where the Authority's money came from and how it was spent.

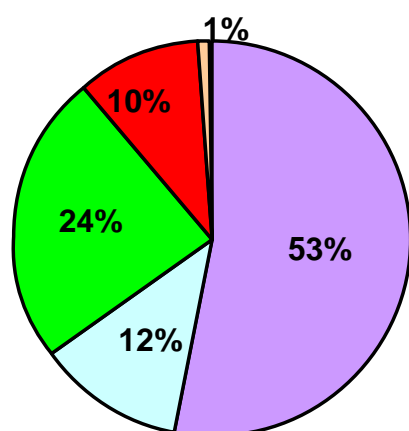
### Where the Money Came From



### This table sets out where the Authority's resources came from

	£m	%
General Police Grant	134.323	37
National Non Domestic Rate	108.136	30
Revenue Support Grant	24.959	7
Precept	59.259	17
Collection Fund	(0.556)	
<b>Total Government Grants and taxation</b>	<b>326.121</b>	
Planned Utilisation of Earmarked Reserves & General Balances	1.459	
Specific Grants	33.664	9
<b>Total Resources</b>	<b>361.244</b>	<b>100</b>

### How the Money was Spent



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

	£m	%
Police Pay	193.004	53
Police Pensions	43.313	12
Support Staff Pay	85.174	24
Other Expenditure	35.776	10
<b>Net Operating Expenditure</b>	<b>357.267</b>	
Contributions to General Balances and Reserves	3.977	1
<b>Total Expenditure</b>	<b>361.244</b>	<b>100</b>

As can be seen from above the Authority received the majority of its income from Government Grants and the precept, which is raised locally and is collected by the District Council's along with their council tax. It is noted that in 2009/10 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 increases above 5%. The Authority's 2009/10 budget incorporated a precept requirement of £59.259m, an increase of 5% over 2008/09.

The outturn position for 2009/10 shows total net operating expenditure of £357.267m. This represents a reduction in planned expenditure of £3.977m, i.e. 1.1%, compared to the original 2009/10 budget. The main explanations for this reduction were:-

- (i) A proposed suspension to the Authority's underspend carry over rules to aid financial resilience in 2010/11, amounting to £1.682m;
- (ii) revenue savings achieved across service departments within the Force, through a more efficient use of resources and scrutiny of spending; and
- (iii) a reduction in the number of Police Officer ill health retirements.

It is noted that the total net operating expenditure of £357.267m stated above differs to that reported within the Income and Expenditure Account on page 35, i.e. £437.270m. The reason for this is that the Income and Expenditure Account is required to include a number of accounting entries which do not impact on the Authority's annual revenue account, including the requirement of Financial Reporting Standard (FRS) 17 and the disclosure of employer's contributions and retirement benefits.

A significant capital programme was also undertaken in the year with actual expenditure amounting to £9.568m. The major items of capital expenditure in the year included the continuation of the strategic IT developments and the ongoing vehicle replacement programme. In order to finance the capital programme the Authority received Home Office funding of £4.448m, utilised £2.140m of its capital reserves and financed £0.532m from revenue and its capital receipts, with the balance of £2.448m being financed through authorised borrowing. This borrowing was undertaken in accordance with the requirements under the Prudential Code and was well within the indicators approved by the Authority. One of the requirements of the Prudential Code is that the Authority adopts the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management in Local Authorities which it has done for several years. In addition, the Authority approves its Treasury Management Strategy annually and the monitor's performance against this and the Prudential Indicators.

The Authority maintains General Balances, Earmarked Reserves and Provisions in order to ensure that adequate financial resilience is maintained. As at the 31<sup>st</sup> March 2010 the Authority's General Balances stood at £9.489m, earmarked Reserves totalled £11.604m and Provisions £5.149m. 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 of the risks included within the Authority and Force risk registers. The risk based review undertaken concluded that by the end of 2010/11 General Balances should be £7.410m. It is planned to utilise £0.518m of General Balances during 2010/11 to fund the declared 2009/10 Collection Fund Deficit by the Local Authorities, in addition the £0.353m utilised from General Balances to finance the departmental overspends that occurred in 2009/10 will be returned to General Balances in 2010/11 from the appropriate departments in accordance with the Authority's carry over rules, thus leaving a balance of £9.324m at year end. Consequently, General Balances are forecast to be £1.914m over the risk assessed level measured during the construction of the 2010/11 budget. I feel that this provides a degree of tolerance and is welcome given the scale of the likely financial challenges that lie ahead and allow for some strengthening in the Authority's resilience to meet them.

### **Pension Liabilities**

Police Officers and Police Staff are offered retirement benefits by the Authority as part of their terms and conditions of employment. In accordance with FRS 17, the Authority is required to ensure that its accounts reflect the fair value of the assets and liabilities of the schemes and that benefits earned are recognised in the accounting periods in which they arise. As at the 31<sup>st</sup> March 2010 the Authority had the following net pension liabilities:-

	<b>£m</b>
Police Officers	3,211.040
Police Staff	111.535
<b>Total</b>	<b>3,322.575</b>

In accordance with FRS 17 the Authority's accounts incorporate a negative pensions reserve to show the estimated liability in relation to the retirement benefits.

However, considering the above liability and the overall impact it has on the Balance Sheet, it must be taken into account that:-

- (i) The Police Officer pension scheme is a statutory scheme, as specified by Police Regulations, whereby the Authority pays an employer's contribution of 24.2% of pensionable pay for all serving police officers into the Police Pension Fund Account. If there is insufficient money in the Pension Fund Account to meet all expenditure commitments in any particular year, the Home Office will fund the deficit. In practice, therefore, the significant liability of £3.211billion will be covered by future employer contributions and the receipt of Home Office grant monies.
- (ii) Police Staff are entitled to join the Local Government Pension Scheme (LGPS) as administered by Wirral Metropolitan Borough Council. The disclosed liability of £111.535m in respect of LGPS is likely to be funded in a number of ways, including potential changes to employee contribution rates following the next triennial review, increases in the employers' contribution to the LGPS and improvements in the funds investments.

Further information on the pension's liabilities is provided in the notes to the Pension Fund Account.

### **2010/11 and Beyond**

In respect of 2010/11, the Authority was awarded a net increase in general grants of 2.6% in the Local Authority Finance Settlement 2010/11. This increase was disappointing and did not meet the inflationary and developmental needs of the Force.

Notwithstanding the above, within the precept increase of 4%, the Authority has been able to set a budget that will deliver:-

- protection of the investments in strategic priorities made over recent years, including front line Police Officer and PCSO numbers;
- through the Efficiency and Productivity plan, the reinvestment of over £10m of efficiency gains to support the targets within the Policing Plan, particularly in relation to improving public confidence and satisfaction;
- identification of budget savings of £8m over the MTFS period, which will form the bedrock of meeting the financial pressures that are likely to face the Authority from 2011/12 and beyond;
- allow time to scope out a wide range of strategic options in readiness for the next Comprehensive Spending Review (CSR), which is likely to require a fundamental shift in the organisation of the Force and could well impact upon officer and staff numbers; and
- a further development in the Authority's earmarking and utilisation of reserves, provisions and balances to allow for both the cushioning of revenue reductions and the investment in the future of policing on Merseyside, particularly with regard to the Estate.

The new Government has made its top priority the reduction of the country's budget deficit. The Government has taken its first step in addressing the deficit by reducing the public spending by

£6billion, i.e. 4%, in 2010/11. The financial impact on the Authority equates to £4.1m of budget reductions in 2010/11. I, in conjunction with the Chief Constable and the Authority's Members and Officers, am currently examining ways to achieve the savings requirement while minimising the impact on the front line.

The position in 2011/12 is far less certain given that it will be the first year of the next CSR, i.e. 2011/12 to 2013/14. It is anticipated that the next CSR period will see extremely tight financial settlements. In addition, the global economy is slowly recovering from the economic recession following the credit crunch, and this is seriously affecting the British Economy. As a consequence of this the Authority may face a number of financial and operational issues, these include:-

- the availability of credit to allow the Authority to borrow to invest in its Capital Programme, in particular the Estate Strategy. In addition, the Authority is likely to receive less interest from its investments, thus reducing income;
- often in times of economic downturn the last bill to be paid by the householder is their Council Tax. This is likely to have an impact on the District Councils' tax collection rates and could result in further Collection Fund Deficits being declared by the Districts; and
- a great deal of uncertainty exists over whether the impact of the decline in the economy has the potential to put pressure on operational policing demands. There is research on the links between unemployment and crime but the results are inconclusive. However as unemployment is likely to increase over the coming year, coupled with individuals suffering from the increasing financial pressures, it would seem logical to assume that there will be pressure on acquisitive crime trends. This would, in particular, result in pressure on volume crime statistics and is a potential risk for as long as the economic outlook remains negative.

Overall, the Authority is currently in a sound financial position, with some resilience to meet unforeseen circumstances, a major issue with regard to an emergency service such as the Police Service. Within a tight financial regime the Authority has not only maintained operational performance, but significantly improved it through investing in the operational priorities set out by the Police Authority within the Strategic Policing Plan.

The prospects for 2011/12 and beyond, given the state of the public finances, look potentially severe. I, in conjunction, with the Chief Constable and the Authority's Members and Officers, am already beginning to plan for an uncertain financial future with the intention of continuing to provide the best possible police service for people living and working in Merseyside.

#### **Further Information**

This publication provides a review of the financial performance of the Police Authority for 2009/10. A summary set of accounts has also been produced and published on the Authority's website, at [www.merseysidepoliceauthority.gov.uk](http://www.merseysidepoliceauthority.gov.uk). Comments are invited on the usefulness and readability of the Statement of Accounts and the summary document through the website.



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**Paul Johnson**  
**Chief Executive/Treasurer to the Police Authority**  
**24<sup>th</sup> June 2010**

# Statement of Accounting Policies

## 1. General Principles

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 2009: A Statement of Recommended Practice (SORP)' issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), which is recognised by statute as representing proper accounting practice. Any variations are shown in notes to the accounts.

## 2. Accruals of Income and Expenditure

The revenue accounts of the Authority are maintained on an accruals basis, which means that the sums due to or from the Authority during the year are included, whether or not the cash has actually been received or paid in the year. In particular:-

- Where income and expenditure has been recognised but cash has not yet been received or paid, a debtor or creditor for the relevant amount is included in the Balance Sheet.
- Supplies are recorded as expenditure when they are consumed. Supplies received but not yet consumed are held as stock in the Balance Sheet.
- Fees, charges and rents due from customers are accounted for as income at the date the Authority provides the relevant goods or services.
- Interest payable on borrowings and receivable on investments is accounted for in the year to which it relates.

## 3. Provisions

Provisions are made where an event has taken place that gives the Authority an obligation which is likely to require settlement by a transfer of economic benefits, but where the amount and timing of the transfer is uncertain.

Provisions are charged to the revenue account when the Authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made they are charged to the provision set up in the Balance Sheet. Provisions are reviewed at the end of each financial year and if it becomes likely that a transfer of economic benefits will not be required, the provision is reversed and credited back to the revenue account.

Full details of the provisions can be found at note 26 to the Core Financial Statements.

## 4. Reserves and The General Fund Balance

The Authority sets aside specific amounts as reserves for future policy purposes (Earmarked Reserves) or to cover general contingencies (The General Fund Balance). The earmarked reserves maintained by the Authority are shown at note 29. Other reserves are held to manage the accounting processes for tangible fixed assets and retirement benefits and are explained elsewhere in the Statement of Accounting Policies and Notes to the Core Financial Statements.

## **5. Revenue Government Grants and Contributions**

Government Grants and third party contributions are recognised as income when the related expenditure for which the grant is given has been incurred and the Authority satisfies the conditions of entitlement to the grant or contribution, giving reasonable assurance that the monies will be received. Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure, for example Police Grant, are credited to the Income and Expenditure Account after Net Operating Expenditure.

## **6. Council Tax Income**

In accordance with the SORP the Council Tax Income included in the Income and Expenditure Account is the accrued income for the financial year. The difference between the income included in the Income and Expenditure Account and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Statement of Movement on the General Fund Balance.

The Authority recognises its share of the Council Tax debtor and creditor balances and impairment allowances in its Balance Sheet. The Authority also recognises a creditor in its Balance Sheet for cash received from the Billing Authority in advance of the Billing Authority receiving the cash from Council Tax debtors or a debtor in its Balance Sheet for its attributable share net cash collected from Council Tax debtors by the Billing Authority but not paid over to it at the Balance Sheet date.

## **7. 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 pension fund account are shown on page 61.

### **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 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 31<sup>st</sup> March 2007.

The schemes are accounted for in accordance with Financial Reporting Standard (FRS) 17 "Retirement Benefits" which is based on the principle that an organisation should account for retirement benefits when it is committed to give them, even though this may be many years in the future.

Adoption of FRS 17 requires a pension asset or liability to be recognised in the Balance Sheet, made up of the net position of retirement liabilities and pension scheme assets.

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 estimates of projected earnings for current employees.

Statutory provisions require that the amount charged to the General Fund Balance is the amount paid by the Authority to pension's funds rather than that calculated under FRS 17. This means that an appropriation to or from the Pensions Reserve is necessary within the Statement of Movement on General Fund Balance to replace the notional sums for retirement benefits with the actual pensions costs.

## **8. Interest**

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

## **9. Interest Charges**

External interest charges are paid on the inherited debt brought forward at 1<sup>st</sup> 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.

## **10. VAT**

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from them.

## **11. Overheads and Support Services**

The costs of overheads and support services are charged to Police Objective Analysis headings using a number of different apportionment methods.

The exceptions to this are:-

- Corporate and Democratic Core – costs relating to the democratic processes of the Authority and other corporate costs; and
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early.

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

## **12. Intangible Fixed Assets**

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Authority, such as software licences, is capitalised if it will bring benefit to the Authority for more than one year. The balance is subsequently amortised to revenue over the useful life of the intangible asset (usually 4 years). Intangible assets are capitalised at cost.

## **13. Tangible Fixed Assets**

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

### **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

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

- Operational land and 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.
- Police houses which are used for residential purposes and are not being used in the pursuit of the strategy or service objectives of the Authority have been classed as non-operational assets and are included in the Balance Sheet at market value.
- Surplus properties which are held for disposal are included in the Balance Sheet at market value.
- Assets under construction are also classed as non-operational assets and are held in the Balance Sheet at historical cost until completed, whereupon they are valued and included in the Balance Sheet as operational assets.

## Revaluation

Assets included in the Balance Sheet at current value are revalued at least once every 3 years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally gains may be credited to the Income and Expenditure Account to reverse any previous charges made for related impairment losses.

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

## Impairment

Reductions in asset values are charged to the Income and Expenditure account if there has been a clear consumption of economic benefits such as damage, wear and tear or obsolescence. Reductions in asset values due to general changes in prices are firstly written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the Income and Expenditure Account.

## Disposals

When an asset is disposed of, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account and receipts from the disposal are credited to the Income and Expenditure account. The difference between the disposal proceeds and the value of the asset in the Balance Sheet forms the gain or loss on disposal. Any revaluation gains included within the Revaluation Reserve for that asset are transferred to the Capital Adjustment Account.

Receipts from disposals in excess of £10,000 are categorised as capital receipts and are required to be credited to the Capital Receipts Reserve, via an appropriation from the Statement of Movement on the General Fund Balance. The Capital Receipts Reserve can only be utilised to finance new capital expenditure or to reduce the Authority's borrowing requirement.

The written off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the Statement of Movement on the General Fund Balance.

## Depreciation

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

- Buildings 40 – 75 years
- Vehicles 3 – 5 years
- Plant and Equipment 4 years
- Helicopter As at 1<sup>st</sup> April 2007 the estimated remaining life was re-assessed to be 4 years

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

#### **Charges to Revenue for Fixed Assets**

The Income and Expenditure account is debited with the following amounts to record the real costs of holding fixed assets during the year:-

- Depreciation attributable to the assets used;
- Impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off; and
- Amortisation of intangible fixed assets attributable to the service.

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

The Authority is also charged with the principal element of transferred debt taken over from the former Merseyside County Council, and managed by Wirral Metropolitan Borough Council on its behalf. This charge is included as another adjusting transaction between the Statement of Movement on the General Fund Balance and the Capital Adjustment Account.

#### **14. Capital Grants and Contributions**

Any grants or contributions received that are identifiable to fixed assets with a finite useful life are credited to the Government Grants Deferred Account when they are utilised to finance capital expenditure. The balance is then released to the Income and Expenditure Account to offset depreciation charges made for the related assets.

#### **15. Leases**

The Authority holds various assets under operating leases. The annual rentals are charged to revenue. The value of assets and related liability for future rental are not shown in the Balance Sheet.

#### **16. Financial Assets and Liabilities**

All financial instruments are included in the Balance Sheet at amortised cost. For borrowings this means that the amount presented in the Balance Sheet is the outstanding principal repayment and the interest charged to the Income and Expenditure account is the amount payable in the year. Likewise investments are included in the Balance Sheet as the outstanding principal receivable and the interest credited to the Income and Expenditure account is the amount receivable in the year.

#### **17. Stocks and Stores**

Stocks and stores are included in the Balance Sheet at the lower of cost and 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.

## **18. Redemption of Debt**

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

Loan debt incurred from 1<sup>st</sup> April 1986 is directly administered by Merseyside Police.

Instalments of principal repayments are charged through the statutory Minimum Revenue Provision.

## **19. 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.

## **20. Estimation**

Estimation techniques have been used for the entries in respect of pension's liabilities. Actuaries calculate these figures and details are shown at note 39 to the Core Financial Statements.

An estimate has also been made for incentivisation income due for the fourth quarter of 2009/10. This is income due from asset recovery; an estimate of £0.243m has been made based on performance to 31st December 2009.

## **21. Police Property Act Fund**

The Authority maintains a Police Property Act Fund which is shown in the 'Statement of total movement on reserves' on page 60. The requirement to maintain a Police Property Act Fund was laid down in the Police (Property) Act, 1897, and governed by subsequent regulations issued in 1898 and 1975. The monies in the Police Property Act Fund are generated by the disposal of property, which remains in police possession, in connection with their investigations into a suspected offence, and the owner cannot be ascertained (and no order of a competent court has been made regarding such property) or the disposal of property of offenders in certain cases, which has been confiscated.

Under the terms of the Police (Disposal of Property) Regulations, 1975, 7 (c) the Police Authority is able to dispose of funds, to make payments of such amounts as the Police Authority may determine for such charitable purposes as they may select, and also to meet the expenses incurred in the conveyance, storage, safe custody and sale of the property.

# Independent auditor's report to the Members of Merseyside Police Authority

## Opinion on the accounting statements

I have audited the accounting statements, the police pension fund accounting statements and related notes of Merseyside Police Authority for the year ended 31 March 2010 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, Statement of Movement on the General Fund Balance, Balance Sheet, Statement of Total Recognised Gains and Losses, Cash Flow Statement, and the related notes. The police pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. The accounting statements and police pension fund accounting statements have been prepared under the accounting policies set out within them.

This report is made solely to the members of Merseyside Police Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

## Respective responsibilities of the Treasurer and auditor

The Treasurer's responsibilities for preparing the accounting statements, including the police pension fund accounting statements, in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities.

My responsibility is to audit the accounting statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounting statements, the police pension fund accounting statements and related notes give a true and fair view, in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of:-

- the financial position of the Authority and its income and expenditure for the year; and
- the financial transactions of its police pension fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the accounting statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

I read other information published with the accounting statements, the police pension fund accounting statements and related notes and consider whether it is consistent with the audited accounting statements, the police pension fund accounting statements and related notes. This other information comprises the Foreword by the Treasurer. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements, the police pension fund accounting statements and related notes. My responsibilities do not extend to any other information.

## Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence

relevant to the amounts and disclosures in the accounting statements, the police pension fund accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements, the police pension fund accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

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

### **Opinion**

In my opinion:-

- The accounting statements and related notes give a true and fair view, in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended; and
- The police pension fund accounting statements give a true and fair view, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial transactions of the police pension fund during the year ended 31 March 2010 and the amount and disposition of the fund's assets and liabilities as at 31 March 2010, other than liabilities to pay pensions and other benefits after the end of the scheme year.

### **Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources**

#### **Authority's Responsibilities**

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance and regularly to review the adequacy and effectiveness of these arrangements.

#### **Auditor's Responsibilities**

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for police authorities published in May 2008 and updated in October 2009. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

## **Conclusion**

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for police authorities specified by the Audit Commission and published in May 2008 and updated in October 2009, and the supporting guidance, I am satisfied that, in all significant respects, Merseyside Police Authority made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010.

## **Certificate**

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

**Julian Farmer**  
**District Auditor**  
**30<sup>th</sup> September 2010**

Audit Commission  
First Floor  
Block 4  
The Heath Technical and Business Park  
The Heath, Runcorn, WA7 4PQ

## Statement of Responsibilities for Statement of Accounts

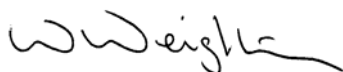
### 1. The Authority's responsibilities

The Authority is required:-

- to make arrangements for the proper administration of its financial affairs and to ensure 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; and
- approve the Statement of Accounts.

### APPROVAL OF STATEMENT OF ACCOUNTS

I confirm on behalf of the Authority that the Statement of Accounts have been approved.



**Bill Weightman**  
**Chair of Merseyside Police Authority**  
**24<sup>th</sup> June 2010**

### 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 the United Kingdom ('the Code'), is required to present a 'true and fair view' of the financial position of the Authority at the accounting date and its Income and Expenditure for the year ended 31st March 2010.

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 Local Authority Statement of Recommended Practice (SORP).

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 31 - 71 presents a 'true and fair' view of the financial position and the income and expenditure of the Merseyside Police Authority for 2009/10 and has been prepared in accordance with the accounting principles and policies set out on pages 7-12. I have authorised the Statement of Accounts for issue on the 24<sup>th</sup> June 2010. Any events after this date have not been recognised.

A handwritten signature in black ink, appearing to read 'P. Johnson' with a horizontal line at the end.

**Paul Johnson**

**Treasurer to Merseyside Police Authority**

**24<sup>th</sup> June 2010**

# Annual Governance Statement

## 1 . Scope of Responsibilities

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

In discharging this overall responsibility, the Authority is also responsible for putting into place proper arrangements for the governance of its affairs and facilitating the exercise of its functions, which includes ensuring that a sound system of internal control is maintained through the year and that arrangements are in place for the management of risk.

The Authority has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework: *Delivering Good Governance in Local Government*. A copy is available on the Authority's website at [www.merseysidepoliceauthority.gov.uk](http://www.merseysidepoliceauthority.gov.uk) or can be obtained from Merseyside Police Authority, PO Box 101A, West House, Mercury Court, Tithebarn Street, Liverpool, L69 2NU.

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

## 2 . The Purpose of the Governance Framework

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable and foreseeable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide a reasonable, and not an 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 effectively, efficiently and economically.

The Governance Framework has been in place at the Authority for the year ended 31<sup>st</sup> March 2010 and up to the date of approval of the Statement of Accounts.

### **3 . The Governance Framework**

Although the Chief Constable is responsible for operational policing matters, the direction and control of police personnel, and for putting in place proper arrangements for the governance of the Force, the Authority is required to hold him to account for the exercise of those functions, and those of the persons under his direction and control. It therefore follows that the Authority must satisfy itself that the Force has appropriate mechanisms in place for the maintenance of good governance, and that these operate in practice.

The Authority developed and approved a Code of Corporate Governance which incorporated the six core good governance principles in the local context, and set out the arrangements for reviewing their effectiveness. The key elements of the systems and processes that comprise the governance arrangements within the Authority and Force are detailed below under the appropriate core principles of good governance:-

**(i) The Authority aims to focus on its purpose and on outcomes for the community to create and implement a vision for the local area.**

To achieve this, the Authority:-

- considered and developed its purpose and vision, and promoted it through the annual Policing Plan;
- consults with partners (e.g. Community Safety Partnerships) to ensure that partnerships were underpinned by a common vision of their work that was understood and agreed by all parties;
- ensures that the organisation's vision, strategic plans, priorities and targets are developed in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated;
- published annual reports, including the Policing Plan, Budget, Statement of Accounts and individual Committee reports, which communicated the Authority's activities and achievements, its financial position and performance;
- set and published performance targets within the annual Policing Plan to measure the quality of service for users and the Performance Scrutiny & Review Committee monitored performance against the targets set;
- the Police Authority Support Unit, in conjunction with the Force, made sure that the information needed to review service quality effectively and regularly was available to its Members via the relevant Committees;
- put in place effective arrangements to improve service delivery in accordance with the Strategic Policing Plan; and
- considered how best to achieve value for money and ensured that the Authority or partnerships had the information needed to review value for money and performance effectively.

**(ii) The Authority aims to take informed and transparent decisions which are subject to effective scrutiny and risk management arrangements.**

To achieve this, the Authority:-

- has continued to improve its arrangements to challenge and scrutinise Force performance and compliance with other requirements, specifically through its annual target setting process and reporting to its various Committees;

- improved the transparency and effectiveness of its mechanisms for documenting and evidencing decisions, and recording the criteria, rationale and considerations on which decisions were based;
- has in place arrangements that safeguarded Members and employees against conflicts of interest and appropriate processes that ensure that they continue to operate in practice;
- developed a more effective audit role of the Resources & Strategy Committee, in accordance with CIPFA guidance;
- ensured that effective, transparent and accessible arrangements were in place for dealing with complaints;
- ensured that Members making decisions were provided with information that was fit for purpose, i.e. relevant, timely and gave clear explanations of technical issues and their implications;
- ensured that professional advice on matters that had legal or financial implications was available and recorded in advance of decision making and was used appropriately;
- ensured that risk management was embedded into the Authority, with the Resources & Strategy Committee given responsibility for risk management arrangements and the appointment of a lead Member for Risk Management. It was also ensured that Members and officers at all levels recognised that risk management was part of their role;
- ensured that arrangements were in place for whistle blowing to which employees and all those contracting with the Authority had access; and
- recognised the limits of lawful action and observed both the specific requirements placed upon them, as well as the requirements of general law, and in particular to integrate the key principles of good administrative law, i.e. rationality, legality and natural justice into their procedures and decision making processes.

**(iii) The Authority aims to ensure Members and officers are working together to achieve a common purpose with clearly defined functions and roles.**

To achieve this, the Authority:-

- has a clear statement of the respective roles of individual Members' responsibilities and the Authority's approach towards putting this into practice;
- has in place a scheme of delegation, including a formal schedule of those matters specifically reserved for the collective decision of the Authority, taking into account relevant legislation, and ensuring that the scheme was monitored and updated when required;
- regularly reviews and updates Contract Standing Orders and Financial Regulations, which clearly define how decisions are to be taken and the processes and controls required to manage risks;
- has in place a Chief Executive who is responsible for the operational management of the Police Authority;
- has in place a Chief Constable who is responsible for the operational management of the Force;

- has in place a Treasurer (the Section 151 officer) who is responsible to the Authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control;
- has in place a Monitoring Officer who is responsible to the Authority for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with;
- has developed protocols to ensure that the Chairman and Chief Executive have a shared understanding of their roles and objectives;
- has in place protocols that ensure effective communication between Members and officers in their respective roles;
- established the terms and conditions for remuneration of Members and Chief Officers and the structure for managing the process;
- ensured that effective mechanisms existed to monitor service delivery, via its Committee Structure;
- seeks to ensure that when working in partnership that Members were clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the Authority; and
- seeks to ensure that when working in partnership that there was clarity about the legal status of the partnership and that representatives, or organisations, both understood and made clear to all other partners the extent of their authority to bind their organisation to partner decisions.

**(iv) The Authority aims to promote its values and demonstrate the values of good governance through upholding high standards of conduct and behaviour.**

To achieve this, the Authority:-

- ensures that its leadership set a tone for the organisation by creating a climate of openness, support and respect;
- has put in place arrangements to ensure that systems and processes are designed in conformity with appropriate ethical standards, and to monitor their continuing effectiveness in practice;
- ensures that standards of conduct and personal behaviour expected of Members and employees, of work between Members and employees and between the Authority, its partners and the community are defined and communicated through codes of conduct and protocols;
- maintains and promotes shared values including leadership both for the organisation and employees reflecting public expectations, and communicates these to Members, employees, the community and partners;
- has in place an effective Standards Committee, including the publishing of an Annual Report on the Standard Committee's activities in 2009/10;
- uses its vision and values to act as a guide for decision making and as a basis for developing positive and trusting relationships within the Authority; and
- in pursuance of the objective(s) of a partnership, seeks to agree a set of values against which decision making and actions could be judged.

**(v) The Authority aims to develop the capacity and capability of Members and officers to be effective in their roles.**

To achieve this, the Authority:-

- provides an Induction Programme to all new Members, which is tailored to their individual needs, and provides opportunities for all Members and officers to update their knowledge on an ongoing basis;
- ensures that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the organisation;
- assesses the skills required by Members and statutory officers and gives a commitment to develop those skills to enable roles to be carried out effectively;
- develops skills on a continuing basis to improve performance, including the ability to scrutinise and challenge, and to recognise when outside expert advice is needed; and
- ensures that effective arrangements are in place for reviewing the performance of the Authority, as a whole, and agrees an Action Plan which is aimed to address any training or development needs.

**(vi) The Authority aims to engage with local people and other stakeholders to ensure robust public accountability.**

To achieve this, the Authority:-

- makes clear to themselves, all staff, the community and stakeholders, what they are accountable for and to whom;
- ensures that arrangements are in place to enable the Authority to engage with all sections of the community effectively. These arrangements recognise that different sections of the community have different priorities and established explicit processes for dealing with these competing demands;
- seeks to ensure that clear channels of communication are in place with all sections of the community and other stakeholders including monitoring arrangements to ensure that they operate effectively;
- holds meetings in public unless there are good reasons for confidentiality;
- has in place a clear policy on those issues on which the Authority meaningfully consults with the public and service users, including a feedback mechanism;
- publishes an annual Policing Plan giving information on the Authority's vision, strategy, plans and financial statements as well as information about its performance, achievements and the satisfaction of service users; and
- ensures that the Authority as a whole is open and accessible to the community, service users and its employees and makes a commitment to openness and transparency in all its dealings, including partnerships subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so.

#### 4 . Review of Effectiveness

The Authority has responsibility for conducting, at least annually, a review of the effectiveness of the Governance Framework, including:-

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

These reviews have been completed/informed by the work of the Authority, its Membership and Committees, the Executive Officers within the Authority, the Chief Constable and Internal Audit, who collectively have the responsibility for the development and maintenance of the governance environment. In addition, comments made by the Audit Commission and Her Majesty's Inspector of Constabulary have informed this review.

#### The Authority

The Authority has responsibility for approving the local Code of Corporate Governance and for undertaking an annual review of its effectiveness. The Authority received and approved the Annual Governance Statement at the same meeting in June that it approved the annual Statement of Accounts. The Annual Governance Statement is signed jointly by the Chair of the Authority, the Chief Executive/Treasurer and the Chief Constable.

The Authority's adherence to the Code of Governance and system of Internal Control is fundamentally based around its Committee structure, which is supported by Codes of Conduct, Procedural and Contract Standing Orders, Financial Regulations, a framework of regular management information, administrative procedures (including segregation of duties), management supervision, Force Financial Instructions, and a scheme of delegation and accountability.

The Authority discharges these duties through its Committee structure, and the key elements in terms of the Corporate Governance arrangements and internal control environment were included as follows:-

**Resources & Strategy Committee** - ensures that the Authority is able to monitor and scrutinise the Force's use of resources both in terms of financial and people resources. It is responsible for the development and implementation of the Medium Term Financial Strategy. It seeks to work in partnership with the Force to determine resource usage and ensures that these are in accordance with the Authority's Standing Orders, Scheme of Delegation and Financial Regulations. It also ensures that responsibilities of both the Authority and Force associated with Risk Management and Health & Safety are met and developed further an effective audit role.

**Performance Scrutiny & Review Committee** - ensures that the Authority is fully aware and is able to independently exercise its oversight role with regard to policing performance. It recommends targets for the Local Policing Plan, and monitors and scrutinises the Force's performance against the approved Plan. It promotes and supports improvement and seeks to work in partnership with the Force to improve performance in line with the Strategic Policing Plan. It also considers and recognises good performance and ensures that work associated with data quality and recording is monitored and that progress is maintained.

**Value For Money Committee** - ensures that a programme of service improvement reviews is undertaken during the year. The criteria for determining such reviews takes account of overall force performance, value for money concerns and risk management factors. The Committee also has an overview of the wider improvement regime within the Force, in particular work associated with the National Policing Improvement Agency (NPIA).

**Professional Standards & Complaints Committee** - ensures that the Authority is fully aware of, and able to exercise its oversight role with regard to police professional standards. It ensures that the Authority fulfils its statutory obligations and that the Force sets a standard of policing, particularly in the handling of complaints and misconduct thus maintaining and improving the trust and confidence between the police and the public.

**Community Partnership Committee** - ensures that the Authority monitors and scrutinises both the Force's and its own arrangements with regard to engaging with the community. It ensures that these arrangements are kept up to date and relevant for communities across Merseyside and ensures that the findings are fed into the Policing Plan process and help inform the Authority's strategic priorities. This Committee also has responsibility for ensuring that the Authority meets its statutory obligations in respect of equalities legislation and Independent Custody Visiting. This Committee also has responsibility for monitoring and scrutinising aspects of neighbourhood policing, partnership working and all aspects of a citizen-focused approach to policing.

**Estate Strategy Committee** - ensures that progress is made with regard to the implementation of the Estate Strategy and oversees the short and medium term operational delivery of that Strategy. The Committee also ensures the achievement in respect of value for money in all property matters and ensures that the management of the Authority's Estate is carried out efficiently, both in terms of strategic estate management and the day-to-day operational requirements. It also deals with all planning issues relating to the development of the Estate and considers and makes recommendations regarding any proposed purchases and disposals of estate assets.

**The Standards Committee** - has delegated authority to consider the Government's Model Code of Conduct and advise the Authority on the adoption of an appropriate Local Code of Conduct for Members and/or Officers of the Authority. The Committee also has responsibility for developing and monitoring of all aspects of Members' training and oversees the training of its own Members and training of Authority Members. No allegations of a breach of the Code of Conduct were reported to the Committee in 2009/10 and the Committee's work has largely been based on promoting the high standards expected of Police Authority Members and ensuring the revised Code of Conduct is fully understood, operational and applied by Members.

In accordance with Section 5, Local Government and Housing Act 1989, the Deputy Chief Executive is appointed as the Authority's **Monitoring Officer**. This officer is responsible for ensuring that, at all times, the Authority acts within its legal powers and advises the Standards Committee accordingly.

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.

**Police Authority Support Unit** – during 2009/10 the Authority established an independent Support Unit. Previously this service was provided to the Authority by a Service Level Agreement between the Authority and Knowsley Metropolitan Borough Council. The Police Authority is supported by the Chief Executive/Treasurer and Officers from within the Police Authority Support Unit are all employed by the Authority. The Support Unit provides the following services:-

- Strategic Financial Advice;
- National and Regional Officer representation;
- Committee and Administrative Support;
- Internal Audit;
- Consultation and Communication arrangements;
- Strategic Policy support;
- Estate Management;
- Legal advice; and
- Performance Management.

In addition, the Authority has continued to procure Legal Support, Human Resources, Insurance, Payroll and Treasury Management Services from Knowsley MBC.

The Authority also has a Risk Management Strategy Group, led by the Authority's Chief Executive/Treasurer which develops and implements an overall Risk Management Strategy. The group reported to the Resources & Strategy Committee during the year.

**Performance & Policy Team** - supports Members in their scrutiny of Force performance. The Team undertakes independent verification of information provided by the Force, both in respect of information which forms part of the national performance assessment framework and wider performance issues.

In addition to reviewing committee reports submitted by the Force to the Performance Scrutiny & Review Committee, the Team monitors other areas of performance on a monthly basis, e.g. Force sickness levels, National Crime Recording Standards (NCRS) and National Standards for Incident Recording (NSIR) compliance, along with progress against action plans arising from Force inspections.

During 2009/10, the Team coordinated the consultation process for target setting relating to the 2010/11 Policing Plan. The Authority and Force continued to share performance information with its strategic partners and agreement has again been reached in respect of targets for priority areas, taking into account any shared resources that were available.

The Team also reviews and researches policy issues that may affect the Authority, advising Members and Senior Officers appropriately and co-ordinating responses to national consultation on policing issues.

### **Internal Audit**

The primary role of Internal Audit is to give an assurance to the Authority, through the Resources & Strategy Committee, on the effectiveness of the controls in place to manage risks. To this end the Treasurer delivers an annual opinion on the effectiveness of the controls reviewed by the Internal Audit Team. This annual opinion is one of the key sources of evidence in support of the Annual Governance Statement. Any issues identified during an audit were dealt with initially in the relevant audit report, with any major control weaknesses initially being reported to the Treasurer and the Force. Significant governance failures identified through general audit work are referred to the Resources & Strategy Committee.

In order to ensure an independent review of the adequacy, or otherwise, of the corporate governance arrangements and 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, carries 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;
- the extent to which 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;
- the completeness, reliability and integrity of other information, both financial and operational; and
- the economy, efficiency and effectiveness with which resources are employed.

The Assistant Treasurer is responsible for the day-to-day management of the Internal Audit Service, and reports directly to the Treasurer, who has the right to report directly to the Chief Constable if required. Direct access to the Chair of the Authority and the Chair of 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 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 through the Annual Audit Letter.

Internal Audit's plans and performance are reported annually to the Resources & Strategy Committee. The Internal Audit plan for 2009/10 included the review of key financial systems such as the creditor's payments system, payroll, pensions, budget monitoring and treasury management. In addition, it took into account a broader view of business risks not just financial risks, e.g. crime recording, sickness absence monitoring and reporting, and gifts and hospitality.

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.

In addition, 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, when he became aware of them. As a result of the internal reviews undertaken to date, the Force have substantially improved the control environment in these areas. The outcome of these reviews will be reported in the Annual Internal Audit outturn report.

On the basis of all the systems reviewed and reported on by Internal Audit during the year, it is the Treasurer's opinion that the overall adequacy and effectiveness of the Authority's and Force's control environment is operating satisfactorily.

In order to comply with the International Standards on Auditing (United Kingdom and Ireland) the District Auditor is required to consider and understand the activities of Internal Audit, in order to assist him in planning the audit of the Authority and developing an effective audit approach. In practice this means that the District Auditor reviews the work of Internal Audit annually to assess the quality of their work and the strength of the control environment. The District Auditor also assesses Internal Audit's effectiveness in more detail every three years, to determine the extent to which it complies with the CIPFA Code of Practice for Internal Audit. The last tri-annual review of Internal Audit was completed in 2008/09. The main conclusions from work undertaken were that Internal Audit is an important element of the control environment at Merseyside Police Authority. It provides an effective review of major elements of internal control, the quality of work is good and that Internal Audit meets the requirements of the CIPFA Code of Practice for Internal Audit.

In addition, in accordance with the Accounts and Audit (Amendment) Regulations 2006 (Amended) the Authority once again conducted a review of the effectiveness of its system of Internal Audit. Consequently, the Authority's Internal Audit Service undertook a self assessment of compliance with the 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 judgment. The Assistant Treasurer and Internal Audit Manager have completed the self assessment and have concluded that the Internal Audit Service complies with Internal Audit Standards within the Code of Practice.

A protocol for liaison between Internal and External Audit has been drawn up by officers from Internal Audit and the Audit Commission. The objective of the protocol is to provide a framework which will optimise the benefits of audit to the Authority from the audit resources available, while enabling Internal Audit and the Audit Commission to deliver their respective responsibilities. Specifically it clarifies the respective roles of External and Internal Audit, highlights areas where External Audit will place reliance on the work of Internal Audit and establishes a framework for co-operation in the planning, conduct and reporting of audit, with the Audit Commission placing greater reliance on the work of Internal Audit in order to facilitate the provision of the most effective audit of the Authority. During 2009/10 the Audit Commission placed reliance on the work of Internal Audit in respect of their reviews of the creditors payments system, payroll, pensions and treasury management.

The Internal Audit Service also has a memorandum of understanding with the Force's Professional Standards Department for reporting and investigating financial regulations.

### **External Audit**

The Audit Commission also audits the Authority's Governance arrangements and the system of internal financial control, via its audit of the Authority's financial statements, the Use of Resources (URE) assessment and the Annual Governance Statement, as well as undertaking thematic based reviews. The Audit Commission is currently finalising the URE assessment for 2009/10 and will shortly commence their audit of the Authority's financial statements and Annual Governance Statement relating to 2009/10. The Audit Commission plans and reports, including the Annual Governance Report and the Annual Audit Letter, are considered by the Authority and the Resources & Strategy Committee at appropriate times during the annual cycle of meetings.

As stated, the Audit Commission is required to assess how well Police Authorities manage and use their resources to deliver value for money and better and sustainable outcomes for local people. This is known as URE and was completed for the first time in 2006, looking back at 2005/06. Three specific areas, i.e. managing finances, governing the business and managing resources, have been reviewed as part of the 2009/10 URE assessment. Each judgement area is given a score between 1, i.e. inadequate performance, and 4, i.e. performing strongly, and the overall use of resources score is based on combining auditors' scores for each of the areas covered.

In 2008/09 the Audit Commission score for the Authority remained an overall 3, i.e. "consistently above minimum requirements – performing well". 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 2009/10 URE assessment.

The Audit Commission, in conjunction with Her Majesty's Inspectorate of Constabulary (HMIC), jointly inspected the Police Authority between February 2010 and April 2010. The inspection framework comprised of four assessment areas; setting strategic direction and priorities, scrutinising performance outcomes, achieving results through community engagement and partnership and ensuring value for money and productivity. The inspection report is due to be published shortly, the findings of which will be reported to the Police Authority.

### **The Force**

The development and maintenance of the system of internal control within the Force is undertaken by the Chief Constable, 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. A number of corporate management controls are in place to support him in this process:-

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

- to define, communicate and implement the Force Strategy;
- to develop and approve supporting strategies which will contribute to the overall achievement of the Force Strategy;

- to determine the overall operational and organisational structure of the Force;
- to determine and oversee the financial and budgetary structure of the Force;
- to determine senior officers' succession planning (superintending ranks and chief inspectors);
- to commission new pieces of work to address the Force's priorities; and
- to operate as approval body for the establishment of corporate projects.

**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 purpose of BMG can be summarised as follows: -

- to provide a consultative forum for those issues which will be referred to COG; and
- to agree operational policies that may be required.

**Risk Management Group** – the Force hold a quarterly Risk Management Group meeting, which is chaired by the Deputy Chief Constable and involves the Head of Strategic Development Department (SDD), Force Risk Manager, Head of Personnel and Merseyside Police Authority Representation. The group will review the mitigation and contingency action plans in relation to the Force high risks. The relevant lead in relation to a high risk will also attend if required to give a detailed update or presentation. The group's primary responsibilities are to:-

- oversee the development of the Risk Management Policy and framework and its roll-out to the Force;
- identify significant risks that are likely to have an impact on the achievement of Force objectives and those operational risks with Force-wide implications;
- develop and maintain the Force risk profile;
- determine the risk appetite; and
- determine appropriate risk control measures to mitigate high scoring risks.

**Reputation Risk Group** – chaired by the Deputy Chief Constable and attended by Head of Professional Standards Department (PSD)/Anti Corruption Unit (A-CU), Force Solicitor, Head of SDD, Risk Manager 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 had effective control strategies in place to mitigate risks.

**Deputy Chief Constable's Governance Group** – chaired by the Deputy Chief Constable and attended by Chief Officers and the Head of SDD. The full meeting takes place on a quarterly basis, with an interim meeting-taking place on a six-weekly basis. The terms of reference for the group are as follows:-

- to provide the Deputy Chief Constable with corporate oversight and governance of Force performance, both qualitative and quantitative;
- to ensure coordinated activity across portfolios leading to performance improvements and achievement of organisational objectives;
- to consider exception reporting on performance against Tier 1 and Tier 2 performance indicators;
- assess progress of improvement activity with regard to external inspection activity and thematic reports including HMIC and Audit Commission;
- consider and approve audits undertaken by the Corporate Audit Team;
- monitor progress of commitments within the Policing Plan and Blueprint for Total Policing;
- consider the risks, which potentially impact on the ability of the Force to achieve its strategic objectives and to agree the control measures in place to manage the strategic risks; and
- progress against the implementation of ACPO (Association of Chief Police Officers) / NPIA Doctrine.

Confidence Governance Group that meets every two months. The six streams of work are: - BRM Satisfaction Gap, Restorative Justice Pilot, Team Performance Indicators, Priority Setting Model (Community Engagement), Stronger Communities Programme and Communications and Marketing.

**Risk Management Arrangements** - 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 reputational risks and at an area/departmental level where identified risks relate to local/operational activities specific to an area/department.

The Risk Manager visits 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 are held to provide nominated Risk Champions and other staff in key roles with training in how to identify, assess and address risks at a local level. Risk Management training is delivered by an outside company Gallagher Bassett who trained 18 risk champions in March 2010 from BCU, departments and MPA. There are further sessions still available which including facilitation opportunities for individual risks or key events as well as risk management training.

All BCUs and departments now have in place a local risk register. In April 2010 the Force Risk Manager reviewed all the BCUs and departmental risk registers. As a consequence the Force risk register was then refreshed to represent the reviewed risks. This process takes place every six months. The process of managing local risks is monitored quarterly and subject of regular review of the process.

The Force has recently developed its partnership governance arrangements and has introduced a Partnership Governance Framework, which emphasises the Force's commitment to partnership working, and ensures that the Force get the maximum benefit from joint working, whilst putting in place appropriate safeguards. As part of the assessment framework, the Force requires significant partners to produce a risk register, which is quality assured and monitored by the Risk Manager. This captures the threats and opportunity risks of and to the partnership.

The Force and Authority have adopted a similar risk management process 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.

The Force's Strategic Risk Register is also used to inform the Strategic Audit Units (SAU) 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 SAU's activity in-Force through the Deputy Chief Constable's (DCC) Governance Group meeting.

**Strategic Audit Unit (SAU)** – the SAU was formed after the structures and ratio project in 2009 as they recommended an enhanced audit capability. It is made up of the Corporate Audit Team, 1 Inspector, 1 Team leader and 3 support staff, 3 Data Management Investigators, and the Crime Audit Team, 1 Team leader and 4 support staff. The Crime Audit Team report to the Force Crime Registrar as their key function is compliance with National Crime Recording (NCRS) and National Standard Incident Recording (NSIR) Standards. The 3 elements of the team forming the SAU work cohesively to strategic themes at any one time. The Force Risk Manager manages the SAU.

The corporate audit function is an internal auditing function charged with protecting the integrity of the Force by carrying out strategic audits and inspections in key areas where there is an identified risk or potential for abuse, major operational failure or a loss of public confidence and satisfaction. The team provide independent and objective assurance to the Deputy Chief Constable and other senior managers within the Force that the risks are being mitigated to an acceptable level and report where they are not.

During 2009/10 the team undertook a number of audits, including Policing Pledge, Serious Sexual Offences, Family Crime Investigation Units (FCIUs), Intelligence functions, Sex Offender Units, Data Auditing Arrangements, Missing Persons, Detained Persons Property and PROtect (FCIU data base and process).

The Data Crime Investigators are responsible for auditing/monitoring of data quality for the Force IT systems. The Data Auditing Arrangements review was completed in January, which identified 35 key systems that need auditing for compliance with Data Protection Act, Management of Police Information (MOPI) and ACPO Community Security Policy. There is now a 3-year audit plan in place for these systems.

**Force Performance Analysis Team** - monitors Force performance against the Performance Indicators set in the annual Policing Plan. On a six weekly basis a performance report is submitted to the Authority's Performance Scrutiny & Review Committee outlining performance against target, comparison with the previous year's performance and performance against peers in our Most Similar Force group. Such performance monitoring provides the Force with an early indication of emerging issues thus enabling timely action plans to be implemented.

Within the Force, corporate performance meetings are held on a regular basis to monitor performance. An Area Performance meeting is held on a monthly basis along with a two weekly interim meeting. This enables the main Tier one Performance Indicators in relation to crime, detections and Citizen Focus at a Force and BCU level to be carefully scrutinized. Further it provides the Assistant Chief Constables with the opportunity to task Area Commanders and Heads of Departments.

**Confidence Programme** – this has replaced the TRUE programme which was set up to examine the culture of the Force. The TRUE programme introduced a set of shared Leadership Standards and Values in order to define what we expect from our staff. The TRUE programme was intent on delivering objectives to ensure that the Force represents the diverse community that it serves, that all staff are equipped with the appropriate tools to challenge inappropriate behaviour and to ensure that Merseyside Police's response to inappropriate behaviour is timely and proportionate to the behaviour.

The Confidence programme was developed as a natural progression of the TRUE Programme. As part of the Confidence Programme of work, the TRUE values were re examined and following staff consultation, a further value of TRUST was identified. This can be seen in the Confidence Model where TRUST is given as an exchange to staff for providing QUALITY. The values of the TRUE programme were embedded into the Confidence Programme from the outset and staff were reminded of them during the Main Events which took place in January/February 2010.

**Professional Standards Department (PSD)** – the conduct and behaviour of police officers within the Force is governed by the Police (Conduct) Regulations 2008 containing ten new Standards of Professional Behaviour, which place a much more proactive responsibility on Police Officers to ensure high standards are maintained and any improper conduct is challenged and reported.

Similarly, Police Staff are subject to the Police Staff Council (2008) Standards of Professional Behaviour, which closely reflect the Standards for Police Officers.

The Professional Standards Department reinforces these Standards. The Department owns and reinforces Force policies in relation to Referred Officers Scheme, Random Drugs Testing, Gifts and Hospitality, Pocket Notebooks and Business Interests, to ensure high standards of behaviour are maintained. Additionally, the Department has a proactive function whereby key messages are delivered to staff by a variety of means such as visits to the workplace, professional standards inputs and training to supervision and new Probationers, the 'Lessons Learnt' campaign, the Departmental intranet page and the new Professional Standards Tasking and Co-ordinating Group. All these communication methods highlight current issues and promote best practice and high standards. PSD Command Team members regularly attend key corporate governance meetings to drive the standards and report progress.

The Force monitors the professional standards of its officers in a number of ways. All reports of misconduct are centrally assessed at PSD ensuring there is a consistency of approach to misconduct and to ensure investigators are fully aware of an officer's conduct history. Misconduct hearings are, wherever possible chaired by the same Chief Officer to ensure consistency of approach and to give Chief Officers a holistic overview of cases heard at panel. To reinforce this uniform approach panel members have been trained in participating on panels. The Referred Officer Scheme captures information about officers receiving multiple complaints and puts in place early interventions to reduce further complaints against identified officers.

Where there are alleged breaches of the Standards of Professional Behaviour the Force undertakes investigations (and where appropriate misconduct proceedings) aiming at all times to be proportionate, fair and timely.

As part of the ambition to increase public confidence the Chief Constable has declared that civility for all Police Officers and Police Staff is non-negotiable and targets are being set by the Police Authority to reduce complaints of incivility. Complaints of incivility and interventions to reduce are closely scrutinised by Chief Officers at Crimefighters, during quarterly inspections of BCU's and at the quarterly Professional Standards Tasking and Co-ordination Group Meeting attended by all BCU's and key Departments.

The 2008 Performance Regulations are a complimentary package with the Police (Conduct) Regulations 2008 to address misconduct and / or performance (including attendance) in the round. In assessing potential breaches of the Standards of Professional Behaviour, the PSD Appropriate Authority continuously reviews whether a matter is more suitable to be dealt with by way of Performance Regulations or Conduct Regulations.

In summary, the complimentary 2008 Regulations encourage a culture of learning and improvement of performance rather than a narrow focus on blame and punishment.

**Anti – Corruption Unit** - the Anti-Corruption Unit (A-CU) formerly known as the Professional Standards Unit, is a covert investigative unit aimed at protecting the organisation's integrity and combating the threat from corruption by gathering, analysing and investigating intelligence about individuals. The A-CU conducts regular intelligence lead auditing of the various computerised systems to ensure compliance with the law and force policy and completes an annual strategic assessment of corruption related matters to inform Chief Officers of developing trends and threats. The unit also incorporates the information governance officer with responsibility for data protection and information security as well as the centralised vetting unit, who carry out vetting enquiries on all new entrants to the organisation as well as internal applicants for certain, designated sensitive posts.

**QUEST Project** - QUEST is a Home Office sponsored programme, run in 15 forces, which is focused on delivering sustainable improvements to frontline policing services.

The Custody and Criminal Justice QUEST project started in February 2009, following an Academy workshop run by KPMG. A business case to introduce a robust post arrest investigation management model in Liverpool North BCU was then developed and agreed by Chief Officers. The business solution has now been designed and implemented and has been in operation since October 2009 in Liverpool North BCU. Performance improvements have and are continuing to be made, but performance improvement has been incremental rather than a step change. Local BCU teams have now assessed the 'solution fit' and any modifications necessary, to ensure the model is fit for purpose for the roll out to non-pilot BCUs.

At Chief Officer Group on 13<sup>th</sup> April 2010 a business case for the roll out of the QUEST pilot was presented and approved subject to consultation. The decision was that the preferred model should now form a period of consultation and the results of that consultation and a detailed implementation of a role out plan. The business case will then be presented to the Resources & Strategy committee.

Work between the Force and Authority will continue to take place to determine the requirements/format for future work. A framework has been developed to assist the Force and Authority to assess areas of priority, providing an opportunity to consider potential areas for improvement as part of the Value for Money agenda for 2010/11. Improvement arrangements will continue to evolve and the Force will work closely with Authority to determine future requirements to ensure continuous improvement and value for money are secured.

**Business Continuity Management** – the Force has an effective and efficient Business Continuity Management System (BCMS), which is considered to be one of the best in the UK. The HMIC Civil Contingencies Thematic Report of 2008 stated that 'Business continuity is an area of strength for the force. Appropriate systems and processes are in place to ensure the Force is able to meet its requirements on a local, regional and national basis'. The force can clearly demonstrate effective business continuity processes having a detailed business continuity model in place. Processes are robustly tested across a range of functions to ensure they are fit for purpose. The Force business continuity planning coordinator is highly experienced and qualified, also chairing the North West region business continuity managers' group and acting as a mentor for Cheshire Police and PSNI. In the Business Continuity Institute benchmark self-assessment scores, the Force received an 'Excellent' grade. The HMIC report on civil contingency planning by force in England and Wales 2009 recognised Merseyside Police as a beacon force for business continuity particularly with regard to the British Standards Institutes Business Continuity Standard 25999 which the Force strictly adheres to. The Force continues to develop its BCMS with regular and robust testing, awareness raising strategies, and by training BC Crisis Management Teams within each BCU / Department and at ACPO Gold level.

#### **Her Majesty's Inspectorate of Constabulary (HMIC)**

The Home Office appoints a number of Inspectors of Constabulary to inspect and report to the Secretary of State, in the first instance, on the efficiency and effectiveness of police forces. HMIC carry out periodic thematic inspections on strategic topics determined by the Home Office and the inspection of BCUs, as well as monitoring Force performance on an ongoing basis. All Forces are subject to a periodic visit and formal inspection process, the contents of which are reported to the Home Secretary and the Police Authority, prior to publication.

During 2009/10 the following inspections were undertaken within Merseyside:-

- HMIC Adapting to Public Protest (response to G20 and national thematic);
- Joint Asset Recovery Review (not graded);
- HMIC Policing Pledge (good);
- HMIC Getting Together (suggested model collaboration);
- HMIC Prevent – Government Counter Terrorism Strategy (not graded);
- HMIC Recording of Violent Crime (thematic);
- HMIC Police Authority Inspections (rolling programme); and
- HMIC Custody Inspections (rolling programme).

Following the recent Green Paper, HMIC will produce The Police Report Card (PRC). This is the new way HMIC will assess police performance in line with their new role as 'fierce advocate' of public interest. PRC is a public facing assessment providing clear and robust information to the public about how the police within their area are performing, enabling the public to hold the police to account and make informed decisions about the service they receive. The PRC reports and provides grades on aspects of performance that matter most to the public, specifically: public confidence and satisfaction; local crime and policing; protection from serious harm, and value for money. Information is also contained about staffing and costs. It is updated on a rolling basis, and will feed into the Organisational Assessment of Policing contained within the Comprehensive Area Assessment. In the public interest, HMIC will make these judgements publicly available on the HMIC web site via *My Police*.

It has been decided by HMIs that there will be Force level judgements across the following five domains: -

- (i) Confidence;
- (ii) Local Crime and Policing;
- (iii) Protection from Serious Harm;
- (iv) Value for Money and Productivity; and
- (v) Managing the Organisation.

## **5. Significant Governance Issues**

Taking into account the work of the Authority, the Chief Constable, Internal Audit, the Audit Commission, the HMIC and the various other reviews that were reported to the Authority and the Chief Constable during 2009/10, and the Corporate Governance arrangements in place, it can be reasonably concluded that there were no significant Governance or internal control issues to report during 2009/10.

The following reviews and inspections may, potentially, impact on the Governance Framework and internal control environment during 2010/11 and beyond. Both the Officer Governance Working Group and the Resources & Strategy Committee will closely monitor the findings of these reviews and inspections and include: -

- Police Authority Inspection;
- Use of Resources (URE); and
- HMIC Value for Money Inspection.

The Authority and the Chief Constable propose over the coming year to take steps to address any issues emanating from these reviews and inspections, particularly where these reviews identify opportunities to further enhance the Authority's governance arrangements and internal control environment.

In addition, the Authority and Chief Constable will continue to develop its Governance arrangements by: -

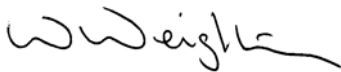
- the development of a Code of Corporate Governance for Merseyside Police; and
- continuing to develop the partnership governance arrangements of the Authority and Force.

The new Government's top priority is to reduce the country's budget deficit. The Government has shown its commitment to reducing the budget deficit by £6 billion in 2010/11; this included cutting the Home Office budget by £367m. As a consequence the Authority has to make £4.1m of budget savings in 2010/11. The Authority and Force are currently identifying where to make these savings. In addition, the next three year Comprehensive Spending Review is due to be announced in the autumn, and it is expected that the settlement will be extremely tight and that the Authority and Force will be expected to identify and make significant savings over the next three years in order to balance its budget. As a consequence there may be a need to make structural changes to the Force, which could impact on the governance arrangements currently in place. While the Authority will do everything possible to protect police officer and staff numbers, some reductions may be necessary from 2011/12 onwards. The Force has established a Strategic Options Team to develop a suite of strategies which can be selectively implemented once the level of future funding is known. The Chief Constable and the Treasurer will submit reports to the Authority on the options to be considered to address the potential funding gap and balance the budget.

The Government has also committed itself to introducing measures to make the police more accountable through oversight by a “directly elected individual”, who will be subject to “strict checks and balances by locally elected representatives”. If the policy is implemented this will have a major impact on the governance arrangements of the police service.

Progress against these issues will be reported throughout the year and form part of next year’s Annual Governance Statement.

**Signed**



**Bill Weightman**

**Chair of Merseyside Police Authority**



**Paul Johnson**

**Chief Executive/Treasurer of Merseyside Police Authority**



**Jon Murphy**

**Chief Constable of Merseyside Police**

on behalf of the Members and Senior Officers of the Merseyside Police Authority and Merseyside Police Force.

## The Income and Expenditure Account

The Income and Expenditure Account summarises the resources that have been generated and consumed in providing services and managing the Authority during the year. In previous years, Net cost of services have been presented with the Police Services figures being a single line and there were no separate mandatory or discretionary subdivisions of this figure. This year for the first time, a new Police Objective analysis format is used for presenting the Police Services figure to assist users of the data in the management, comparison and review of the figures. In order that the Police Objective analysis figures are shown in a BVACOP compliant format, a number of adjustments are performed, and a summary of these adjustments is shown on page 73. Figures for 2008/09 are presented for comparative purposes.

2008/09				2009/10
Net Expenditure		Gross Expenditure	Income	Net Expenditure
£000	<u>Analysis of Net cost of services</u>	£000	£000	£000
165,890	Local Policing	190,386	(32,236)	158,150
19,260	Dealing with the public	20,778	(1,604)	19,174
35,548	Criminal Justice arrangements	39,198	(4,373)	34,825
10,994	Roads Policing	13,076	(2,627)	10,449
24,126	Specialist Operations	27,049	(2,887)	24,162
22,016	Intelligence	25,811	(3,153)	22,658
30,313	Specialist Investigations	31,591	(2,696)	28,895
10,820	Investigative Support	12,468	(1,045)	11,423
7,745	National Policing	14,281	(6,766)	7,515
326,712	<b>Sub-Total: Police Services</b>	<b>374,638</b>	<b>(57,387)</b>	<b>317,251</b>
393	Non-Distributed Costs			3,363
869	Corporate and Democratic Core			901
327,974	<b>Net cost of services</b>			<b>321,515</b>
74	Loss on the disposal of fixed assets			89
490	Seconded Officers			591
(25)	Total net deficit/(surplus) on trading undertakings			60
710	Interest payable and similar charges			327
(1,001)	Interest and Investment Income			(94)
(37,103)	Home Office Grant Payable towards retirement benefits costs			(40,700)
165,257	Pensions interest cost and expected return on pensions assets			155,482
456,376	<b>Net operating expenditure</b>			<b>437,270</b>
(56,677)	Precepts			(59,259)
300	(Surplus)/Deficit on Collection Fund			380
(131,347)	Specific Police Grant			(134,323)
(15,790)	Revenue Support Grant			(24,959)
(113,428)	National Non Domestic Rate income			(108,136)
139,434	<b>Net deficit/(surplus) for year</b>			<b>110,973</b>

## 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; and
- 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.

2008/09		2009/10
<b>Net Expenditure £000</b>	<b>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</b>	<b>Net Expenditure £000</b>
<b>139,434</b>	(Surplus)/Deficit for the year on the Income and Expenditure Account	<b>110,973</b>
<b>(139,303)</b>	Net Additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year (see note on the next page)	<b>(112,041)</b>
<b>131</b>	(Increase) or Decrease in General Fund Balance for the year	<b>(1,068)</b>
<b>(8,552)</b>	General Fund Balance brought forward	<b>(8,421)</b>
<b>(8,421)</b>	General Fund Balance carried forward	<b>(9,489)</b>

## Statement of Movement on the General Fund Balance

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

2008/09		2009/10	2009/10
<b>£000</b>		<b>£000</b>	<b>£000</b>
	<b>Amounts included in the Income and Expenditure Account but required by statute to be <u>excluded</u> when determining the Movement on the General Fund Balance for the year</b>		
-12,502	Depreciation and impairment of fixed assets	-9,930	
5,005	Government Grants Deferred amortisation	4,840	
-74	Net (loss)/gain on sale of fixed assets	-329	
-222,002	Net charges made for retirement benefits in accordance with FRS 17	-201,565	
-158	Transfers (to)/from Collection Fund Adjustment Account	176	
<b>-229,731</b>			<b>-206,808</b>
	<b>Amounts not included in the Income and Expenditure Account but required to be <u>included</u> by statute when determining the Movement on the General Fund Balance for the year</b>		
1,008	Minimum revenue provision for capital financing	1,603	
947	Capital expenditure charged in-year to the General Fund Balance	2,667	
235	Payment of Inherited Debt	235	
37,103	Additional contribution payable to the Pension Fund to balance the deficit on the Fund Account	40,700	
49,987	Employer's contributions payable to Pension Funds and retirement benefits payable direct to Pensioners	51,704	
<b>89,280</b>			<b>96,909</b>
	<b>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</b>		
383	Voluntary revenue provision for capital financing	0	
765	Net transfer to/(from) earmarked reserves	-2,142	
<b>1,148</b>			<b>-2,142</b>
<b>-139,303</b>	<b>Net additional amount required to be credited to the General Fund balance for the year</b>		<b>-112,041</b>

## Statement of Total Recognised Gains and Losses

This statement brings together all of 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.

2008/09		2009/10
<b>Net Expenditure £000</b>		<b>Net Expenditure £000</b>
<b>139,434</b>	(Surplus)/Deficit for the year on the Income and Expenditure Account	<b>110,973</b>
<b>3,272</b>	(Surplus)/Deficit arising on revaluation of fixed assets not charged to the Income and Expenditure Account	<b>44</b>
<b>542</b>	Cumulative effect on reserves of prior period adjustments made during 2009/10	<b>0</b>
<b>(307,371)</b>	Actuarial (gains)/losses on Pension Fund assets and liabilities	<b>953,928</b>
<b>(164,123)</b>	<b>Total recognised (gains)/losses for the year</b>	<b>1,064,945</b>

## Prior Year Adjustment - Accounting for Council Tax

### Explanation of the change of accounting treatment of Council Tax Income

Billing Authorities in England are required by statute to maintain a separate fund (the Collection Fund) for the collection and distribution of amounts due in respect of Council Tax and National Non-Domestic rates. Up to 2008/09 the SORP required the Council Tax income included in the Income and Expenditure Account of the Authority to be the amount that under regulation is required to be transferred to the General Fund for the year. This is calculated as the precept for the year plus the share of the surplus or deficit arising on the previous year's Collection Fund of each Billing Authority. In accordance with the 2009/10 SORP, from the year commencing 1 April 2009, the Council Tax income included in the Income and Expenditure Account for the year shall be the accrued income for the financial year.

The difference between the income included in the Income and Expenditure Account and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Statement of Movement on the General Fund Balance.

Since the collection of Council Tax is in substance an agency arrangement, the cash collected by each Billing Authority from Council Tax debtors belongs proportionately to the Billing Authority and the Authority. From 1 April 2009 the Authority will recognise its share of Council Tax debtor and creditor balances and impairment allowances in its Balance Sheet. The Authority will also recognise a creditor in its Balance Sheet for cash received from the Billing Authority in advance of the Billing Authority receiving the cash from Council Tax debtors or a debtor in its Balance Sheet for its attributable share of net cash collected from Council Tax debtors by the Billing Authority but not paid over to it at the Balance Sheet date.

From 1 April 2009 the notes to the Cash Flow Statement incorporate the adjustments to the debtor and creditor balances and the transfer to the Collection Fund Adjustment Account detailed above.

For comparative purposes, the 2008/09 figures have been restated in line with this change of accounting treatment and the 2009/10 Statement of Accounts have been prepared on this basis. However it is important to note that the overall effect on the General Fund Balance is nil. The Balance Sheet totals for 2008/09 have changed by £700k as a result of these adjustments.

Page 40 details the impact that these changes have had on the comparative figures for 2008/09 compared to those published in the 2008/09 Statement of Accounts.

## Prior Year Adjustment - Accounting for Council Tax

	Published Statement of Accounts 2008/09	Prior Year Adjustment	Comparative figures for 2008/09	Notes
	£000	£000	£000	
<b><u>Income and Expenditure Account</u></b>				
Precepts	-56,677	0	(56,677)	
(Surplus)/Deficit on Collection Fund	142	158	300	Page 41 (i)
<b><u>Statement of Movement on the General Fund Balance</u></b>				
Transfers (to)/from Collection Fund Adjustment Account	0	-158	(158)	Page 41 (ii)
<b>General Fund Balance carried forward</b>	-8,421	0	(8,421)	
<b><u>Balance Sheet</u></b>				
Debtors	27,149	4,700	31,849	Page 41 (iii)
Creditors	-31,377	-5,400	(36,777)	Page 42 (iv)
Collection Fund Adjustment Account	0	700	700	Page 42 (v)
<b><u>Notes to the Cash Flow Statement (Note 33)</u></b>				
<b>Non-cash transactions</b>				
Contribution to/from reserves	1,334	700	2,034	Page 42 (vi)
<b>Accruals basis</b>				
(Reduction)/increase in debtors	9,750	4,700	14,450	Page 42 (vi)
(Increase)/reduction in creditors	-7,384	-5,400	(12,784)	Page 42 (vi)

## Prior Year Adjustment - Accounting for Council Tax

### (i) Income and Expenditure Account - (Surplus)/Deficit on Collection Fund

The Council Tax income credited to the Income and Expenditure Account is adjusted to reflect the accrued income for the financial year, as opposed to the amount required by regulation to be transferred to the General Fund.

Billing Authority	£000
Wirral MBC	(99)
Sefton MBC	38
Liverpool City Council	222
St. Helens MBC	(18)
Knowsley MBC	15
<b>Total</b>	<b>158</b>

### (ii) Statement of movement on the General Fund - transfers (to)/from Collection Fund Adjustment Account

The difference between the accrued income for the financial year included in the Income and Expenditure Account and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Statement of Movement on the General Fund Balance.

Billing Authority	£000
Wirral MBC	99
Sefton MBC	(38)
Liverpool City Council	(222)
St. Helens MBC	18
Knowsley MBC	(15)
<b>Total</b>	<b>(158)</b>

### (iii) Balance Sheet - Debtors

The Authority's share of each Billing Authority's Council Tax Arrears (less impairment allowance for doubtful debts) is included in the Authority's Balance Sheet.

Billing Authority	Share of Arrears £000	Impairment Allowance £000	Net Debtor £000
Wirral MBC	1,341	-652	689
Sefton MBC	1,213	-269	944
Liverpool City Council	11,145	-8,814	2,331
St. Helens MBC	587	-230	357
Knowsley MBC	414	-35	379
<b>Total</b>	<b>14,700</b>	<b>-10,000</b>	<b>4,700</b>

## Prior Year Adjustment - Accounting for Council Tax

### (iv) Balance Sheet - Creditors

The Authority's share of the Council Tax overpayments and prepayments of each Billing Authority is included within the Balance Sheet. The Authority also recognises a creditor for cash received from the Billing Authority in advance of the Billing Authority receiving the cash from Council Tax debtors.

Billing Authority	Share of Overpayments and Prepayments	Cash Received in Advance from Billing Authority	Total
	£000	£000	£000
Wirral MBC	-86	-641	-727
Sefton MBC	-95	-944	-1,039
Liverpool City Council	-538	-2,218	-2,756
St. Helens MBC	-96	-340	-436
Knowsley MBC	-64	-378	-442
<b>Total</b>	<b>-879</b>	<b>-4,521</b>	<b>-5,400</b>

### (v) Balance Sheet - Collection Fund Adjustment Account

The difference between the income included in the Income and Expenditure Account and the amount required by regulation to be taken to the General Fund is taken to the Collection Fund Adjustment Account. The balance on the Collection Fund Adjustment Account reflects the Authority's share of each Billing Authority's surplus or (deficit) as at 31st March 2009.

Billing Authority	£000
Wirral MBC	-38
Sefton MBC	-95
Liverpool City Council	-424
St. Helens MBC	-79
Knowsley MBC	-64
<b>Total</b>	<b>-700</b>

### (vi) Note 33 to the Cash Flow Statement

Note 33 of the Statement of Accounts which reconciles the 'net surplus for the year' with the 'revenue activities net cash flow' is impacted by the prior year adjustment. The £700k transfer to the Collection Fund Adjustment Account (detailed in note (v) above) increases the contribution to reserves. The increase in debtor balances and creditor balances (detailed in note (iv) above and note (iii) on page 41) incurred as a result of recognising Merseyside Police Authority's share of Council Tax debtor and creditor balances held by the Billing Authority is reflected in this note.

## 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 2010.

2008/09		2009/10	2009/10	Note
£000		£000	£000	
	<b>Fixed assets</b>			
1,929	<b>Intangible fixed assets</b>		2,159	
	<b>Tangible fixed Assets</b>			
	<b>Operational assets:</b>			
140,610	Land and buildings		139,108	15, 16, 17, 18, 19
15,161	Vehicles, plant and equipment, fixtures and fittings		14,667	
17	Assets under construction		1,106	
2,510	Surplus housing		1,740	
160,227	<b>Sub total</b>		158,780	
0	Long Term Debtors		0	
160,227	<b>Total long term assets</b>		158,780	
	<b>Current assets:</b>			
802	Stocks	963		
31,849	Debtors	31,210		22
2,845	Investments	50		
51	Imprests	53		
0	Cash	0	32,276	
195,774	<b>Total assets</b>		191,056	
	<b>Current liabilities:</b>			
(4,500)	Short Term Loans	(11,600)		
(235) *	Deferred liabilities	(235)		25
(36,777)	Creditors	(27,395)		23
-6	Cash Overdrawn	(14)	(39,244)	
154,256	<b>Total assets less current liabilities</b>		151,812	
(3,760) *	Deferred liabilities		(3,525)	25
(5,123)	Provision - insurance		(5,149)	27
(18,257)	Government grants deferred account		(17,878)	
(2,259,486)	Liability related to defined benefit pension scheme		(3,322,575)	39
(2,132,370)	<b>Total net assets/(liabilities)</b>		(3,197,315)	
	<b>Financed by:</b>			
80,975	Capital Adjustment Account		79,768	16
(700)	Collection Fund Adjustment Account		(524)	29
22,636	Revaluation Reserve		22,299	28
2,038	Usable Capital Receipts Reserve		2,624	21
(2,259,486)	Pensions Reserve FRS 17		(3,322,575)	39
823	Pensions Reserve (earmarked)		823	30
12,923	Earmarked Reserves (excluding Pensions)		10,781	30
8,421	General Balances		9,489	
(2,132,370)	<b>Total net worth</b>		(3,197,315)	

\*In accordance with the accounting requirements of SORP 2009, the Balance Sheet for 2008/09 has been restated to separately identify the portion of long term financial liabilities due to be settled within 12 months after the Balance Sheet date.

## 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.

2008/09		2009/10
£000		£000
	<b><u>Revenue activities</u></b>	
362,371	Cash paid to and on behalf of employees	379,400
53,430	Other operating costs	67,196
-56,535	Council tax receipts	-58,702
-113,428	Non-domestic rate income	-108,136
-15,790	Revenue support grant	-24,959
-193,159	Other Government grants	-211,274
-37,753	Charges for services and other cash receipts	-39,527
-864	<b>Revenue activities net cash flow</b>	3,998
	<b><u>Returns on Investments and Servicing of Finance</u></b>	
710	Interest paid	327
-1,010	Interest received	-102
	<b><u>Capital activities</u></b>	
8,728	Purchase of fixed assets	10,863
-216	Sale of fixed assets	-959
-5,344	Capital grants received	-4,461
2,004	<b>Net cash flow before financing</b>	9,666
	<b><u>Management of Liquid Resources</u></b>	
2,183	Net increase/(decrease) in investments	-2,795
-4,500	Net (increase)/decrease in short term loans	-7,100
	<b><u>Financing</u></b>	
235	Repayment of long term loan (deferred liability)	235
-78	<b>Net cash (inflow)/outflow</b>	6
	<b>Increase/decrease in cash and cash equivalents</b>	
-80	(Increase)/decrease in cash	8
2	(Increase)/decrease in petty cash	-2
-78	<b>Net (increase)/decrease in cash and cash equivalents</b>	6

# Notes to the Core Financial Statements

## NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

### 1. Operating Leases

The operating leases held by the Authority relate to leased land and buildings. The Authority is committed to making operating lease payments of £1.713m in 2010/11.

The 2010/11 payments relate to leases which are due to expire over the following terms:

	£000
<b>Expenditure</b>	
Leases expiring within 1 year	904
Leases expiring within 2 - 5 years	611
Leases expiring after 5 years	198
<b>Expenditure total</b>	<b>1,713</b>

### 2. 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 2010.

### 3. Third Party Payments

#### *Underwater Search 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 2009/10 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 2009/10 this amounted to £137,669 (2008/09: £152,720). The Authority's contribution towards the overall cost of the Underwater Search Unit in 2009/10 was £218,934 (2008/09: £217,987).

## Notes to the Core Financial Statements

### NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

#### 4. Pensions

All details on pensions are shown in the Notes to the Pensions Fund Account (pages 65-72).

#### 5. Remuneration of employees

The numbers of employees whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 were:

2008/09		2009/10
230	£50,000 - £55,000	280
64	£55,001 - £60,000	108
14	£60,001 - £65,000	18
8	£65,001 - £70,000	16
20	£70,001 - £75,000	10
15	£75,001 - £80,000	12
10	£80,001 - £85,000	13
2	£85,001 - £90,000	7
4	£90,001 - £95,000	2
1	£95,001 - £100,000	2
4	£100,001 - £105,000	2
0	£105,001 - £110,000	1
0	£110,001 - £115,000	3
0	£115,001 - £120,000	0
0	£120,001 - £125,000	1
0	£125,001 - £130,000	0
0	£130,001 - £135,000	0
0	£135,001 - £140,000	0
1	£140,001 - £145,000	0
0	£145,001 - £150,000	0
0	£150,001 - £155,000	0
0	£155,001 - £160,000	1
0	£160,001 - £165,000	0
0	£165,001 - £170,000	0
0	£170,001 - £175,000	0
0	£175,001 - £180,000	0
0	£180,001 - £185,000	0
0	£185,001 - £190,000	0
1	£190,001 - £195,000	0
<b>374</b>		<b>476</b>

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.

The figures above have been restated to include officers who are now employed by the Police Authority, following the transfer of the Police Authority Support Unit from Knowsley MBC in July 2009.

## Notes to the Core Financial Statements

### NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

#### 6. Members allowances

Member	Basic Allowance	Special Responsibility Allowance	Other	Members Travel and Accommodation	Subsistence	Total for 2009/10
	£	£	£	£	£	£
<b>Police Authority Members</b>						
ADRIAN JONES	11,137	0	0	25	10	11,172
ALFRED ZACK-WILLIAMS	11,137	0	0	2,907	192	14,236
DAVID BRADBURY	11,137	3,713	419	639	251	16,158
DIANE CLARK	11,137	3,713	0	1,203	403	16,456
DOREEN KERRIGAN	11,137	0	0	231	0	11,367
FRANCES STREET	11,137	0	586	2,255	585	14,562
IAN JOBLING	11,137	0	0	100	0	11,237
KATE WOOD	11,137	3,713	0	364	0	15,213
MAUREEN LEWIS	11,137	0	0	2,139	309	13,585
PAUL CLEIN	11,137	0	0	121	0	11,258
PETER ASTBURY	11,137	2,854	0	928	183	15,102
ROBERT WARING	11,137	0	0	0	0	11,137
ROSE BAILEY	11,137	3,713	0	844	41	15,735
THOMAS KELLY	11,137	0	1,999	1,935	504	15,575
VALERIE DAVIES	11,137	0	0	1,277	262	12,676
WILLIAM WEIGHTMAN	11,137	13,612	0	1,967	0	26,716
SIMON SHAW	9,386	0	0	453	56	9,894
GEOFF HOWE	1,751	623	335	488	59	3,256
<b>Chairman ICV</b>						
PETER BEAMAN	421	0	0	0	0	421
<b>Independent Members (Standards)</b>						
ELIZABETH BARNETT	1,062	0	0	113	61	1,235
DAVID ANTROBUS	1,356	0	0	497	44	1,897
DAVID FLETCHER	2,423	0	0	600	30	3,053
<b>Police Appeals Tribunal Members</b>						
PAUL GARVIN	993	0	0	154	310	1,457
STEPHEN PILKINGTON	2,322	0	0	418	296	3,036
TREVOR COX	2,406	0	0	540	694	3,640
<b>Misconduct Panel Member</b>						
DONALD CAMERON	240	0	0	37	0	277
<b>Total for 2009/10</b>	<b>200,546</b>	<b>31,941</b>	<b>3,339</b>	<b>20,233</b>	<b>4,290</b>	<b>260,350</b>
<b>Total for 2008/09</b>	<b>196,036</b>	<b>31,360</b>	<b>1,808</b>	<b>25,564</b>	<b>4,173</b>	<b>258,942</b>

## 7. Senior Officers Remuneration

The table below shows remuneration for senior employees for the year 2008/09. Senior officers are classified as 'Relevant Police Officers', being the Chief Constable or any other Police Officer whose salary is £150,000 per year or more, and 'Senior Employees', being any employee whose salary is more than £150,000 per year, or one whose salary is at least £50,000 and has responsibility for the management of the relevant body, to the extent that the person has power or control over the major activities of the body. Expenses Allowances disclosed are those chargeable under UK Income Tax.

### Senior Officers Remuneration 2008/09

	Notes	Salaries (incl. Fees and Allowances)	Bonuses	Expenses Allowances	Benefits in Kind	Other Payments	Total Remuneration excl. Pension contributions	Pension Contributions	Total Remuneration incl. Pension contributions
Post Holder Information							2008/09		2008/09
		£	£	£	£	£	£	£	£
<b>Police Service</b>									
Chief Constable - Mr B. Hogan-Howe		151,291	21,486	17,988	0	0	190,765	35,782	226,547
Deputy Chief Constable		129,481	12,228	0	6,241	0	147,950	29,521	177,471
Director of Resources		92,097	0	0	8,009	0	100,106	12,601	112,707
Assistant Chief Constable		88,668	0	0	6,166	0	94,834	20,337	115,171
Assistant Chief Constable		103,934	0	411	7,314	0	111,659	24,095	135,754
Assistant Chief Constable		96,711	0	552	5,863	0	103,126	22,707	125,833
Assistant Chief Constable		102,399	0	0	6,286	0	108,685	24,084	132,769
<b>Sub-Total Police Service</b>		<b>764,581</b>	<b>33,714</b>	<b>18,951</b>	<b>39,879</b>	<b>0</b>	<b>857,125</b>	<b>169,127</b>	<b>1,026,252</b>
<b>Police Authority</b>									
Chief Executive / Treasurer		94,635	0	9,779	0	0	104,414	17,034	121,448
Deputy Chief Executive		75,039	0	6,440	0	0	81,479	13,507	94,986
Assistant Treasurer		50,094	0	1,289	0	0	51,383	9,017	60,400
<b>Sub-Total Police Authority</b>		<b>219,768</b>	<b>0</b>	<b>17,508</b>	<b>0</b>	<b>0</b>	<b>237,276</b>	<b>39,558</b>	<b>276,834</b>
<b>TOTAL Remuneration 2008/09</b>		<b>984,349</b>	<b>33,714</b>	<b>36,459</b>	<b>39,879</b>	<b>0</b>	<b>1,094,401</b>	<b>208,685</b>	<b>1,303,086</b>

## 7. Senior Officers Remuneration cont'd

The table below shows remuneration for senior employees for the year 2009/10. Senior officers are classified as 'Relevant Police Officers', being the Chief Constable or any other Police Officer whose salary is £150,000 per year or more, and 'Senior Employees', being any employee whose salary is more than £150,000 per year, or one whose salary is at least £50,000 and has responsibility for the management of the relevant body, to the extent that the person has power or control over the major activities of the body. Expenses Allowances disclosed are those chargeable under UK Income Tax.

## Senior Officers Remuneration 2009/10

	Notes	Salaries (incl. Fees and Allowances)	Bonuses	Expenses Allowances	Benefits in Kind	Other Payments	Total Remuneration excl. Pension contributions	Pension Contributions	Total Remuneration incl. Pension contributions
Post Holder Information							2009/10		2009/10
		£	£	£	£	£	£	£	£
<b>Police Service</b>									
Chief Constable - Mr B. Hogan-Howe	Note 1	78,459	22,179	9,152	0	0	109,790	18,164	127,954
Chief Constable - Mr J.Murphy	Note 1	25,559	0	2,500	0	0	28,059		28,059
Deputy Chief Constable	Note 1	141,209	15,248	0	3,033	0	159,490	32,389	191,879
Director of Resources		96,969	0	0	8,009	0	104,978	13,285	118,263
Assistant Chief Constable		94,641	0	0	5,409	0	100,050	21,812	121,862
Assistant Chief Constable		93,064	3,737	239	1,116	0	98,156	21,145	119,301
Assistant Chief Constable	Note 3	22,825	2,013	0	0	0	24,838	8,708	33,546
Assistant Chief Constable	Note 2	30,333	0	1,272	0	0	31,605	7,106	38,711
Assistant Chief Constable		102,093	100	0	8,023	0	110,216	24,010	134,226
Assistant Chief Constable		112,524	5,252	0	5,510	0	123,286	26,534	149,820
<b>Sub-Total Police Service</b>		<b>797,676</b>	<b>48,529</b>	<b>13,163</b>	<b>31,100</b>	<b>0</b>	<b>890,468</b>	<b>173,153</b>	<b>1,063,621</b>
<b>Police Authority</b>									
Chief Executive / Treasurer		102,168	0	10,366	0	0	112,534	15,014	127,548
Deputy Chief Executive		81,840	0	6,429	0	0	88,269	12,078	100,347
Assistant Treasurer		53,712	0	1,287	0	0	54,999	7,933	62,932
<b>Sub-Total Police Authority</b>		<b>237,720</b>	<b>0</b>	<b>18,082</b>	<b>0</b>	<b>0</b>	<b>255,802</b>	<b>35,025</b>	<b>290,827</b>
<b>TOTAL Remuneration 2009/10</b>		<b>1,035,396</b>	<b>48,529</b>	<b>31,245</b>	<b>31,100</b>	<b>0</b>	<b>1,146,270</b>	<b>208,178</b>	<b>1,354,448</b>

**Note 1**

In October 2009, the previous Chief Constable Mr B.Hogan-Howe left and was replaced in February 2010 by Mr J.Murphy. During the interim period the Deputy Chief Constable, Mr B.Lawson, acted in the post of Chief Constable.

**Note 2**

During the year, between the period October 2009 and January 2010, a Chief Superintendent acted up into the post of Assistant Chief Constable, and their pay during this period is included above. The remainder of the Remuneration for the year is included in the Remuneration of Employees Note.

**Note 3**

During the year, between the period May 2009 and July 2009, a Chief Superintendent acted up into the post of Assistant Chief Constable, and their pay during this period is included above. The remainder of the Remuneration for the year is included in the Remuneration of Employees Note.

## Notes to the Core Financial Statements

### NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

#### 8. Audit Costs

2008/09		2009/10
<b>£000</b>		<b>£000</b>
76	Fees payable to the Audit Commission in respect of Financial Statements	73
26	Fees payable to the Audit Commission for the VFM conclusion and Whole of Government Accounts	26
<b>102</b>	<b>Total</b>	<b>99</b>

#### 9. 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.

2008/09		2009/10
<b>£000</b>		<b>£000</b>
0	Expenditure	0
-20	Income	-16
20	Transfer of surplus/(deficit) to earmarked reserves	16
<b>0</b>	<b>Total</b>	<b>0</b>

As at the 31st March 2010 there is no more stock remaining (£16,821 as at 31st March 2009).

#### 10. Minimum Revenue Provision (MRP)

The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 requires the Authority to set aside a prudent amount from revenue each year to provide for the repayment of external loans raised in respect of capital expenditure financed by borrowing or credit arrangements. In 2009/10 the MRP is £1,602,965 (£1,390,608 in 2008/9). No voluntary contribution was made in 2009/10 (£352,057 in 2008/09).

#### 11. Post Balance Sheet Events

In his budget statement on 22 June 2010, the Chancellor announced that the government would start to increase public service pensions in line with the consumer price index (CPI) rather than the retail price index (RPI), which has been the practice in the past. As a result, future pension increases under the Police Pensions Schemes and Local Government Pensions Schemes are expected to be slightly lower, on average, than would have been the case if this change had not been made. This change is estimated to reduce the FRS17 benefit obligations by between 5% and 8% for most employers. The precise financial effect will be taken into account in the FRS17 figures for the financial year ending 31 March 2011.

## Notes to the Core Financial Statements

### NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

#### 12. Related party transactions

Central Government has effective control over the general operations of the Police Authority - it is responsible for providing the statutory framework within which the Authority operates and provides the majority of funding in the form of grants. Details of significant transactions with government departments are disclosed within the Notes to the Cash Flow Statement (Page 63).

Funding from Local Authorities in the Merseyside area, in the form of Precepts has been included on the basis of materiality.

2008/09		2009/10
<b>£000</b>		<b>£000</b>
13,928	Wirral MBC Precept	14,663
12,451	Sefton MBC Precept	13,069
17,202	Liverpool City Council Precept	17,805
7,440	St.Helens MBC Precept	7,812
5,656	Knowsley MBC Precept	5,910
11,446	Merseyside Superannuation Fund (Wirral MBC)	11,881
218	Underwater Search Unit (Cheshire Police) - expenditure	218
-153	Underwater Search Unit (Cheshire Police) - income	(138)
1,718	Knowsley MBC - Police Authority costs	633
<b>69,906</b>		<b>71,853</b>

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

The Police Authority costs for Knowsley MBC have fallen following the transfer of the Police Authority Support Unit from Knowsley MBC in July 2009.

#### 13. Internal trading operations

The In-house Cleaning contractor was awarded the contract from 1st June 2001, and successfully won a retendering exercise in 2007 to extend the contract.

2008/09		2009/10
<b>£000</b>	<b>Expenditure</b>	<b>£000</b>
1,533	Employees	1,684
64	Cleaning & domestic services	65
8	Other supplies and services	7
25	Support services	25
1,630		1,781
-1,655	Contract receipts	-1,721
-25	<b>Net (surplus)/deficit</b>	<b>60</b>

#### 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

	Intangible Fixed Assets	Tangible Fixed Assets			Non Operational Assets		Total
	Software Licences	Land & Buildings	Plant & Equipment	Vehicles & Helicopter	Assets under construction	Surplus Land & Buildings	
	£000	£000	£000	£000	£000	£000	£000
<b>Value as at 1st April 2009</b>	9,177	142,357	25,485	20,278	17	2,510	<b>199,824</b>
Additions	3,055	300	1,639	3,524	1,050	0	<b>9,568</b>
Transfers from work in progress	0	0	0	-39	39	0	<b>0</b>
Impairment	-2,023	-75	-138	-105	0	-192	<b>-2,533</b>
Disposals	-28	0	0	-2,132	0	-578	<b>-2,738</b>
<b>Gross Value as at 31st March 2010</b>	<b>10,181</b>	<b>142,582</b>	<b>26,986</b>	<b>21,526</b>	<b>1,106</b>	<b>1,740</b>	<b>204,121</b>
<b>Depreciation as at 1st April 2009</b>	<b>-7,248</b>	<b>-1,747</b>	<b>-20,436</b>	<b>-10,166</b>	<b>0</b>	<b>0</b>	<b>-39,597</b>
Depreciation written off - impairment	738	0	168	3	0	0	<b>909</b>
Depreciation for year	-1,526	-1,727	-2,904	-2,323	0	0	<b>-8,480</b>
Disposals	14	0	0	1,813	0	0	<b>1,827</b>
<b>Depreciation as at 31st March 2010</b>	<b>-8,022</b>	<b>-3,474</b>	<b>-23,172</b>	<b>-10,673</b>	<b>0</b>	<b>0</b>	<b>-45,341</b>
<b>Net book value as at 31st March 2010</b>	<b>2,159</b>	<b>139,108</b>	<b>3,814</b>	<b>10,853</b>	<b>1,106</b>	<b>1,740</b>	<b>158,780</b>

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The freehold and leasehold properties which comprise the Authority's property portfolio were all valued during 2008/09 by the Director of Property Services, Knowsley MBC. Properties are now valued on a rolling programme. The valuations are carried out by Andrew Cripps (FRICS), an in house valuer in accordance with the Statement of Asset Valuation Practice and Guidance Notes, as issued by the Royal Institution of Chartered Surveyors and other guidance notes as issued by the Chartered Institute of Public Finance and Accountancy. The basis for valuation is set out in the Statement of Accounting Policies.

## Notes to the Core Financial Statements

### NOTES TO THE BALANCE SHEET

#### 16. Capital Adjustment Account

The Capital Adjustment Account contains the accumulated depreciation and impairment charged as fixed assets are used, together with the resources that have been set aside to finance capital expenditure. This account represents the balance caused by timing differences between the charge for the use of assets under proper accounting practise and the financing of those assets.

2008/09	Capital Adjustment Account	2009/10
<b>£000</b>		<b>£000</b>
<b>86,059</b>	<b>Opening Balance</b>	<b>80,975</b>
	<b>Sources of Finance</b>	
5,005	Amortisation of Government Grant Deferred	4,840
974	Revenue financing & financing from reserves	2,667
0	Capital receipts	4
1,008	Minimum Revenue Provision	1,603
383	Voluntary Revenue Provision	0
235	Repayment for inherited debt	235
<b>93,664</b>		<b>90,324</b>
	<b>Cost of Acquiring, Creating or Enhancing Assets</b>	
(12,502)	Depreciation & Impairment for year	(9,930)
318	Difference between current cost and historic cost depreciation	293
(505)	Adjustments for disposals and transferred assets	(919)
<b>80,975</b>	<b>Balance Carried Forward</b>	<b>79,768</b>

## Notes to the Core Financial Statements

### NOTES TO THE BALANCE SHEET

#### 17. Information on assets held

Fixed assets owned by the Authority at 31st March 2010 include the following:-

	2008/09	2009/10
	No.	No.
<b>Non-operational</b>		
Surplus housing	18	17
Other surplus non operational property	1	0
Land plots	3	3
<b>Operational</b>		
Force Headquarters	1	1
Police Training Centres	2	2
Police stations/Custody Suites	44	44
Retained housing	7	7
Medical Examination Centres	1	1
Helicopter	1	1
Vehicles	1032	1039

#### 18. Capital Financing Requirement

2008/09	Capital; Expenditure & Financing	2009/10
<b>£000</b>		<b>£000</b>
<b>35,468</b>	<b>Opening Capital Financing Requirement</b>	<b>38,358</b>
	<b>Capital Investment</b>	
10,834	Operational assets	9,568
	<b>Sources of Finance</b>	
(5,344)	Government Grants	(4,448)
(974)	Revenue financing & financing from reserves	(2,667)
0	Capital receipts	(4)
(1,391)	Minimum Revenue Provision	(1,603)
(235)	Repayment for inherited debt	(235)
<b>38,358</b>	<b>Closing Capital Financing Requirement</b>	<b>38,969</b>
	<b>Explanation of movements in year</b>	
2,890	Increase in underlying need to borrow (supported by Government financial assistance)	611
<b>2,890</b>	Increase in Capital Financing Requirement	<b>611</b>

# 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 during 2008/09 by the Director of Property Services, Knowsley MBC. Properties are now valued on a rolling programme by an in-house valuer, however a review for impairment is necessary if events or changes in circumstances indicate that the carrying value of the fixed asset may not be recoverable. The valuations are made 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 impairment has also been accounted for when there has been capital expenditure incurred that has not directly led to an increase in the value of the asset.

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 2010 the Authority had entered into the following capital contracts with values in excess of £100,000 :-

- Install Virtualisation of Windows Servers - the total value of the Contract is £137,500, none of which had been spent at 31st March 2010.
- 'One Stop Shop' Crime Scene/Storage Vehicle for Matrix Disruption - the total value of the Contract is £113,239, none of which had been spent at 31st March 2010.

## Notes to the Core Financial Statements

### NOTES TO THE BALANCE SHEET

#### 21. Capital receipts

2008/09		2009/10
£000		£000
	<b>Unapplied receipts:</b>	
1,896	Balance brought forward at 1st April	2,038
	<b>Receipts during the year:</b>	
0	Sale of Police Buildings	448
0	Sale of Police houses	111
142	Sale of vehicles	27
0	Sale of plant and equipment	4
142	<b>Total capital receipts during the year</b>	590
0	<b>Less: Financing of capital expenditure</b>	(4)
2,038	<b>Capital receipts unapplied at 31st March</b>	2,624

#### 22. Debtors

2008/09		2009/10
£000		£000
21,622	Government Departments	20,328
17,869	Other Local Authorities	19,132
1,247	Sundry debtors	2,246
1,120	Prepayments	1,137
(10,000)	Council tax impairments (local authority)	(11,627)
(9)	Provision for bad debts	(6)
31,849	<b>Total debtors</b>	31,210

As a result of the change in Accounting for Council Tax (see Prior Year Adjustment), the relevant share of Debtors are now included in the table above. Other Local Authorities debtors includes £16.672m (2008/09: £14.700m) relating to Council Tax, and Council Tax Impairments of £11.627m (2008/09: £10.000m).

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 2010 the provision for bad debts was £6,384 (2008/09: £9,277).

# Notes to the Core Financial Statements

## NOTES TO THE BALANCE SHEET

### 23. Creditors

2008/09		2009/10
<b>£000</b>		<b>£000</b>
<b>(1,133)</b>	Government Departments	<b>(386)</b>
<b>(5,855)</b>	HM Revenue & Customs	<b>(5,889)</b>
<b>(7,508)</b>	Other Local Authorities	<b>(6,676)</b>
<b>(22,281)</b>	Sundry creditors	<b>(14,444)</b>
<b>(36,777)</b>	<b>Total external creditors</b>	<b>(27,395)</b>

As a result of the change in Accounting for Council Tax (see Prior Year Adjustment), the relevant share of Creditors are now included in the table above. Other Local Authorities creditors includes £5.569m (2008/09: £5.400m) relating to Council Tax.

### 24. Cash

As at 31st March 2010, the Force held a total of £2,288,649 under Proceeds of Crime Act 2002, 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.

Within the accounts of the Authority, there is also £651,662, held under the Police Property Act 1997 which applies to property that is in the possession of police where the owner of the property cannot be identified and where no order of a competent court has been made. This amount is shown in the 'Statement of total movement on reserves' on page 60, under the heading Police Property Act Fund. The Fund is used to meet the expenses incurred in the conveyance, storage, safe custody and sale of the property and to make payments for charitable purposes.

### 25. Deferred Liabilities

The figure for deferred liabilities in the Balance Sheet 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. The principal outstanding of £3.760m (2008/09: £3.995m) represents the value of debt outstanding as at 31st March 2010.

## Notes to the Core Financial Statements

### NOTES TO THE BALANCE SHEET

#### 26. Contingent Liability

In accordance with FRS12 "Provisions, Contingent Liabilities and Contingent Assets" the Authority recognises that it potentially has a contingent liability of some £1.521m 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.

#### 27. Provisions

2008/09		2009/10
<b>Insurance</b>		<b>Insurance</b>
<b>£000</b>		<b>£000</b>
<b>(3,964)</b>	Balance as at 1st April	<b>(5,123)</b>
<b>(2,422)</b>	Contributions in year (including Interest)	<b>(2,486)</b>
<b>2,309</b>	Expenditure	<b>2,460</b>
<b>(1,046)</b>	Transfers to/(from) Earmarked Reserve	<b>0</b>
<b>(5,123)</b>	Balance at 31st March	<b>-5,149</b>

In 2009/10 the Authority made a contribution of £2.486m 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 takes account of the 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.

## Notes to the Core Financial Statements

### NOTES TO THE BALANCE SHEET

#### 28. Revaluation Reserve

2008/09		2009/10
<b>£000</b>		<b>£000</b>
25,964	Balance as at 1st April	22,636
1,397	Revaluation of Operational Buildings	0
8	Revaluation of Non-Operational Buildings	0
-4,140	Impairment losses on Operational Buildings	-44
-275	Impairment losses on Non-Operational Buildings	0
(318)	Depreciation on Revaluation	-293
<b>22,636</b>	<b>Balance at 31st March</b>	<b>22,299</b>

The Revaluation Reserve was created on 1st April 2007. It is utilised for the following:-

- Revaluation Gains - Any increases in the value of assets from 1st April 2007 are credited.
- Impairment - Where there is an impairment loss charged to the Income and Expenditure Account and there are revaluation gains in the Revaluation Reserve for that asset then an amount up to the value of the loss is transferred to the Revaluation Reserve.
- Disposals - Any revaluation gains in the Revaluation Reserve for assets disposed of are transferred to the Capital Adjustment Account.
- Depreciation - Revaluation gains are depreciated with an amount equal to the difference between the current value depreciation and the depreciation that would have been chargeable on their historical cost being transferred each year from the Revaluation Reserve.

#### 29. Collection Fund Adjustment Account

The Collection Fund Adjustment Account represents the Authority's share of the accumulated surplus/(deficit) on the Collection Fund of the Billing Authority at the financial year end.

2008/09	Collection Fund Adjustment Account	2009/10
<b>£000</b>		<b>£000</b>
-38	Wirral MBC	7
-95	Sefton MBC	(65)
-424	Liverpool City Council	(387)
-79	St. Helens MBC	(14)
-64	Knowsley MBC	(65)
<b>(700)</b>	<b>Total</b>	<b>(524)</b>

## Notes to the Core Financial Statements

### NOTES TO THE BALANCE SHEET

#### 30. Statement of total movement on reserves

	Balance as at 1 April 2009	Contrib- utions to reserves	Contrib- utions from reserves	Balance as at 31 March 2010
Details of movement in Earmarked Reserves	£000	£000	£000	£000
Helicopter Reserve	234	273	-440	67
Internal Trading Reserve	188	0	-60	128
Earmarked Capital Reserve	2,121	0	-2,097	24
Airwave Reserve	43	0	-43	0
Carryover Reserve	1,294	0	-1,294	0
PCSO Reserve	2,473	0	-105	2,368
Other Reserves	547	1,012	-994	565
Section 152 Reserve	671	609	-390	890
Target Hardening Reserve	437	72	0	509
Police Property Act Fund	464	340	-153	651
Earmarked Pensions Reserve	823	0	0	823
Restructure Reserve	2,000	0	-1,972	28
Estate Strategy Reserve	1,783	849	0	2,632
TASER Reserve	0	300	-49	251
Insurance Reserve	668	0	0	668
Fleming VAT Claim Reserve	0	881	-881	0
Strategic Options Reserve	0	2,000	0	2,000
	<b>13,746</b>	<b>6,336</b>	<b>-8,478</b>	<b>11,604</b>

## Notes to the Core Financial Statements

### NOTES TO THE BALANCE SHEET

#### 31. Financial Instruments

Financial assets and financial liabilities represented by loans and receivables are included in the Balance Sheet at amortised cost. For borrowings this means that the amount presented in the Balance Sheet is the outstanding principal repayment and the interest charged to the Income and Expenditure account is the amount payable in the year. Likewise investments are included in the Balance Sheet as the outstanding principal receivable and the interest credited to the Income and Expenditure account is the amount receivable in the year.

Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments under the following assumptions:

- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, Balance Sheet carrying amount is assumed to approximate fair value
- the fair value of trade receivables and payables are assumed to be the invoiced or billed amount

The table below outlines the fair value of assets and liabilities as at 31 March 2010.

	31 March 2010		31 March 2009	
	Fair Value Disclosure	Balance Sheet Disclosure	Fair Value Disclosure	Balance Sheet Disclosure
	£000	£000	£000	£000
<b>Financial Assets</b>				
Short Term Investments	50	50	2,845	2,845
Trade Receivables	2,246	2,246	1,247	1,247
<b>Total</b>	<b>2,296</b>	<b>2,296</b>	<b>4,092</b>	<b>4,092</b>
<b>Financial Liabilities</b>				
<b>Borrowing repayable within 12 months:</b>				
London Borough of Croydon	0	0	-4,500	-4,500
City of Salford	-2,100	-2,100	0	0
Devon County Council	-1,000	-1,000	0	0
Greater Manchester Pension Fund	-7,000	-7,000	0	0
City and County of Swansea	-1,500	-1,500	0	0
Bank overdraft	-14	-14	-6	-6
Trade Payables	-14,606	-14,606	-22,281	-22,281
<b>Total</b>	<b>(26,220)</b>	<b>(26,220)</b>	<b>(26,787)</b>	<b>(26,787)</b>

The carrying value of financial assets and financial liabilities is deemed to be a reasonable approximation of fair value due to the short term nature of these instruments which are held for short term financing purposes.

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

- credit risk - the possibility that other parties may fail to pay amounts due;
- liquidity risk - the possibility that the Authority might not have funds available to meet its commitments to make payments; and
- market risk - the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates or stock market movements.

The treasury management function for Merseyside Police Authority is undertaken by Knowsley MBC Treasury Management section.

## Notes to the Core Financial Statements

### NOTES TO THE BALANCE SHEET

#### 31. Financial Instruments cont'd.

##### **Credit Risk**

Credit risk arises from the short term lending of surplus funds to banks and financial institutions as well as credit exposure to customers. The Authority has adopted CIPFA's Code of Practice for Treasury Management and this is enshrined in its own Financial regulations. This code includes key controls in respect of investment and borrowing in line with CIPFA's Prudential Code. The amounts owed to the 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 repaid. The Authority provides for bad debts each year, as at 31 March 2010 the provision was £6,384.

##### **Liquidity Risk**

The Authority produces cash flow projections on a regular basis to mitigate the risk that the Authority will not be able to meet its commitments and payments. The projections allow for cash management including the repayment profile of any borrowings. Knowsley MBC Treasury Management Section are able to secure access to overdraft facilities and short term borrowing through Money Markets on behalf of the Authority.

##### **Market Risk**

###### Interest Rate Risk

The carrying value of financial assets and financial liabilities reported in the Balance Sheet is deemed to be a reasonable approximation to fair value and therefore the Authority is not exposed to increases/decreases in the fair value of financial instruments as a result of interest rate movements. Investments and borrowings held in the balance sheet are at fixed interest rates and therefore the Authority is not exposed to movements in interest payable/receivable on investments and borrowings.

###### Foreign Exchange Risk

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

## Notes to the Core Financial Statements

### NOTES TO THE CASH FLOW STATEMENT

#### 32. Analysis of Government Grants

2008/09		2009/10
£000		£000
	<b>Revenue Grants</b>	
(131,347)	Police specific revenue grant	(134,323)
(15,790)	Revenue support grant	(24,959)
-5,312	Terrorism grant	(5,114)
(9,499)	Crime fighting fund grant	(9,499)
(5,582)	Other minor grants	(4,419)
-27,155	Pensions Top-Up grant	(43,114)
(1,751)	DNA grant	(1,751)
(199)	Loan charges grant	(258)
(8,809)	Community Support Officers	(9,082)
(1,184)	Basic Command Unit Grants	(1,393)
(2,321)	Special Priority Payments Grant	(2,321)
(208,949)		(236,233)
	<b>Capital Grants</b>	
(5,344)	Capital Grants	(4,461)
(214,293)	<b>Total</b>	(240,694)

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

2008/09		2009/10	2009/10
£000		£000	£000
131	(Surplus)/deficit for the year		(1,068)
	<b>Non-cash transactions</b>		
-2,574	Capital charges	(4,506)	
-2,342	Financing of capital expenditure	(223)	
2,034	Contribution to/from reserves	2,436	
145	Contribution to provisions	(26)	(2,319)
	<b>Accruals basis</b>		
14,450	(Reduction)/increase in debtors	(639)	
-224	Increase/(reduction) in stock	161	
-12,784	(Increase)/reduction in creditors	8,088	7,610
	<b>Interest</b>		
-710	Interest paid	(327)	
1,010	Interest received	102	(225)
-864	<b>Revenue activities net cash flow</b>		3,998

## Notes to the Core Financial Statements

### NOTES TO THE CASH FLOW STATEMENT

#### 34. Analysis of Movement in Net Debt

	Balance 1st April 2009	Cash Flow Changes	Balance 31 March 2010
	£000	£000	£000
<b>Movements in cash</b>			
Bank Overdraft	(6)	(8)	(14)
Imprests	51	2	53
<b>Sub-Total Movements in cash</b>	<b>45</b>	<b>(6)</b>	<b>39</b>
Short Term Borrowing	(4,500)	(7,100)	(11,600)
Deferred Liabilities	(3,995)	235	(3,760)
Temporary Investments	2,845	(2,795)	50
<b>Movement in Net Debt</b>	<b>(5,605)</b>	<b>(9,666)</b>	<b>(15,271)</b>

The cash flow changes in respect of short term borrowing and temporary investments reconcile to the Management of Liquid Resources section of the Cash Flow Statement.

#### 35. Reconciliation of Net Cash Flow to Movement in Net Debt

	2009/10
	£000
<b>Decrease in Cash (from Cash Flow Statement)</b>	<b>-6</b>
<b>Short Tem Borrowing</b>	
Cash inflow from new borrowing	-7,100
<b>Deferred Liabilities</b>	
Cash used for Transferred Debt Repayment	235
<b>Current Investments</b>	
Cash increase due to decrease in investments	(2,795)
<b>Increase in Net Debt</b>	<b>(9,666)</b>

## Pension Fund Account

This account reflects the pensions arrangements from 1st April 2009 to 31st March 2010. The pension transactions are split between two separate accounts. The pensions fund account records all the transactions which are reimbursed through the top up grant from the Home Office. The remainder of the expenditure resides with the Police Authority.

2008/09		2009/10
<b>£000</b>		<b>£000</b>
	<b>Pensions Fund Account</b>	
	<b>Income</b>	
	<b>Contributions Receivable</b>	
-36,128	Police Employers Pension Contribution Income	-37,253
-14,813	Employees Pension Contributions	-14,507
-1,369	Employees Pension Contributions (9.5% scheme)	-2,067
	<b>Other</b>	
-1,109	Police Transfer Value Receivable	-800
-551	Capital Equivalent Income - Ill Health Pensions	-630
<b>-53,970</b>	<b>Total Income</b>	<b>-55,257</b>
	<b>Expenditure</b>	
	<b>Benefits Payable</b>	
66,453	Police Pensions	72,399
581	Police Ill Health Commutations	832
23,074	Police Ordinary Commutations	22,095
235	Police Death in Service Grant	210
	<b>Other</b>	
729	Police Transfer Value Payable	421
<b>91,072</b>	<b>Total Expenditure</b>	<b>95,957</b>
37,102	<b>Net Amount Payable/(Receivable) before top-up grant</b>	40,700
-37,102	Additional contribution from the Police Authority	-40,700
<b>0</b>	<b>Net Amount Payable/(Receivable)</b>	<b>0</b>

2008/09		2009/10
<b>£000</b>		<b>£000</b>
	<b>Net Assets Statement</b>	
	<b>Net Current Assets and Liabilities</b>	
	<b>Creditors/Receipts in Advance</b>	
-3,264	Unpaid Pension Benefits	0
0	Employers Contributions Received in Advance	0
0	Employees Contributions Received in Advance	0
	<b>Debtors/Prepayments</b>	
3,264	Amount owing to Pension Fund for Unpaid Pension Benefits (Top Up Grant)	0
0	Pensions paid in advance	0
<b>0</b>	<b>Total Net Assets</b>	<b>0</b>

In order to comply with the requirements of the SORP, the Net Assets Statement has been brought into balance with a transfer from the General Fund for the additional Pensions Top Up Grant of £0.000m (2008/09: £3.264m).

## Notes to the Pension Fund Account

### PENSION FUND ACCOUNT NOTES

#### 36. Pension Fund Account

The Pension Fund account records all the expenditure and income that are specified by regulations released on 1st August 2007. These relate to police officer pensions, police staff have a separate scheme which is described below.

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.

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 £16.574m (2008/09 £16.182m) contributions have been netted off against retirement benefits payable to pensioners.

The fund is drawn up in accordance with the Policies in the Statement of Accounting Policies. The fund's financial statements do not take into account liabilities to pay pensions and other benefits after the period end.

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. Details of liabilities for both police officers and police staff are shown at note 39.

#### 37. Police Staff Pensions

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 £8.063m in 2009/10 (£7.843m in 2008/09).

## Notes to the Pension Fund Account

### PENSION FUND ACCOUNT NOTES

#### 38. Pension Costs

The Authority recognises 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 required to be made 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 09 £000	31 Mar 10 £000	31 Mar 09 £000	31 Mar 10 £000
<b>Net Cost of Services:</b>				
Current Service Cost	8,722	5,230	47,630	37,490
Past service cost	33	1,263	360	2,100
<b>Net Operating Expenditure</b>				
Interest Cost	14,549	13,865	161,380	150,280
Expected Return on assets	-10,672	-8,663		
<b>Net Charge to the Income and Expenditure Account</b>	<b>12,632</b>	<b>11,695</b>	<b>209,370</b>	<b>189,870</b>
<b>Statement of Movement in the General Fund Balance</b>				
Reversal of net charges made for retirement benefits in accordance with FRS17	-12,632	-11,695	-209,370	-189,870
<b>Actual amount charged against revenue for pensions in the year:</b>				
Employers contributions payable to the scheme	7,843	8,063		
Actual amounts charged to revenue - retirement benefits paid to pensioners and employers contributions payable to the scheme			42,144	43,641

Note 40 contains details of the assumptions made in estimating the figures included in this note.

## Notes to the Pension Fund Account

### PENSION FUND ACCOUNT NOTES

#### 39. Pension Liabilities

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

	Local Government Pension Scheme		Police Pension Scheme		Total	
	31-Mar-09	31-Mar-10	31-Mar-09	31-Mar-10	31-Mar-09	31-Mar-10
	£000	£000	£000	£000	£000	£000
Estimated Liabilities in scheme	(194,398)	(299,797)	(2,202,120)	(3,211,040)	(2,396,518)	(3,510,837)
Estimated assets in scheme	137,032	188,262	0	0	137,032	188,262
Net Liability	(57,366)	(111,535)	(2,202,120)	(3,211,040)	(2,259,486)	(3,322,575)

The liabilities show the underlying commitments that the Authority has in the long-run to pay retirement benefits. The total liability of £3,323m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance of £3,197m. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy.

- The deficit on the Local Government Scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.
- 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 Ltd, an independent firm of actuaries. Estimates for the Local Government Scheme are based on the latest full valuation of the scheme as at 28th February 2010.

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

## Notes to the Pension Fund Account

### PENSION FUND ACCOUNT NOTES

#### 40. Pension Liabilities contd.

The main assumptions used in their calculations have been:

	Local Government Pension Scheme		Police Pension Scheme	
	31-Mar-09	31-Mar-10	31-Mar-09	31-Mar-10
Rate of inflation	3.3%	3.5%	3.0%	3.9%
Rate of increase in salaries	4.6%	4.8%	4.5%	5.4%
Rate of increase in pensions	3.3%	3.5%	3.0%	3.9%
Rate for discounting scheme liabilities	7.1%	5.7%	6.9%	5.8%
<u>Mortality Rates (in years)</u>				
Longevity at 65 for future pensioners (Men)	21.3	21.3	25.6	26.0
Longevity at 65 for future pensioners (Women)	24.1	24.1	28.6	29.1
Longevity at 65 for current pensioners (Men)	20.3	20.4	23.4	23.9
Longevity at 65 for current pensioners (Women)	23.2	23.2	26.6	27.1

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 Return on Assets			Expected Return on Assets		
	31.03.09	Assets at 31.03.09		31.03.10	Assets at 31.03.10	
	%	£000	%	£000	%	
Equity investments	7.5%	73,449	53.6%	119,734	63.6%	
Government bonds	4.0%	24,255	17.7%	22,780	12.1%	
Other bonds	6.0%	6,578	4.8%	12,425	6.6%	
Property	6.5%	12,744	9.3%	11,861	6.3%	
Cash/Liquidity	0.5%	5,755	4.2%	4,895	2.6%	
Other	7.5%	14,251	10.4%	16,567	8.8%	
<b>Total</b>		<b>137,032</b>	<b>100.0%</b>	<b>188,262</b>	<b>100.0%</b>	

The asset values in the Local Government Pension Scheme were calculated as at 28th February 2010. No adjustment was made for March 2010. A deduction of 0.2% in respect of expenses is made in calculating the expected return for the year.

#### 41. Pensions Reserve

2008/09		2009/10
£000		£000
-2,431,945	<b>Balance as at 1st April</b>	-2,259,486
	<b>Appropriations (to)/from Revenue:</b>	
-222,002	Reversal of Net Charges made for retirement benefits in accordance with FRS17	-201,565
87,090	Employer's contributions payable to the Pensions Account and retirement benefits payable direct to pensioners & Top Up Grant	92,404
307,371	Actuarial Gains and (Losses)	-953,928
<b>-2,259,486</b>	<b>Balance carried forward 31st March</b>	<b>-3,322,575</b>

## Notes to the Pension Fund Account

### PENSION FUND ACCOUNT NOTES

#### 42. Pensions Reserve continued

Actuarial Gains & (Losses) on Pension Reserve										
	2005/6		2006/7		2007/8		2008/9		2009/10	
	£000	%	£000	%	£000	%	£000	%	£000	%
<b>Local Government Scheme</b>										
Difference between the expected and actual return on assets	17,561	12.9	-45	0.0	-14,890	0.0	-39,784	29.0	37,959	20.2
Differences between actuarial assumptions about liabilities and actual experience	-5,522	2.8	0	2.8	-7,046	0.0	2,123	1.5	0	
Changes in the demographic and financial assumptions used to estimate liabilities	-18,610	9.5	12,486	6.2	-5,048	6.2	62,649	32.2	-88,496	29.5
	<u>-6,571</u>		<u>12,441</u>		<u>-26,984</u>		<u>24,988</u>		<u>-50,537</u>	
<b>Police Pension Scheme</b>										
Difference between the expected and actual return on assets	0		0		0		0		0	
Differences between actuarial assumptions about liabilities and actual experience	31,480	1.2	57,240	2.2	-20,088	0.9	19,780	1.0	69,870	2.0
Changes in the demographic and financial assumptions used to estimate liabilities	-391,720	14.4	170,200	6.5	440,910	18.7	262,603	11.9	-973,261	30.0
	<u>-360,240</u>		<u>227,440</u>		<u>420,822</u>		<u>282,383</u>		<u>-903,391</u>	
<b>Total Actuarial Gains and (Losses)</b>	<u><u>-366,811</u></u>		<u><u>239,881</u></u>		<u><u>393,838</u></u>		<u><u>307,371</u></u>		<u><u>-953,928</u></u>	

## Notes to the Pension Fund Account

### PENSION FUND ACCOUNT NOTES

#### 43. Reconciliation of present value of scheme liabilities

	Funded Liabilities Local Government Pension Scheme		Unfunded Liabilities Police Pension Scheme	
	2008/09	2009/10	2008/09	2009/10
	£000	£000	£000	£000
<b>At 1 April</b>	-234,565	-194,398	-2,354,380	-2,202,120
Current Service Costs	-8,722	-5,230	-47,630	-37,490
Interest Costs	-14,549	-13,865	-161,380	-150,280
Members Contributions	-3,686	-3,706	-16,300	-16,610
Actuarial Gains / (Losses)	62,649	-88,496	282,383	-903,391
Benefits Paid	4,508	7,161	95,547	100,951
Past Service Costs	-33	-1,263	-360	-2,100
<b>At 31 March</b>	<b>-194,398</b>	<b>-299,797</b>	<b>-2,202,120</b>	<b>-3,211,040</b>

#### 44. Reconciliation of fair value of scheme assets

	Funded Liabilities Local Government Pension Scheme	
	2008/09	2009/10
	£000	£000
<b>At 1 April</b>	<b>159,123</b>	<b>137,032</b>
Expected Return on Assets	10,672	8,663
Employers Contributions	7,843	8,063
Members Contributions	3,686	3,706
Benefits Paid	-4,508	-7,161
Actuarial Gains / (Losses)	-39,784	37,959
<b>At 31 March</b>	<b>137,032</b>	<b>188,262</b>

## Notes to the Pension Fund Account

### PENSION FUND ACCOUNT NOTES

#### 45. Scheme History

	2005/06	2006/07	2007/08	2008/09	2009/10
	£000	£000	£000	£000	£000
<b>Present Value of Scheme Liabilities</b>					
Local Government Pension Scheme	-195,038	-200,291	-234,565	-194,398	-299,797
Police Pension Scheme	-2,713,330	-2,632,050	-2,354,380	-2,202,120	-3,211,040
	-2,908,368	-2,832,341	-2,588,945	-2,396,518	-3,510,837
<b>Fair Value of Assets (LGPS)</b>					
Local Government Pension Scheme	136,180	152,031	157,000	137,032	188,262
<b>Surplus / (Deficit) in Scheme</b>					
Local Government Pension Scheme	-58,858	-48,260	-77,565	-57,366	-111,535
Police Pension Scheme	-2,713,330	-2,632,050	-2,354,380	-2,202,120	-3,211,040
	-2,772,188	-2,680,310	-2,431,945	-2,259,486	-3,322,575

## Police Objective Analysis - Analysis of Net Cost of Services

This statement does not form part of the statutory accounts. It provides details of the movement from Unadjusted Net Expenditure to the Final Net cost of Services figures used in the Income and Expenditure Account.

### Police Objective Analysis 2008/09

Police Objective Analysis headings	Net Expenditure (unadjusted)	Adjustments / Apportionments to balance back to Net cost of Services	Final TOTAL as per Net cost of Services 2008/09
	£000	£000	£000
Local Policing	127,331	38,559	165,890
Dealing with the public	15,537	3,723	19,260
Criminal Justice arrangements	28,333	7,215	35,548
Roads Policing	7,903	3,091	10,994
Specialist Operations	18,420	5,706	24,126
Intelligence	16,860	5,156	22,016
Specialist Investigations	22,389	7,924	30,313
Investigative Support	9,532	1,288	10,820
National Policing	6,021	1,724	7,745
Support Functions	60,177	-60,177	0
Police Authority	2,081	-2,081	0
Central Costs	38,436	-38,436	0
Income	-35,789	35,789	0
<b>Income &amp; Expenditure Account: Net cost of Services</b>	<b>317,231</b>	<b>9,481</b>	<b>326,712</b>

### Police Objective Analysis 2009/10

Police Objective Analysis headings	Net Expenditure (unadjusted)	Adjustments / Apportionments to balance back to Net cost of Services	Final TOTAL as per Net cost of Services 2009/10
	£000	£000	£000
Local Policing	130,122	28,028	158,150
Dealing with the public	16,058	3,116	19,174
Criminal Justice arrangements	29,088	5,737	34,825
Roads Policing	7,970	2,479	10,449
Specialist Operations	18,606	5,556	24,162
Intelligence	17,548	5,110	22,658
Specialist Investigations	22,759	6,136	28,895
Investigative Support	10,466	1,119	11,585
National Policing	7,045	470	7,515
Support Functions	57,606	-57,606	0
Police Authority	2,042	-2,042	0
Central Costs	41,770	-41,770	0
Income	-35,865	35,865	0
<b>Income &amp; Expenditure Account: Net cost of Services</b>	<b>325,215</b>	<b>-7,802</b>	<b>317,413</b>

## Financially Accountable Unit (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.

2008/9	Summary level	Probable Outturn 2009/10	Final Outturn 2009/10
<b>£000</b>		<b>£000</b>	<b>£000</b>
18,865	<b>Strategic Development</b>	19,740	19,780
	<b>Citizen Focus</b>		
8,759	Citizen Focus	8,365	8,375
7,048	Call Handling	6,422	6,341
15,807		14,787	14,716
	<b>Administrative Support</b>		
10,613	Personnel and Development	12,210	12,357
28,866	Resources Directorate	28,408	28,337
39,479		40,618	40,694
	<b>Operations</b>		
159,365	Basic Area Operations	160,361	161,915
3,630	Area Co-ordination	4,292	4,357
170	Special Constabulary	108	107
624	Community Relations	819	787
163,789		165,580	167,166
	<b>Operational Support</b>		
34,503	Operational Support	37,948	38,462
17,781	Crime and Intelligence	18,703	18,491
16,084	Force Crime Operations Unit	12,746	12,308
68,368		69,397	69,261
515	<b>Operational Contingency Fund</b>	595	578
2,082	<b>Police Authority Support Unit</b>	2,134	2,042
	<b>Non Rechargeable Financing Items &amp; Levies</b>		
42,144	Police pensions	44,113	43,641
490	Attachments	381	591
3,221	Forcewide services	2,977	3,523
218	Underwater Search Unit	197	219
3,819	Costs of Capital	2,041	27
(2,805)	Income	(1,638)	(2,493)
868	PNC charges	873	869
47,955		48,944	46,377
356,860	<b>Net expenditure carried forward</b>	361,795	360,614

## Financially Accountable Unit (FAU) Outturn statement

Outturn 2008/09	Summary level	Probable Outturn 2009/10	Final Outturn 2009/10
£000		£000	£000
356,860	<b>Brought Forward</b>	361,795	360,614
0	<b>Contingency for Pay &amp; Prices</b>	890	0
0	<b>Provision for Police Reform Pay and Conditions</b>	2,740	0
711	<b>Interest Payable</b>	326	328
	<b>Income</b>		
-1,338	Interest and investment income	-99	-93
356,233		365,652	360,849
	<b>Appropriations</b>		
-934	Net carry over from previous year	-1,294	-1,294
1,294	Net carry over to next year	-6	-353
-8,967	Reversal of Depreciation & Government Grants released	-7,188	-5,420
1,626	Minimum Revenue Provision & Payment for MRDF	1,838	1,838
547	Contribution to General Balances	984	1,977
-672	Contribution to/(from) PCSO Reserve	-519	-105
1,432	Contribution to Estate Strategy Reserve	849	849
0	Contribution to/(from) Strategic Options Reserve	0	2,000
0	Contribution from General Balances	-556	-556
-313	Contribution to/(from) Additional Officer Reserve	0	0
350,246	<b>Total Net Expenditure to be met from Government Grants and Taxation</b>	359,760	359,785
	Less: Specific Home Office Revenue Grants:		
-131,347	General Police Grant	-134,323	-134,323
-33,147	Specific Grants	-33,639	-33,664
-15,790	Revenue support grant	-24,959	-24,959
-113,427	Business rate income	-108,136	-108,136
142	(Surplus)/Deficit on collection fund	556	556
-56,677	<b>PRECEPT REQUIREMENTS</b>	-59,259	-59,259
0	<b>(Surplus)/deficit for the year to General Balances</b>	0	0
-8,552	<b>General revenue balance brought forward</b>	-8,421	-8,421
-547	Contribution to/(from) revenue	0	-1,421
-72	Transfer to/(from) Additional Officer Reserve	0	0
350	Transfer to Estate Strategy Reserve	0	0
0	Transfer to Restructure Reserve	0	0
400	Transfer to PCSO Reserve	0	0
0	Overspend Carryover	0	353
-8,421	<b>General revenue balance carried forward</b>	-8,421	-9,489

## Glossary of Terms

### **ACTUARIAL GAINS OR LOSSES**

The change in actuarial deficits or surpluses that arise because either events have not coincided with the actuarial assumptions made for the last valuation (experience gains or losses), or because the actuarial assumptions have changed.

### **BILLING AUTHORITY**

This is an authority which is responsible for the collection of Council Tax on behalf of Precepting Authorities, and maintains a Collection Fund for this purpose.

### **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.

### **CORPORATE & DEMOCRATIC CORE**

This is a definition under the Best Value Code of Practice. It shows costs on Democratic Representation & Management (DRM) and Corporate Management (CM). DRM covers all aspects of members activities acting on behalf of the Authority. It also includes costs associated with other support to members.

### **CREDITORS**

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

### **CURRENT SERVICE COST (PENSIONS)**

This measures the increase in the present value of pensions liabilities generated in the financial year by employees. It is an estimate of the true economic cost of employing people in the financial year, earning service that will eventually entitle them to the receipt of a lump sum and pension when they retire.

### **DEBTORS**

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

### **DEFERRED LIABILITY**

Liabilities, which by arrangement are payable over a period of time.

### **DEPRECIATION**

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

### **EXPECTED RATE OF RETURN ON PENSIONS ASSETS**

This is a measure of the average rate of return expected on the investment assets held by the scheme for the year. It is not intended to reflect the actual realised return on the scheme, but a longer-term measure, based on the value of assets at the start of the year and an expected return factor.

## Glossary of Terms

### **FAIR VALUE**

The amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

### **FINANCIAL INSTRUMENT**

This is any contract that gives rise to a financial asset of one entity and a financial liability of another. The term covers both financial assets such as loans receivable and liabilities such as borrowings.

### **FINANCIALLY ACCOUNTABLE UNIT (FAU)**

A Financially Accountable Unit (FAU) is a unit of the Devolved Financial Management structure to which Budgets are allocated, and against which Income and Expenditure is charged. Each FAU has a Budget Holder responsible for managing that Budget.

### **IMPAIRMENT**

A reduction in the value of a fixed asset below its carrying amount on the balance sheet.

### **INTANGIBLE FIXED ASSETS**

These are fixed assets such as software licences that do not have physical substance but are identifiable and controlled through legal or custody rights.

### **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.

### **NON DISTRIBUTED COSTS**

This covers past services costs settlements and curtailments in respect of FRS17 pension costs. It also covers costs associated with unused assets.

### **PAST SERVICE COST (PENSIONS)**

These costs represent the increase in liabilities arising from decisions taken in the current year to improve retirement benefits, but whose financial effect is derived from years of service earned in earlier years.

### **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.

### **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.

### **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.