

**GREATER MANCHESTER POLICE AUTHORITY**

**STATEMENT OF ACCOUNTS**

**2008/2009**

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**INDEPENDENT AUDITOR'S REPORT TO THE  
MEMBERS OF GREATER MANCHESTER POLICE AUTHORITY**







## **PROFILE OF THE GREATER MANCHESTER POLICE AUTHORITY**

### **Composition**

The Greater Manchester Police Authority was created under Section 24 of the Local Government Act 1985, with effect from 1st April 1986. This legislation is amended by the Police and Magistrates' Courts Act, 1994, with effect from 1st April 1995 and consolidated by the Police Act, 1996. The Authority comprises 19 members, 10 elected members nominated by the 10 district councils and 9 independent members, one of whom is a magistrate, selected by arrangements laid down under the 1996 Act. The Joint Magistrates' Committee previously nominated magistrates for the County but from 1<sup>st</sup> April 2005 the Police Authority under the terms of the Courts Act, 2003, makes new appointments.

### **Statutory Responsibilities**

Section 6 of the Police Act, 1996, lays down the functions of the Authority. Its overall duty is to maintain an efficient and effective police force for the area. In doing so the Authority must have regard to any national objectives set by the Home Secretary and to the local objectives that it must determine for itself following consultation with the community. These objectives, together with a statement of the Authority's priorities for the year, expected financial resources and the allocation of those resources, must be published as the local policing plan before the beginning of each financial year.

In addition, Section 3 of the Local Government Act 1999 sets out the Authority's need to have regard to Best Value principles, which is to make arrangements to secure continuous improvement in the way in which all its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

The Authority appoints the Chief Constable and appoints the Deputy and Assistant Chief Constables in consultation with the Chief Constable.

### **Finance**

The Authority's net expenditure is financed from four sources:-

- A cash limited Police Grant and various Specific Grants from the Home Office.
- A Precept based on the estimated number of chargeable dwellings in Greater Manchester, collected by the 10 district councils along with their own council tax and other precepts and levies.
- Revenue Support Grant from Central Government.
- National Non-Domestic Rates redistributed by Central Government.

### **Support Services**

The Chief Executive and Strategic Director of Customer & Support Services of Salford City Council act respectively as Chief Executive and Treasurer to the Authority, and various other officers provide a range of professional and administrative services through service level agreements.

## **GREATER MANCHESTER POLICE AUTHORITY MEMBERSHIP**

The Authority comprises 19 members, being 10 elected members nominated by the 10 district councils, 1 magistrate and 8 independent members selected by arrangements laid down under the Police Act, 1996. Magistrates were previously nominated by the Joint Magistrates' Committee for the County but from 1<sup>st</sup> April 2005 new appointments are made by the Police Authority under the terms of the Courts Act, 2003.

### **Police Authority Membership at 31st March 2009**

Councillor W. Bray	Mr. L. Rowbotham
Councillor D. Lancaster	Mrs. C. McGawley, J.P.
Councillor P. Murphy	Mrs. C.B. Conchie
Councillor S. Poole	Mrs. S. Hardman
Councillor P.V.K. Porgess	Mr. I. Hargreaves
Councillor C. Rigby	Mr. M. Hussain
Councillor N. Spencer	Mrs. G. Oates
Councillor B. Todd	Mrs. P. Taylor
Councillor M. Alcock	
Councillor R. Walker	

There was 1 independent member vacancy at 31<sup>st</sup> March 2009.

In addition to the Members above the Authority has two Independent (Lay) Members to serve on its Standards Committee following a selection process laid down by the Local Government Act, 2000. At 31<sup>st</sup> March the two Lay Independent Members were Mr. J. Place and Mrs. C. Berry.

The Police Act 1996 requires that a Panel be convened periodically to select a shortlist of Independent Members. The Panel met 4 times during 2008/09.

The Home Secretary's nominee to the Panel was Mr. P.C. Merchant.

### **Committees**

The Authority has established the following Committees and Panels:-

- Citizens Focus and Communication Committee
- Finance, Assets and Technology and Resources Committee
- Audit and Inspection Committee
- Standards Committee
- Scrutiny Committee
- Complaints and Professional Standards Committee
- Human Resources Committee
- Health and Safety Sub Committee
- Appointments and Remuneration Panel
- Strategy and Resources Group
- Budget Strategy Group
- Scrutiny Panel
- Appeals Panel
- Statement of Accounts Working Group
- Police Property Act Fund Board

## EXPLANATORY FOREWORD

### 1. Introduction

This foreword to the accounts is intended to provide an easily understandable guide to the Authority's financial activities during 2008/09 and its financial position at 31<sup>st</sup> March 2009. The accounts have been prepared in accordance with the Accounts and Audit Regulations 2003 (as amended), the Code of Practice on Local Authority Accounting 2008 and the Best Value Accounting Code of Practice 2008.

Further information about the Authority can be obtained by visiting [www.gmpa.gov.uk](http://www.gmpa.gov.uk)

This Statement of Accounts and other documents can be found in the Publications section of the website.

### 2. Financial Statements

The financial statements comprise: -

#### a) The Statement of Accounting Policies (Page 17)

The purpose of this statement is to explain the basis for the recognition, measurement and disclosure of transactions in the accounts. The reported results can be appreciated properly only if the policies which have been followed in dealing with material items are explained.

#### b) The Statement of Responsibilities for the Statement of Accounts (Page 26)

This statement sets out the respective responsibilities of the Authority and its Treasurer for the accounts.

#### c) Joint Annual Governance Statement (Page 28)

This statement explains how the Authority has complied with its Code of Corporate Governance. Preparation and publication of the Statement fulfils the Authority's statutory requirement under Regulation 4(2) of the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) (England) Regulations 2006, to conduct a review at least once in each financial year of the effectiveness of its system of internal control and to include a statement reporting on the review with its Statement of Accounts.

#### d) The Core Financial Statements

The core financial statements comprise: -

##### i) Income and Expenditure Account (Page 41)

This account summarises the resources that have been generated and consumed in providing services and managing the Authority and Force during the last financial year. The entries in the Account are measured using essentially the same accounting conventions used by a large private sector company, i.e., UK Generally Accepted Accounting Practice (UK GAAP).

ii) **Statement of the Movement on the General Fund Balance** (Page 42)

The balance on the Income and Expenditure Account is measured in accordance with the UK GAAP. However, the amounts that can be credited or charged to the General Fund and which therefore must be taken into account when determining the Authority's Budget Requirement and Precept are determined in accordance with statute and non-statutory proper practices. There are a number of differences between the two approaches and this Statement reconciles them. The increase or decrease in the General Fund Balance for the year illustrates the Authority's performance against the balanced budget and Precept it must set each year.

iii) **Statement of Total Recognised Gains and Losses (STRGL)** (Page 42)

Not all of the gains and losses experienced by the Authority are shown in the Income and Expenditure Account. Examples are gains and losses on the revaluation of fixed assets and pension actuarial gains and losses. All gains and losses are reported in the STRGL and the statement balances to the movement in the Authority's net worth disclosed in its Balance Sheet.

iv) **Balance Sheet** (Page 43)

This statement shows the overall financial position of the authority as at 31<sup>st</sup> March 2009, its balances, reserves, long-term indebtedness, fixed assets held and net current assets employed in its operations.

v) **Cash Flow Statement** (Page 45)

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

**e) Notes to the Core Financial Statements** (Page 47)

The notes provide further analysis and explanation of items relating to the core financial statements.

**f) The Police Pension Fund Account** (Page 73)

The Police Pensions scheme is unfunded and holds no assets. The purpose of this account is to demonstrate the cash-based transactions taking place over the year and to identify the arrangements needed to balance the account.

**g) Glossary of Financial Terms** (Page 76)

A glossary of financial terms has been prepared to assist readers to understand the technical accounting terminology used.

**3. Changes introduced to the Financial Statements for 2008/09**

There have been changes in the Financial Statements for 2008/09. As applicable to Police Authorities these are:

- a) Guidance relating to reporting on reviews of internal control has been updated.

- b) The Pensions Statement of Recommended Practice (SORP) has been amended and disclosure requirements have increased.
- c) Amendments to reflect the regulations covering the funding arrangements for the Police Pension Scheme have been incorporated into the SORP.
- d) The accounting treatment of financial instruments has been clarified.
- e) The revaluation of fixed assets on disposal has been prohibited.

#### 4. Review of the Financial Year 2008/09

##### a) Revenue

The Revenue Budget is set in February each year in the context of the 5 year Strategic Financial Outlook (SFO). This process is overseen by the Budget Strategy Group (BSG), a senior Member, Police Authority Officer and Police Command Team Forum.

The 2008/09 budget was approved by the Police Authority on 15<sup>th</sup> February 2008. A Budget Requirement of £544.927m was set together with a Precept of £124.90 per Band D 2 person equivalent dwelling.

A system of Devolved Financial Management (DFM) is in place together with a rigorous system of budgetary control that has ensured that expenditure has been contained within the resources available. The table below summarises the financial position for the year.

Description	Original Budget 2008-09 £000	Revised Budget 2008-09 £000	Actual 2008-09 £000	Variance Actual/ revised £000
<u>Expenditure</u>				
Service expenditure	679,234	683,062	699,269	16,207
Interest payable	5,186	4,657	4,118	(539)
Net operating expenditure	684,420	687,719	703,387	15,668
<u>Income</u>				
Precept	99,314	99,314	99,314	0
General government grants	369,924	372,129	375,234	(3,105)
NNDR	186,880	186,880	186,880	0
Service income	23,182	23,944	36,612	(12,668)
Interest and investment income	5,120	5,920	6,141	(221)
Income total	684,420	688,187	704,181	(15,994)
Net Income	0	(468)	(794)	(326)

Major variations during the year were: -

- A reduction in the number of ill-health retirements
- An increase in the contribution made to the insurance provision
- The write off of capital expenditure to revenue

The diagram on page 16 shows how revenue expenditure is funded and what it was spent on. The Income and Expenditure Account not only discloses these revenue transactions but additionally includes sums in respect of Capital accounting, FRS17 and accounting for financial instruments.

## **b) Capital**

The Authority is able to incur Capital expenditure to the sum of:

- Supported borrowing
- Unsupported borrowing
- Capital grant received
- Usable Capital Receipts available
- Sums set aside from the Revenue Account and Earmarked Capital Reserves

The Authority approved a Capital programme of £81.041m for 2008/09. This allowed the Authority to continue its investment in buildings, IT and vehicles in accordance with its medium and long-term strategies. The final forecast was £53.767m and actual expenditure for the year was £47.361m. The categories of expenditure and methods of financing are shown on page 58.

The major schemes undertaken during the year were: -

	£m
• Estates Strategy	27.262
• IT Strategy	9.929
• Vehicles	4.602
• Other	<u>5.568</u>
	47.361

The Authority disposes of surplus assets. In 2008/09 £1.555m income from disposals was credited to the Useable Capital Receipts reserve (£3.509m in 2007/08).

## **5. Borrowing**

The Authority's power to borrow is set out in Part 1 of the Local Government Act 2003; together with a duty to determine and keep under review how much it can afford to borrow. Controls on borrowing are contained within the CIPFA Prudential Code for Capital Finance in Local Authorities and, under the provisions of the 2003 Act, the Authority must have regard to the Code when carrying out its duties under the Act.

The key objectives of the Prudential Code are to ensure, within a clear framework, that capital investment plans are affordable, prudent and sustainable. A key prudential indicator is the operational boundary for external debt, which limits the amount of long term debt outstanding. The limit was set at £115.851m for 2008/09, later revised to £97.930m, and has not been breached.

Borrowing is managed to ensure a reasonable spread of maturity and to minimise interest payable.

At 31<sup>st</sup> March 2009 the level of debt outstanding was as follows: -

	Principal	Accrued interest	Total
	£m	£m	£m
PWLB	77.418	0.509	77.927
Ex-GMC (pre 1986) debt	13.832	0	13.832
	<u>91.250</u>	<u>0.509</u>	<u>91.759</u>

This is split into amounts payable in the short term (within one year), amounts payable in the longer term and deferred liabilities as follows: -

	Short term	Long term	Deferred liabilities	Total
	£m	£m	£m	£m
PWLB	24.526	53.401	0	77.927
Ex-GMC (pre 1986) debt	0.699		13.133	13.832
	<u>25.225</u>	<u>53.401</u>	<u>13.133</u>	<u>91.759</u>

These amounts are shown as short term and long term borrowing in the Balance Sheet.

The maximum amount of PWLB debt due to mature in any future year is £24.017m. During 2008/09 £0.017m PWLB principal was repaid and new loans of £10.000m were taken. £37.000m of fixed rate PWLB loans were rescheduled producing a discount of £1.205m.

## 6. Private Finance Initiative (PFI)

On 4<sup>th</sup> December 2002, the Authority entered into a £78m Private Finance Initiative (PFI) scheme to provide 17 new police facilities on 16 sites. The scheme is now complete. Payments to the contractor, the unitary charge, began with the opening of the first building and commencement of the service. The contractor will operate and service the stations for 25 years, after which ownership will revert to the Police Authority at nil cost. The unitary charge will be met from revenue and PFI credits (i.e. grant) awarded by the Home Office.

Financial transactions in the year have been as follows:-

2007/08		2008/09
£m		£m
5.315	PFI grant receipts (in advance)	5.315
<u>(4.600)</u>	PFI grant applied	<u>(4.617)</u>
0.715	Balance contributed to PFI reserve (BS note 33)	0.698
12.956	Unitary charge	13.183
0.011	Minor variations	0
<u>(0.007)</u>	Penalties imposed	<u>(0.010)</u>
12.960		13.173

£0.742m of the unitary charge payable in 2008/09 disclosed above has been treated as a prepayment.

## 7. Financial Reporting Standard (FRS) 17 – Retirement Benefits

Police officers and Police staff are offered retirement benefits by the Authority as part of their terms and conditions of employment. Although these benefits will not actually be payable until

employees retire, Financial Reporting Standard (FRS) 17 requires that the commitment to make future payments is disclosed at the time that employees earn their future entitlement.

The Authority participates in two pension schemes:

- The Police Pension Scheme for police officers – this is an unfunded defined benefit final salary scheme administered by the Greater Manchester Police Authority, meaning that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due. Under the Police Pensions Fund Regulations 2007, if the amounts received by the pensions fund for the year are less than amounts receivable, the police authority must annually transfer an amount required to meet the deficit to the pension fund. Subject to Parliamentary scrutiny and approval, up to 100% of this cost is met by central government pension top-up grant. If however the pension fund is in surplus for the year, the surplus is required to be transferred from the pension fund to the police authority, which then must repay the amount to central government.
- The Local Government Pension Scheme for police staff employees, administered locally by Tameside Metropolitan Borough Council – this is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

At 31<sup>st</sup> March 2009 the Authority had the following net pension deficits:

	£m
Police	3,253.196
Police staff	43.100
Total	<u>3,296.296</u>

FRS17 notes also appear as note 9 to the Income and Expenditure Account on page 49 and note 42 to the Balance Sheet on page 65.

## 8. Future Outlook

For the financial year 2009/10 the Authority has approved a Budget Requirement of £566.044m and a Precept level of £134.26 per Band D 2 person equivalent property. Precept is the only major source of income, other than income earned, under the Authority’s control, the other sources being determined by Central Government.

The Authority set its Precept level having regard to the capping regime. The Budget Requirement set included identified savings of £2.9m per year and allowed a modest investment of £2.5m in priority new initiatives.

The Strategic Financial Outlook (SFO) has identified cumulative revenue funding shortfalls at standstill of £6.8m and £11.7m in 2009/10 and 2010/11 respectively. Budget Strategy Group (BSG) is responsible for the SFO and is actively seeking to bridge the funding gap.

Capital forecasts for 2010/11 and 2011/12 are as follows:

	<b>2010/11</b>	<b>2011/12</b>
	<b>£m</b>	<b>£m</b>
Continuation schemes	35.984	0.130
New projects	53.704	25.693
	<u>89.688</u>	<u>25.823</u>

The major element included in new projects is the continuation of the Estates Strategy.

A major future issue will be that the 2010/11 Statement of Accounts will be fully based on International Financial Reporting Standards (IFRS). The principal issues involved in IFRS implementation are:

- PFI
- Leases
- Property, plant and equipment
- Employee benefits
- Presentation and disclosure
- Investment properties
- Intangible assets

### **Further information**

Further information about the accounts is available from:

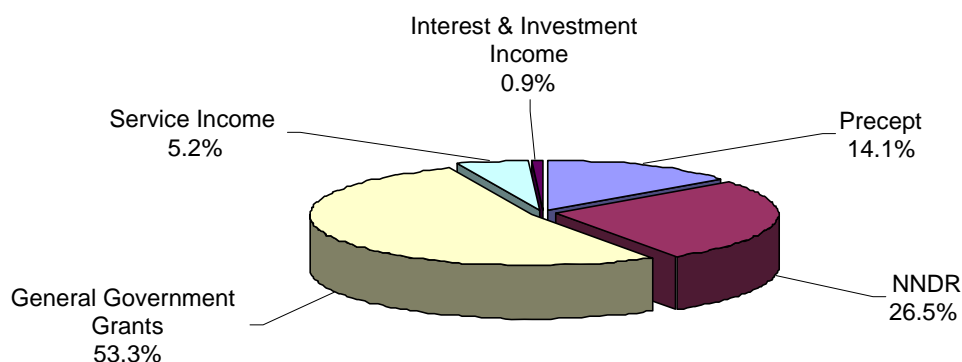
The Treasurer  
Greater Manchester Police Authority  
Civic Centre  
Chorley Road  
Swinton M27 5AW  
Telephone No. 0161 793 3337

E-mail [info@gmpa.gov.uk](mailto:info@gmpa.gov.uk)

In addition, members of the public have a statutory right to inspect the accounts before the audit commences. The availability of the accounts for inspection is advertised in the local press.

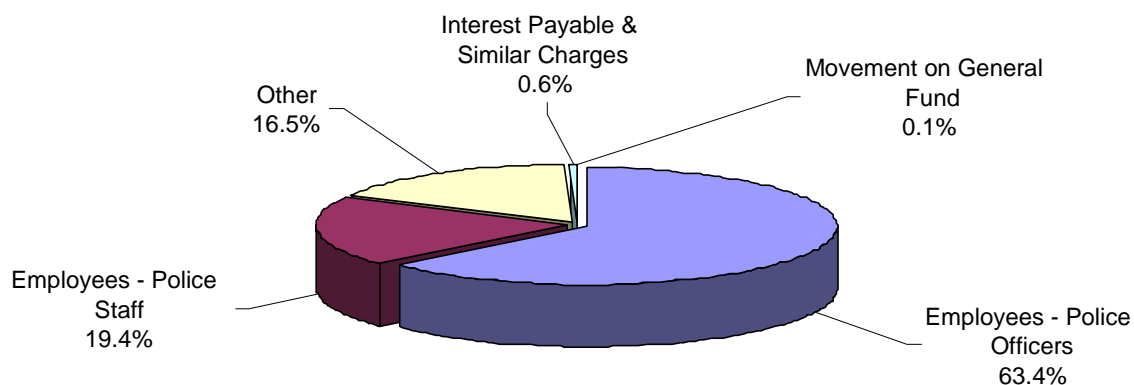
## REVENUE AT A GLANCE 2008-2009

### WHERE THE MONEY CAME FROM



<u>INCOME</u>	<b>£000</b>	<b>%</b>
Precept	99,314	14.1%
NNDR	186,880	26.5%
General Government Grants	375,234	53.3%
Service Income	36,612	5.2%
Interest & Investment Income	6,141	0.9%
<b>Net Income</b>	<b>704,181</b>	<b>100.0%</b>

### HOW THE MONEY WAS SPENT



<u>EXPENDITURE</u>	<b>£000</b>	<b>%</b>
Employees - Police Officers	446,450	63.4%
Employees - Police Staff	136,293	19.4%
Other	116,526	16.5%
Interest Payable & Similar Charges	4,118	0.6%
<b>Net Operating Expenditure</b>	<b>703,387</b>	
Movement on General Fund	794	0.1%
<b>Total Expenditure</b>	<b>704,181</b>	<b>100.0%</b>

## STATEMENT OF ACCOUNTING POLICIES

### 1. General

The Statement of Accounts summarises the Authority's transactions for the 2008/09 financial year and its position at the year end of 31<sup>st</sup> March 2009. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2008: A Statement of Recommended Practice (the SORP), published by CIPFA/LASAAC. The SORP provides guidance on the application of UK Generally Accepted Accounting Practice (UK GAAP) to local authorities. In addition the Best Value Accounting Code of Practice 2008 (BVACOP) applies, as do Statements of Standard Accounting Practice (SSAP's) and Financial Reporting Standards (FRS's) relevant to the Authority.

The accounting convention adopted in these financial statements is historical cost, modified by the revaluation of land and buildings.

### 2. Fixed Assets

Expenditure on the acquisition, creation or enhancement of tangible assets, which provide a benefit to the Authority for a period of more than one year, is capitalised on an accruals basis, subject to a de minimis level of £20,000. Expenditure on purchased intangible assets (in the case of GMPA these are software licences) is capitalised at cost and written down over the period of the licence. Intangible assets have no residual value and are not revalued.

This de minimis level does not apply to the acquisition of vehicles, which are all capitalised, again on an accruals basis. Expenditure which maintains, but does not add to, the value of an existing asset is charged to revenue.

Assets are initially measured at cost comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. They are then valued on the basis recommended by CIPFA and in accordance with the Statement of Asset Valuation Practice and Guidance Notes issued by the Royal Institute of Chartered Surveyors (RICS). They are classified and valued on the following basis: -

- Land, operational properties and non-operational properties which are surplus to requirements are included in the balance sheet at the lower of net current replacement cost and net realisable value
- Vehicles and other operational assets (e.g. plant and equipment) are valued at historic cost and are not normally subject to revaluation
- Purchased intangible assets are valued at historic cost and are not normally subject to revaluation
- Assets under Construction (AUC) are valued at cost
- Furniture is valued at 7.5% of the gross book value of buildings

Net current replacement cost is assessed as:

- Non-specialised operational properties – existing use value
- Specialised operational properties – depreciated replacement cost
- Investment properties and surplus assets – market value

Assets included in the Balance Sheet at current value are revalued where there have been material changes in the value, but as a minimum every five years. Increases in valuations are

matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

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.

When a fixed asset is acquired it is recognised in the balance sheet at the time it becomes operational. Expenditure on the enhancement of an asset is recognised in the year the works are completed. AUC are recognised as non-operational in the year in which expenditure occurs. General revaluations of fixed assets are planned at five-year intervals. The first revaluation took place on 1<sup>st</sup> April 1999; on 1<sup>st</sup> April 2004 a further revaluation took place and the next one is due as at 1<sup>st</sup> April 2009. Assets may be revalued at any date should circumstances require, e.g., when capital expenditure is incurred. Any changes in the value of fixed assets are recorded in the Fixed Asset Restatement Account to recognise unrealised gains or losses, unless the change is due to an impairment loss caused by a clear consumption of economic benefits, in which case they are recognised in the Income and Expenditure Account.

Revaluation of a fixed asset at the only point of disposal is not permitted for 2008/09, although the practice was in place in 2007/08 in respect of land and building assets only. Any gain or loss on disposal will be credited/debited to the Income and Expenditure Account. In order to comply with statutory/proper practices the gain or loss is reversed out of the Income and Expenditure Account and transferred to the Capital Adjustment Account.

### 3. Depreciation

Depreciation is charged in accordance with the requirements of Financial Reporting Standard (FRS) 15. Depreciation is provided on all assets with a determinable finite life, other than land and investment properties. Assets are depreciated from the date of acquisition to the date of disposal, or if under construction from the date the asset becomes operational. Assets, less residual value, are depreciated on a straight-line basis over their estimated life, 1 to 99 years for land and buildings and 4 to 15 years for vehicles, plant and equipment. Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

**Grants and contributions:** where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account. The balance is then written down to revenue to offset depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policy applied to them.

### 4. Impairment

Financial Reporting Standard (FRS) 11, Impairment of Fixed Assets and Goodwill, requires the Authority to consider on an annual basis if there has been a significant decline in a fixed asset's value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for by:

- Where attributable to the clear consumption of economic benefits – the loss is charged to the Income and Expenditure Account

- Otherwise – 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.

Where impairment loss is charged to the Income and Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

## **5. Charge to Revenue for Fixed Assets**

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

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

The Authority is not required to raise Precept 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 (equal either to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance, or loans fund principal charges). Depreciation, impairment losses and amortisations are therefore replaced by 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.

## **6. Asset Disposals and Capital Receipts**

Income from the disposal of fixed assets (including intangible assets if appropriate) is accounted for on an accruals basis, subject to a de minimis level of £10,000. When an asset is disposed of it is written out of the Balance Sheet. Any loss on disposal is transferred to the Income and Expenditure Account and then reversed out to the Capital Adjustment Account in the Statement of Movement on the General Fund Balance. Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

There is no statutory requirement for Police Authorities to set aside a percentage of their capital receipts. Income is included in the usable capital receipts reserve until it is used to finance capital expenditure or to reduce the Authority's underlying need to borrow (the capital financing requirement).

## **7. Grants**

Police grant and capital grant are paid in the year to which they relate. Other grants are recognised as income at the date that the Authority satisfies the conditions of entitlement and there is a reasonable assurance that the monies will be received. Capital grant is credited to the Government Grants Deferred Account. This balance is then written down to the Income and Expenditure Account to partly offset depreciation charges made.

## **8. Leases**

### **Finance Leases**

The Authority accounts for leases as finance leases when substantially all the risks and rewards relating to the leased property transfer to the Authority. Rentals payable are apportioned between:

- A charge for the acquisition of the interest in the property (recognised as a liability in the Balance Sheet at the start of the lease, matched with a tangible fixed asset – the liability is written down as the rent becomes payable), and
- A finance charge (debited to Net Operating Expenditure, in the Income and Expenditure Account as the rent becomes payable).

Fixed assets recognised under finance leases are accounted for using the policies applied generally to Tangible Fixed Assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

### **Operating Leases**

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service revenue account on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

## **9. Accruals of income and expenditure**

Revenue transactions are accounted for in the year that they occur, not when the cash transaction takes place. In particular:

- Fees and charges due are accounted for as income at the date the Authority provides the relevant services.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as stocks on the Balance Sheet.
- Works are charged as expenditure when they are completed, before which they are carried as assets under construction on the Balance Sheet.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

## **10. Debtors**

Debtors have been brought into the Statements for sums due to the Authority at the end of the financial year. Debtors are mostly included at actual value. There are no major estimates made. Provision has been made for bad and doubtful debts.

## **11. Current liabilities**

Creditors have been brought into the Statements for sums owed by the Authority at the end of the financial year. Creditors are included at actual value.

## **12. Cost of Support Services**

In addition to the police force's own police staff establishment, the services provided by Salford City Council were fully recharged on either a fixed price or actual time basis.

## **13. Provisions**

The Authority has created provisions to meet insurance claims and compensatory grant. The insurance provision of £18.422m at 31<sup>st</sup> March 2009 is the level recommended by the Authority's actuary. The compensatory grant provision of £1.822m at 31<sup>st</sup> March 2009 is the full amount required. Compensatory grant is payable in the April following the balance sheet date in accordance with Regulation 52 of the Police Regulations, 1987. Provisions are charged to the appropriate service revenue account in the year that the Authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account. Details of movements on provisions during the year appear as note 31 to the Balance Sheet.

## **14. Retirement Benefits**

Police officers and police staff are members of two separate pension schemes:

- The Police Pension scheme administered by the Force on behalf of the Authority – this is an unfunded defined benefit final salary scheme, meaning that there are no investment assets built up to meet the pensions liabilities and cash has to be generated to meet actual pensions payments as they eventually fall due.
- The Local Government Pensions Scheme administered by Tameside M.B.C. – this is a funded defined benefit final salary scheme, meaning that the Authority and police staff pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority

New arrangements applied to the Police Pension scheme from 1<sup>st</sup> April 2006.

- (i) The way that Police Pensions are paid and funded changed from 1<sup>st</sup> April 2006. The scheme remains unfunded but is no longer on a pay-as-you-go basis with pensions paid direct from the income and expenditure account. Instead both the employer and employees pay pensions contributions based on a percentage of pensionable pay into the new Pension Fund Account. Pensions are then paid out of the Fund Account. The amounts that must be paid into and out of the Pension Fund Account are specified by regulation. Any deficit on the fund is topped up by the Police Authority. Any surplus on the fund is paid to the Police Authority. The Police Authority receives Police Pension Fund top up grant from the Home Office to fund any deficit and pays any surplus to the

Home Office. There are now four elements to Police Pensions, which are accounted for in the Pension Fund Account.

- The 'old' police pensions scheme open only to police officers in service before 1<sup>st</sup> April 2006. The employer contribution rate is 24.6% and the employees 11%
- The 'new' police pensions scheme open to all officers who entered the service on or after 1<sup>st</sup> April 2006. The employer contribution rate is 24.6% and the employee 9.5%
- A limited number of new entrants after 1<sup>st</sup> April 2006 as above but the employee cannot take advantage of the ill-health retirement provisions of the scheme. The employer contribution rate is 24.6% and the employees 6%
- Recharge payments, which continue to be made to some pensioners following the re-organisation of local government in 1974.

Injury awards are not part of the Police Pensions Scheme and are funded direct from the Income and Expenditure Account, not from the new Pension Fund Account. However, FRS17 liabilities in respect of injury awards are disclosed in the Statement of Accounts as part of the Authority's overall liability.

- (ii) Police staff are members of the Local Government Pension Scheme, a funded defined benefit scheme, which is managed by Tameside M.B.C. The Authority paid an employer's contribution of 14.1% (14.1% in 2008) and the cost of inflation awards (Pensions Increase Act Payments) to pensioners of the Fund.

Under superannuation regulations contribution rates are required to meet 100% of overall liabilities. The contribution rate as determined by the fund's actuary on triennial actuarial valuations - the last completed review being on 31st March 2007 - ensures that the fund can meet its liabilities in full in respect of statutory benefits and inflation proofing of pensions.

- (iii) Financial Reporting Standard (FRS) 17, Retirement Benefits, published in November 2000, has been fully adopted by the Authority. Under the 2008 SORP the Authority has adopted the amendment to FRS 17, Retirement Benefits. As a result, quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value. Comparative figures have not been restated.
- (iv) From 2005 all employers are required to use a discount rate equal to the yield available on long dated high quality corporate bonds when making assumptions about future investment returns. This is 6.9% in 2008/2009 (6.9% in 2007/2008).

## **15. Insurance**

During 1992/93 the Authority's insurers, Municipal Mutual Insurance, ceased accepting new business. The Authority has a number of outstanding claims with MMI and arrangements are in place to try to ensure an orderly settlement of the sums due. Alternative insurance arrangements are now in place, currently split between premiums paid to commercial insurers and a revenue contribution to cover the balance of claims.

## **16. Reserves/Accounts**

The Authority's Balance Sheet includes revenue and capital reserves and accounts. Cash reserves are set aside for purposes falling outside the definition of provisions. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated back into

the General Fund Balance Statement so that there is no net charge against Precept for the expenditure. Details of movements during the year appear as notes to the Balance Sheet. The following five reserves are kept to manage the accounting processes for tangible fixed assets, retirement benefits and financial instruments and are not cash amounts:

- Capital Adjustment Account
- Financial Instruments Adjustment Account
- Revaluation Reserve
- Available-for-sale Financial Instruments Adjustment Account
- FRS 17 Reserve

Further details on the above are given in notes 33, 34, 35 and 42 to the Balance Sheet.

## **17. Redemption of debt**

The Authority is required to set aside from its revenue account each year a minimum amount to repay debt, known as the Minimum Revenue Provision (MRP). Interest and debt management expenses are charged to revenue. Amounts are also set aside from revenue to finance capital expenditure. In addition to MRP the Authority also repays each year debt transferred from the former Greater Manchester County (GMC), which is administered by Tameside MBC.

## **18. Private Finance Initiative (PFI)**

PFI contracts are agreements to receive services where the responsibility for making available the fixed assets needed to provide the services passes to the PFI contractor.

The Authority has entered into a 25 year PFI scheme to provide 17 new police facilities on 16 sites. The revenue commitment is shown in note 14 to the Income and Expenditure Account on page 53. As the assets created under the PFI scheme are to pass to the Authority at the end of the scheme at a nil cost, an amount equal to the fair value at the end of the contract is built up as a long-term debtor over the contract life by reducing the amount of the unitary payment charged to revenue in accordance with FRS 5.

Government grant received for the PFI scheme, in excess of current levels of expenditure, is carried forward as an earmarked reserve to part fund future contract expenditure.

## **19. Group accounts**

The Authority holds no shares in companies and has no significant interest in other bodies. Group accounts are therefore not required.

## **20. Stocks and Work in Progress**

Stocks and stores are included in the Balance Sheet at average price at 31<sup>st</sup> March. Previously the Authority has stated that the basis of valuation was the lower of cost or net realisable value. This was incorrect and for a number of years stocks have been valued at average price. Work in progress is subject to an interim valuation at the year-end and recorded in the Balance Sheet at the lower of cost or net realisable value.

## **21. Overheads and Support Services**

Other than the corporate and democratic core and non-distributed costs, overheads are fully recharged to the activities set out in the Police Services section of the Income and Expenditure Account.

## **22. Value Added Tax (VAT)**

VAT is debited to the revenue account only to the extent that it is irrecoverable.

## **23. Repurchase of borrowing**

Gains and losses on the repurchase or early settlement of borrowing are credited or debited to the Income and Expenditure Account in the year of repurchase/settlement.

## **24. Investments**

Investments are carried at cost. If the value of an investment falls below cost, the investment is written down to market value and a provision for the unrealised loss is made in the Income and Expenditure Account if this is unlikely to be a temporary fall.

## **25. Financial Liabilities**

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For all of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement. The Authority uses the new borrowing rate as the discount factor for all its Public Works Loan Board (PWLB) borrowings disclosures. The SORP also allows the premature repayment rate to be used.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure Account in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Income and Expenditure Account is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Income and Expenditure Account, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Income and Expenditure Account to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

## **26. Financial Assets**

Financial assets are classified into two types:

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

- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments

## **Loans and Receivables**

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For all of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account.

## **Available-for-sale Assets**

Available-for sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Income and Expenditure Account for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Income and Expenditure Account when it becomes receivable by the Authority.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis
- Equity shares with no quoted market prices – independent appraisal of company valuations

Changes in fair value are balanced by an entry in the Available-for-sale Reserve and the gain/loss is recognised in the Statement of Total Recognised Gains and Losses (STRGL). The exception is where impairment losses have been incurred – these are debited to the Income and Expenditure Account, along with any net gain/loss for the asset accumulated in the Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account, along with any accumulated gains/losses previously recognised in the Statement of Total Recognised Gains and Losses (STRGL).

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

## **STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

### **1. The Authority's Responsibilities**

The Authority is required: -

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

### **Approval of the Statement of Accounts**

In accordance with Regulation 10, paragraph 3(b) of the Accounts and Audit Regulations 2003 (as amended), I certify that the Statement of Accounts was approved by the Statement of Accounts Working Group at its meeting on 26<sup>th</sup> June 2009 and submitted for audit. The Working Group approved amendments to the Statement of Accounts on 18<sup>th</sup> September 2009.

**Councillor Paul Murphy**

Chairman of the Statement of Accounts  
Working Group and Chairman of the Police  
Authority

Dated: 26<sup>th</sup> June 2009

**Councillor David Lancaster**

Chairman of the Statement of Accounts  
Working Group and Chairman of the  
Audit and Inspection Committee

Revised: 18<sup>th</sup> September 2009

## **2. The Treasurer's Responsibilities**

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

In preparing the statement of accounts, the Treasurer has: -

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

The Treasurer has also: -

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

I certify that the Statement of Accounts presents fairly the financial position of the Greater Manchester Police Authority at 31<sup>st</sup> March 2009, and its income and expenditure for the year ended 31<sup>st</sup> March 2009.

**A. Westwood, C.P.F.A.**  
Treasurer to the Police Authority

Dated: 18<sup>th</sup> June 2009  
Revised: 9<sup>th</sup> September 2009

## **Joint Annual Governance Statement 2008/09**

### **1. Scope of Responsibilities**

1.1 Greater Manchester Police Authority's primary responsibilities are to secure an efficient and effective policing service for everyone in the Greater Manchester Police (GMP) area and to hold the Chief Constable to account for the exercise of his functions and those of persons under his control. In so doing it ensures that its business (which for this purpose includes the direct activity of the Authority itself as well as all the functions of GMP) is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively.

1.2 The Chief Constable of GMP is responsible for the direction and control of GMP and in discharging his function shall have regard to the local policing plan issued by the Authority. The Chief Constable is responsible for ensuring GMP's business is conducted in accordance with the law and proper standards and that public money is safeguarded.

1.3 In discharging their overall responsibilities, the Authority and Chief Constable are responsible for establishing and maintaining appropriate risk management processes, governance arrangements and ensuring that there is a sound system of internal control which facilitates the effective exercise of their functions.

1.4 This statement has been prepared for the 2008/09 financial year to state the Authority's and GMP's current governance arrangements, to report on their effectiveness during the year and to outline future actions planned to further enhance the arrangements.

### **2. The Purpose of the Governance Framework**

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

2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable and foreseeable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

2.3 The system of internal control is based on an ongoing process designed to identify the risks and to manage them effectively, efficiently and economically 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. The Authority aims to provide a reasonable assurance of the effectiveness of the control systems GMP employs on its behalf.

2.4 The detailed controls outlined below represent those in place at 31 March 2009 and up to the date of approval of the strategic plan and statement of accounts and, subject to comments at section 6 concerning areas for improvement, accord with proper practice.

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

3.1 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 GMP, 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 GMP has appropriate mechanisms in place for the maintenance of good governance, and that these operate in practice.

3.2 This statement is informed by assurances on the six principles of the Authority's code of corporate governance which is currently being revised and by audit and inspection opinions.

- Focusing on the purpose of the Authority, on the outcomes for the community and creating and implementing a vision for the local area.
- Engaging with local communities and other stakeholders to ensure robust public accountability.
- Having clear responsibilities and arrangements for accountability.
- Taking informed and transparent decisions that are subject to effective scrutiny and risk management.
- Good governance, conduct and behaviour.
- Developing the capacity and capability of Members and Officers to be effective.

### **3.3 Focusing on the Purpose of the Authority, on Outcomes for the Community and Creating and Implementing a Vision for the Local Area**

3.3.1 GMP's vision is to be the most effective Police Force in the UK and its mission is putting people first in everything we do, working with and for the people of Greater Manchester to make communities feel safe, and to be proud of delivering an excellent service, achievable through GMP Strategic Aims, as follows:

- The people of Greater Manchester are safer because of the effective citizen focused services we deliver to protect them; ranging from tackling anti-social behaviour through to serious and organised crime, and terrorism.
- The people of Greater Manchester feel safer as a result of our approach to partnerships and policing based on local neighbourhoods.
- Because they feel safe and are safer, people have greater aspiration for their local community and Greater Manchester. They will participate with us in policing and partnership work to further improve their communities.
- Officers, staff and volunteers in GMP feel well led, valued and are skilled and motivated to provide high quality services.
- Greater Manchester Police deliver effective, efficient and economical services.

3.3.2 GMPA as an Authority for Effective Policing aims to support the Chief Constable to deliver GMP's vision in a way that provides best value to people and sees GMP continuously improving its service provision.

3.3.3 The Police Authority is required to publish a three-year Local Policing Plan, which is refreshed annually and sets out its local policing priorities and the resourcing of those priorities. The Local Policing Plan is produced jointly with the GMP taking into consideration any objectives set by the Government, the views of the public and the plans of other relevant bodies, such as the Crime and Disorder Reduction Partnerships (CDRPs) and the Local Criminal Justice Board. The current published plan covers the period 2008 to 2011.

3.3.4 The feedback from community engagement and consultation activities is captured for the formalised planning process as well as providing local operational officers with more immediate information on local issues.

- 3.3.5 The application of the National Intelligence Model underpins the planning process as priorities are identified, monitored and, where appropriate, amended via the GMP's Control Strategy.
- 3.3.6 In determining its local policing plan, both the Authority and the GMP need to identify and take into account those issues and factors which will substantially affect its plans. Staff in the GMP's Corporate Development and Performance Branch regularly scan the environment to assist with the review and development of corporate strategies.
- 3.3.7 GMP has a number of key control strategies that cut across the key business areas of the organisation. These strategies, which include, HR, Training, Estates and ICT are approved and endorsed by the Police Authority. The Police Authority also publishes its strategic plan which is supported by section business plans. The strategic plan is based on the following four themes.

**Influencing and collaborating**

- Working together with partners to build safer and stronger communities in Greater Manchester

**Public leadership and governance**

- Delivering efficient, effective and excellent policing services

**Involving people**

- Improving public involvement in policing and community safety issues

**Resources, skills and abilities**

- Strengthening the capacity and capability of the Authority to meet future challenges

- 3.3.8 As part of the strategic planning process key strategies have been identified including, Good Governance, Communications, Involvement, Partnerships, IT and Learning and Development, and these are currently being developed

**3.4 Engaging with Local People and Other Stakeholders to Ensure Robust Public Accountability**

- 3.4.1 The Police Authority has a statutory duty to consult with the public in relation to policing issues. GMP also has a fundamental need to engage with local communities on policing issues.
- 3.4.2 The Authority and GMP achieve this through a variety of formal and informal mechanisms, such as: the use of surveys; commissioning specific research and consultative events; public interaction through public consultation and engagement activities and Police and Communities Together Meetings; the Authority's Strategic Independent Advisory Groups and GMPs IAG network: regular dialogue with partner agencies; and consultation with the Business Community.
- 3.4.3 The Authority has developed strategies for involvement and communication that are designed to ensure effective engagement with all sections of the community and stakeholders. These strategies also aim to promote visible awareness and create a positive, informed and recognisable profile for the Authority.
- 3.4.4 GMP's strategic change programme, 'Putting People First', incorporates improving public confidence as a key element of our citizen focus project, through engaging with local

people to develop solutions to the issues that undermine confidence and general feelings of insecurity. Dedicated Community Beat Managers are deployed as are all members of the extended police family including Special Constabulary, Police Community Support Officers, volunteers, other accredited organisations, Neighbourhood Watch and partner agencies.

3.4.5 In addition, GMP are developing a Joint Involvement Strategy, which contains details of the type of information we need to receive from the public in order to shape our services. GMP and the Police Authority are working with partners to populate this document and assist in reducing consultation duplication across the county.

### 3.5 **Having Clear Responsibilities and Arrangements for Accountability**

3.5.1 The Authority has clearly outlined who is responsible for the discharge of its responsibilities within its Constitutional and Procedural Standing Orders, Scheme of Delegation, Contractual Standing orders and Financial Regulations and has:

- Appointed a Chair and Vice-Chair of the Police Authority;
- A structure of Committees appointed to discharge its responsibilities and to hold the Chief Constable to account;
- Appointed Members to special interest roles;
- Provided Members with role descriptions
- Provided Officers with job descriptions clearly defining their roles;
- An agreed Scheme of Delegation to the Chief Executive, Treasurer, Chief Constable and Monitoring Officer. These management delegation arrangements are further devolved to named individuals within GMP.

3.5.2 The Authority has its relevant statutory officers in place:

#### Chief Executive

The Police Authority's Chief Executive acts under Section 16 of the Police Act 1996 and Proper Officer under section 270(3) of the Local Government Act 1972.

#### Monitoring Officer

The Authority has appointed a Monitoring Officer under section 5 of the Local Government and Housing Act 1989. The Monitoring Officer has a statutory duty to highlight any proposals, decisions or omissions by the Authority which constitute, have given rise to, or are likely to give rise to either a breach of the law, a breach of a statutory code, or which constitute maladministration or injustice.

#### Treasurer to the Police Authority/Assistant Chief Officer Resources

The Treasurer is the Authority's professional advisor on financial matters. The statutory responsibilities of the Treasurer to the Police Authority are set out in various Acts, including sections 112 and 114 of the Local Government Finance Act 1988.

3.5.3 In exercising this responsibility the Authority places reliance on the Chief Officer of GMP to support the governance and risk management processes. In 2008/09, the Authority has recruited a new Chief Constable, Deputy Chief Constable and two Assistant Chief Constables and an Assistant Chief Officer for People and Change. It should be noted that the Assistant Chief Officer for Resources is responsible to the Chief Constable for all

financial activities within GMP and is a key member of the Chief Officers' Force Leadership Team.

### **3.6 Taking informed and transparent decisions which are subject to effective scrutiny and risk management**

3.6.1 The Police Authority conducts its business based around a committee structure and a scheme of delegated powers. Within this framework the Authority has formal and informal mechanisms for the monitoring and scrutiny of the performance of GMP.

3.6.2 The Authority's governance arrangements ensure that:

- Key decisions taken by the Authority and its Committees are taken in public meetings.
- Information relating to those decisions is made available to the public (except where that information is exempt under the provision of Access to Information rules).
- Rules and procedures governing how decisions are made are in place.
- Appropriate legal, financial, human resources and other professional advice is considered as part of the decision making process.

3.6.3 The Force Strategic Management Board (FSMB) is the body that ultimately establishes priorities and considers the strategic issues facing GMP. The key purpose of the FSMB is to provide the strategic direction for GMP, determining the strategic priorities, targets and major programmes of work, and monitoring progress by exception.

3.6.4 The Strategic Assessment is utilised by GMP Strategic Tasking and Coordination Group, chaired by the Deputy Chief Constable, to assist in the setting of GMP Control Strategy. Priorities identified via the Strategic Assessment are fed into the process to determine priorities within the Annual Policing Plan.

3.6.5 Putting People First Change Programme is about improving performance by meeting the needs of our people and the communities we police. It includes four strategic change programmes with key areas of work that will drive forward sustained improvements in GMP's capability and capacity to meet the challenges of the future and deliver an even better service to the people of Greater Manchester Police. These programmes are:

- Citizen Focus - Understanding our communities' needs and changing what we do to build trust and confidence.
- Leadership & Excellent People – Ensuring our people feel valued, can lead the delivery of change and reach their potential.
- Local Policing – Improving the delivery of patrol, response, investigation and intelligence at a local level.
- Taking Control of Demand – Understanding the nature of demand on GMP and managing it to meet the needs of our communities.

3.6.6 GMP's Performance Improvement and Review Section within the Corporate Development and Performance Branch help to develop and provide guidance on planning in support of the Authority's and GMP objectives; to monitor, analyse and advise on performance; to identify good and bad performance; and to generate performance improvements through a balanced performance approach.

3.6.7 The Authority and GMP work to identify areas of risk, assess the likely impact and seek to eliminate or reduce the consequences of those risks. GMP has a risk management

framework to deal with strategic risks that focuses on risks to GMP in delivering and achieving its aims and policing priorities. The process ensures that risks feed into GMP strategic planning model and includes strategic risks being considered by the Command Team in their development of GMP strategic aims, corporate priorities and strategic change programmes.

3.6.8 Risk issues are highlighted to the Police Authority through committee reports, reports to Strategy and Resources Group, the regular liaison meetings with GMP and through the sharing of GMP's Strategic Assessment and GMPA's Strategic Risk Register.

### 3.7 **Good conduct and behaviour**

3.7.1 The Authority has a Code of Conduct for Police Authority Members, which includes the statutory provisions contained in the model code of conduct.

3.7.2 Police Officers, Police Staff and the Police Authority Officers are all subject to policies and procedures covering discipline, grievance, standards of conduct and professional behaviour.

3.7.3 The Complaints and Professional Standards Committee is established to oversee and scrutinize GMP's complaints process and operation of the Professional Standards Branch.

3.7.4 The Audit and Inspection Committee is established to oversee the operation, and implementation of recommendations, of the internal and external audit providers.

3.7.5 The Authority and GMP have agreed an anti-fraud and corruption policy and have whistle-blowing arrangements in place together with a formal protocol between the two parties on the reporting and investigation of irregularities. The Authority and GMP also participate in the Audit Commission's National Fraud Initiative.

3.7.6 GMP's Professional Standards Branch is responsible for recording and investigating complaints from members of the public, and also deals with allegations made by members of GMP itself. The Vetting Unit is also contained within this branch and ensures the integrity of people accepted to work within GMP, and the Authority where appropriate, is of the required standard.

3.7.7 The Professional Standards Branch uses the information gained from investigations to improve the service given to the public. Professional Standards officers work closely with Divisional and Branch Commanders in providing them with a range of information, including trend analysis, number and types of complaints recorded and the lessons learned from complaints, misconduct and civil claims enquiries. GMP strives to ensure consistency of outcome is achieved in relation to both Police Staff and Police Officer misconduct and complaint investigations, with the emphasis placed upon learning and development for both the individual and organisation.

3.7.8 Meetings are held between Internal Audit and GMP's Professional Standards Branch to ensure effective liaison on any irregularities/investigations/issues of misconduct.

3.7.9 All members of GMP are encouraged to tackle unacceptable behaviour by reporting wrongdoing directly to their supervisors, managers or by leaving details through a confidential reporting telephone line. GMP has procedures and initiatives in place, such as "Do The Right Thing" to encourage all staff to bring unprofessional conduct to the attention of an appropriate officer.

### **3.8 Developing the capacity and capability of members and officers to be effective**

- 3.8.1 GMP Annual Learning and Development Delivery Plan sets out GMP's people priorities in respect of service delivery and commitment to continuous improvement and is clearly linked to supporting GMP priorities. The Learning Governance Group reviews the overall content of the training plan and it is approved by GMP Strategic Management Board and the GMPA Human Resources Committee.
- 3.8.2 All Police Authority Members are given the opportunity, through an annual review process with the Chair, Vice Chair and Authority officers, to identify development opportunities and areas of business where they wish to concentrate. The Authority holds a North West Employers' Organisation Chartermark award for Member Development and has an Organisational Develop Group, which explores learning and development issues for the Authority.
- 3.8.3 The mandatory system of Performance Appraisals for all members of staff within GMP provides for the cascading of, and targeting of, priorities which appear within local divisional and branch plans. The Authority has a mandatory appraisal system and monthly one to ones with staff in order to set objectives and manage delivery.

### **3.9 Reliability of financial reporting and internal financial controls.**

- 3.9.1 Financial control involves the existence of a control structure, which ensures that all resources are used as efficiently and effectively as possible to attain the Authority's overall objectives and targets. Internal financial control systems are in place to minimise the risk of loss, unlawful expenditure or poor value for money, and to maximise the use of the Authority's assets and limited resources.
- 3.9.2 The Authority's and GMP's financial management framework follows national and/or professional best practice and its key elements are set out below:
- Financial Regulations establish the principles of financial control. They are designed to ensure that the Authority conducts its financial affairs in a way which complies with statutory provision and reflects best professional practice. Standing Orders set out the rules to be followed in respect of contracts for the supply of goods and services.
  - The Authority's Scheme of delegated financial management is designed to ensure that responsibility and accountability for resources rest with local financial managers who are responsible for service provision.
  - The Police Authority has adopted the CIPFA Code of Practice on Treasury Management requiring the Authority to approve an annual treasury management strategy including an annual investment strategy.
  - GMP's three year financial planning is conducted under the Strategic Financial Outlook (SFO). This 'affordability' exercise aims to determine the financial requirements over the medium term at a strategic level and is reviewed and revised every year.
  - The Strategic Financial Outlook includes full provision for inflation, known commitments and other expenditure items, which the Chief Constable has identified as necessary to deliver both national and local policing priorities.
  - The revenue budget provides an estimate of the annual income and expenditure requirements for the police service and sets out the financial implications of the Authority's policies. It provides Chief Officers with authority to incur expenditure and a basis on which to monitor the financial performance of the Authority.

- The Authority is required to set its budget and levy a Precept by the end of February prior to the start of the relevant financial year. The Authority has a three year agreement on precept increases with AGMA which ends in 2010/11.
- Capital expenditure is an important element in the development of the Authority's services since it represents major investment in new and improved assets. The Authority approves a capital programme each year.
- Efficiency targets were set by the Police Authority for the period 2008-11 of 9.3% of the 2007/08 Gross Revenue Expenditure. GMP are on plan for achieving this target.

#### **4. Review of Effectiveness**

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

- The system of internal audit
- The system of internal control.

4.2 The Audit and Inspection Committee reviews the effectiveness of the system of internal audit. Regular monitoring reports and an annual report are received from the Internal Auditors and the committee has also conducted reality checking visits as part of Audit Post Implementation Reviews and joint committee training with other police authorities. In conducting their tri-ennial review of the Internal Audit, the External Auditors stated that the work met all CIPFA standards and noted that the work was of a high standard.

4.3 The review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Authority and GMP who have responsibility for the development and maintenance of the internal control environment. A joint inspection, review and audit group has been established attended by GMP and Authority, Internal Auditors, HMIC and the Audit Commission. This group, chaired by the Deputy Chief Constable enables the collaboration and coordination of review and inspection by the sharing of information and liaison over the timing and content of reviews to reduce the bureaucratic and time burden on front line commanders.

4.4 GMP reviews the effectiveness of systems of internal control through internal and external audit and inspection reports, policy review, the work of the joint inspection, review and audit collaboration group, the National Intelligence Model and through robust arrangements for performance management and review throughout divisions and departments.

4.5 Audit and Inspection recommendations arising from all the audit and inspection activities below are reported to the appropriate Committees of the Authority and appropriate action is put in place to address recommendations arising from these reports.

#### **4.6 Her Majesty's Inspector of Constabulary (HMIC)**

4.6.1 The operations of the Police Authority and GMP are periodically inspected by Her Majesty's Inspector of Constabulary, most notably in the "baseline assessment" exercise (due to change to Rounded Assessments), which has praised GMP's approach to neighbourhood policing and investigating major crime in Greater Manchester.

#### **4.7 Internal Audit**

4.7.1 Internal audit is an assurance function that provides an independent and objective opinion to the organisation on the control environment by evaluating its effectiveness in achieving the organisation's objectives. It works to a code of practice and prepares a plan of activities that is submitted to Members for approval. It examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources.

4.7.2 Although the responsibility for maintaining and reviewing the systems of internal control rests with the Authority, it takes significant assurance from the work of internal audit. In fulfilling this responsibility each year it receives an Annual Report on the overall adequacy and effectiveness of the Authority's internal control environment, which provides any details of weaknesses particularly relevant to the preparation of the Annual Governance Statement. In 2008/09 the report concluded that systems of internal control were considered to be good.

#### **4.8 External Audit**

4.8.1 The external auditor's annual audit letter for 2007/08 reported that an unqualified opinion had been given on the Authority's accounts for the year and recorded that they had not identified any significant weaknesses in the overall control framework.

#### **4.9 Use of Resources Evaluation (UoR)**

4.9.1 As part of the statutory audit, the Audit Commission produces an annual Use of Resources Evaluation (UoR) for GMP and Authority. HMIC relies on this judgement and incorporates it into its inspection activity.

4.9.2 In relation to the assessment theme of financial standing, the Authority maintained its score in 2007/08, achieving a 4 grade of 'performing strongly'. The Authority achieved a 3 grade 'performing well' across the remaining four of the five assessment themes, these were: financial reporting, financial management, Value for Money and Internal Control. Each year the reviews become more stringent and these scores were consistent with those achieved in 2006/07, and demonstrated GMP and Authority have sustained a strong level of performance across all themes. The overall assessment for 2007/08, based on a scale of 1 to 4, was a 3 grade 'consistently above minimum requirements – performing well'.

### **5. Progress against each of the Authority's six principles of Good Governance In 2008/09**

5.1 As part of the review of effectiveness, progress has been evaluated against the Authority's six principles of Good Governance as follows:

#### **5.2 Focusing on the purpose of the authority, on the outcomes for the community and creating and implementing a vision for the local area**

5.2.1 The Authority receives and scrutinises a comprehensive report on GMP performance each quarter. This includes information on the quality of service received by customers. Separate in-depth reports on user satisfaction and public views are submitted regularly to the Citizen Focus and Communications Committee.

5.2.2 Monthly scrutiny meetings are held considering a variety of performance issues and each quarter Divisional performance scrutiny takes place. Officers of the Authority have access to the Home Office Performance Management system – iQuanta, and receive

copies of the detailed monthly performance bulletin produced by GMP. The Authority's Strategic Independent Advisory Groups also provide a sounding board for GMP quality of service issues.

5.2.3 The Authority's Strategic Plan has been reviewed during 2008/09 and the Executive Director conducted a series of interviews with business leads in order review progress and set priorities for 2009/10.

### 5.3 **Engaging with communities and other stakeholders to ensure robust public accountability**

5.3.1 GMP's Strategic Change Programme "Putting People First" incorporates improving public confidence as a key element of our Citizen Focus Project. In a recent HMIC Inspection, GMP were found to be "meeting the standards" required to develop citizen focussed policing.

5.3.2 GMP conducts neighbourhood surveys that incorporate questions on confidence, views on neighbourhood policing and local priorities. These are distributed to virtually one hundred thousand (100,000) households every quarter. Public satisfaction is assessed through over five thousand (5,000) user satisfaction surveys, views on our public service teams, enquiry counters and on public contacts with GMP through emergency and non-emergency calls.

5.3.3 The Police Authority and GMP regularly commission specific research including surveys, focus groups, face to face interviews and on-street surveys. In addition, specific consultative events have been undertaken (for example Neighbourhood Policing Teams are visiting homes in order to boost confidence as part of Operation Street A-Week.)

5.3.4 Some of the key means through which the Authority undertakes engagement with communities include the following:

- Annual events for young people such as two You Choose events.
- With GMP, the Authority makes use of consultation findings from the Greater Manchester Citizens' Panel (RSVP – Regularly Seeking Views on Policing) to help inform decision-making and shape future work. The Panel, which is made up of 3500 residents, is surveyed three times per year on key issues such as policing priorities, counter terrorism, anti-social behaviour, experience of crime and concern about crime etc.
- A major engagement project focusing on counter terrorism has been delivered. This multi-agency work has the support of the Association of Greater Manchester Authorities (AGMA) and involved a variety of engagement activities including a Greater Manchester wide conference, focus groups with various key community groups and the development of teaching/education materials.

5.3.5 In addition, the Authority has recruited members of the public to form three strategic Independent Advisory Groups (IAGs). These Groups have experience, knowledge and expertise in three different areas: -

- Lesbian, Gay, Bi-sexual and Trans (LGBT)
- Race
- Disability

5.3.6 GMP and Authority participate and engage in a wide range of both statutory and voluntary partnerships, which cross cut policing at all levels. In recognition of the significance of partnerships, two members of the GMP Chief Officer Team have responsibilities for Partnerships within their portfolios and the Authority has a Partnerships officer based within the Greater Manchester Against Crime (GMAC) unit.

#### **5.4 Having clear responsibilities and arrangements for accountability**

5.4.1 Whilst the Chief Executive is the Head of the Paid Service, the Executive Director is responsible for the day to day operation of the Authority's staff. In total there are 36 full time members of staff, together with other staff who provide a service through a Service Level Agreement with Salford City Council, covering the functions of Audit, Financial Services, Human Resources, Legal, Policy and Governance, Scrutiny and Engagement & Communications.

5.4.2 The Executive Director has conducted a range of interviews with budget /service heads in order to establish anticipated priorities and costs for 2009/10, linked to the Strategic Plan.

5.4.3 The Authority has appointed Lead Members and specific Member roles and responsibilities have been agreed with each individual Lead Member and this covers not just their role, responsibilities and work areas, but also the type and level of support which they can expect from staff.

5.4.4 To ensure GMP is truly citizen focused and provides a quality service, the "Putting People First" programme has been developed. Each Chief Officer has a number of strategic projects assigned to them for delivery as part of this initiative.

#### **5.5 Taking informed and transparent decisions that are subject to effective scrutiny and risk management**

5.5.1 The Authority's Audit and Inspection Committee and the full Authority have responsibility for the development and implementation of the Authority's and GMP's risk management processes. Members have had training on risk management and during 2009/10 they will have greater involvement with the identification and monitoring of Authority and GMP's risk.

5.5.2 The publishing of Authority agendas and minutes on the website ([www.gmpa.gov.uk](http://www.gmpa.gov.uk)) has made access to information regarding the Authority's decision making more accessible and publishing information in this way is also more efficient.

5.5.3 All reports submitted to public committees for decision are risk assessed. In addition a strategic risk register has been developed during 2008/09 which is being aligned to GMP's risk processes.

#### **5.6 Good conduct and behaviour**

5.6.1 The Code of Conduct which is currently being revised nationally guides Members' behaviour in the conduct of the Authority's business and promotes high standards of ethical behaviour. All Members have been interviewed individually about the Code to ensure that they are aware of it and understand the implications. In 2008/09, no Member of the Police Authority was found to have breached the Code of Conduct.

5.6.2 GMP Professional Standards Branch provides clear guidance on what GMP expects from all staff and in particular, those in a leadership position. It includes a consistent message around GMP's ambition and outlines values of honesty, integrity, fairness, politeness and openness. For GMP and Authority the development, communication and embedding of these standards for both Police Officers and Police Staff is part of the core business of this branch. The Professional Standards Branch is engaged in an ongoing programme across GMP to communicate these standards and provide input for training to ensure that "Professional Standards" runs, like a golden thread, through all training courses.

## 5.7 **Developing the capacity and capability of members and officers to be effective**

5.7.1 The Authority is working towards 'Investors in People' accreditation, which will include the development of a Staff Training Plan. A Staff Development Programme is being formulated and a Staff Development Group has been set up to progress this work.

5.7.2 The Authority operates an Induction Scheme for Members and staff and this has been enhanced with an E-Induction Module.

5.7.3 The Authority staffing review has been finalised and the structure completed. Members have received increased support, for example at a regional and national level, with the establishment of an Executive Services Co-ordinator, Members and staff have away days to assist with development, and the newly formed Organisational Development Group has met regularly to review the needs of staff and Members.

## 6. **Programme of Improvement for Governance Issues**

6.1 Best practice guidance recommends that arrangements should be put in place for the Audit Committee to meet informally with representatives of the Internal and External Auditors at least annually, and it is envisaged that this will take place in 2009/10.

6.2 The main priorities for future improvement of governance are as follows:

- The development and publication of the Authority's Good Governance Strategy and action plan, which will incorporate any issues identified within the body of the Annual Governance Statement.
- Strategic and operational risk development, including improving the alignment between GMPA and GMP in order to share information and deliver effective risk management.

**7. Assurance Summary**

7.1. No system of internal control can provide absolute assurance against material misstatement or loss; this statement is intended to provide reasonable assurance. However, on the basis of the review of the sources of assurance set out in this statement, we are satisfied that Greater Manchester Police Authority and Greater Manchester Police have in place satisfactory systems of internal control which facilitate the effective exercise of their functions.

**Signed**.....

Cllr Paul Murphy  
Chair of Greater Manchester Police Authority

Date.....

**Signed**.....

Barbara Spicer  
Chief Executive of Greater Manchester Police Authority

Date.....

**Signed**.....

Peter Fahy  
Chief Constable of Greater Manchester Police

Date.....

## THE CORE FINANCIAL STATEMENTS

### Income and Expenditure Account For the Year Ended 31<sup>st</sup> March 2009

#### Notes 1 to 14

This account summarises the resources that have been generated and consumed in providing services and managing the Authority and Force during the last financial year. It includes all day to day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year in accordance with UK GAAP. The substantial deficit reported below does not mean that expenditure must be reduced or a higher Precept charged. The Statement of Movement on General Fund Balance on the next page reconciles the deficit reported in accordance with UK GAAP with the movement on the General Fund Balance. The results below are derived wholly from continuing operations.

Net Expenditure 2007/08 £000		Gross Expenditure 2008/09 £000	Gross Income 2008/09 £000	Net Expenditure 2008/09 £000	Note
637,224	Police services	665,367	(36,612)	628,755	
0	National police services undertaken locally	0	0	0	
2,215	Corporate and democratic core	2,453	0	2,453	3
430	Non distributed costs	5,210	0	5,210	4
<b>639,869</b>	<b>Net cost of Police services</b>	<b>673,030</b>	<b>(36,612)</b>	<b>636,418</b>	
0	Net gain or loss on disposal of fixed assets			831	
0	Levies			0	
0	Surpluses/deficits on trading undertakings			0	
3,875	Interest payable and similar charges			4,118	
0	Investment losses			0	
(6,209)	Interest and investment income			(7,226)	
221,760	Pensions interest cost and expected return on pensions asset			244,600	
(21,457)	Home Office grant payable towards the cost of Retirement benefits			(31,196)	
<b>837,838</b>	<b>Net operating expenditure</b>			<b>847,545</b>	
(91,454)	Precepts			(99,314)	
(331,463)	General government grants			(344,038)	
(177,511)	NNDR			(186,880)	
<b>237,410</b>	<b>Deficit for the year</b>			<b>217,313</b>	

## Statement of Movement on the General Fund Balance 2008/09

### Notes 15 to 18

The Income and Expenditure Account discloses the deficit for the year in accordance with UK GAAP. However, the amount that can be credited or charged to the General Fund is not calculated in accordance with UK GAAP but is the amount that must be taken into account when determining the Authority's budget requirement and Precept in accordance with statute and non statutory proper practices. This Statement reconciles the differences between the two approaches. The increase or decrease in the General Fund Balance for the year illustrates the Authority's performance against the balanced budget and Precept it must set each year.

2007/08 £000		2008/09 £000	Note
237,410	Deficit for the year on the Income and Expenditure Account	217,313	15
(238,454)	Amounts required by statute and non statutory proper practices to be charged or credited to the General Fund in determining the movement on the General Fund Balance for the year	(218,107)	16
(1,044)	(Increase)/decrease in General Fund Balance for the year	(794)	
(11,054)	General Fund Balance brought forward	(12,098)	
(12,098)	General Fund Balance carried forward	(12,892)	

## Statement of Total Recognised Gains and Losses (STRGL) 2008/09

### Note 19

Some of the gains and losses experienced by the Authority calculated in accordance with UK GAAP are not shown in the Income and Expenditure Account. Examples are gains and losses on the revaluation of fixed assets and pension actuarial gains and losses. All gains and losses are reported in the STRGL and the statement balances to the movement on the Authority's net worth disclosed in its Balance Sheet.

2007/08 £000		2008/09 £000	Note
237,410	Deficit for the year on the Income and Expenditure Account	217,313	
(4,952)	Surplus arising on revaluation of fixed assets	(6,006)	19
(877,350)	Actuarial losses/(gains) on pension fund assets and liabilities	(417,440)	
(644,892)	Total recognised losses/(gains) for the year	(206,133)	

## The Balance Sheet

### Notes 20 to 44

This statement shows the overall financial position of the Greater Manchester Police Authority as at 31<sup>st</sup> March 2009.

At 31 March 2008		Description and Narrative	At 31 March 2009		Note
£000	£000		£000	£000	
1,639 (478)		<b>Intangible Assets</b> Less: Provision for depreciation	1,639 (789)		
	1,161			850	20
		<b>TANGIBLE FIXED ASSETS:</b>			
		<b>Operational Assets</b>			
100,318 (3,735)		Other land and buildings Less: Provision for depreciation	110,522 (3,151)		
	96,583			107,371	21
104,445 (66,114)		Vehicles, Plant and Equipment Less: Provision for depreciation	110,609 (60,370)		
	38,331			50,239	21
		<b>Non Operational Assets</b>			
28,464 (6)		Non operational assets Less: Provision for depreciation	28,590 (12)		
	28,458			28,578	22
	20,000	Long term investments		17,000	27
	3,649	Long term debtors		4,413	26
	188,182	<b>TOTAL LONG TERM ASSETS</b>		208,451	
		<b>CURRENT ASSETS:</b>			
1,362		Stocks	1,996		
30,271		Debtors and prepayments	32,159		26
76,370		Investments	58,560		27
559		Cash	639		
	108,562			93,354	
(1,251)		<b>CURRENT LIABILITIES:</b>			
		Borrowing repayable on demand or within 12 months	(25,225)		
(56,724)		Creditors	(55,286)		28
(274)		Bank Overdraft	(914)		
	(58,249)			(81,425)	
	238,495	<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		220,380	
(13,834)		Deferred liabilities	(13,133)		29
(67,418)		Borrowing repayable within a period in excess of 12 months	(53,401)		30
(3,513,182)		Liability relating to defined benefit pension schemes	(3,296,296)		42
(15,754)		Provisions - Insurance Liabilities	(18,422)		31
(2,117)		Provisions - Other	(1,822)		31
(48,815)		Capital grants deferred	(53,798)		32
	(3,661,120)			(3,436,872)	
	(3,422,625)	<b>TOTAL ASSETS LESS LIABILITIES</b>		(3,216,492)	

At 31 March 2008		Description and Narrative	At 31 March 2009		Note
£000	£000		£000	£000	
	41,764	Capital Adjustment Account		24,211	33
	0	Financial Instruments Adjustment Account		1,085	34
	1,813	Revaluation Reserve		6,448	35
	0	Available-for-sale Financial Instruments Reserve		0	
	(3,513,182)	FRS17 Pensions reserve		(3,296,296)	42
	11,484	PFI Reserve		12,182	36
	9,173	Capital Receipts Reserve		8,428	37
	14,225	Earmarked reserves		14,558	38
	12,098	Balances - Police General Fund		12,892	39
	(3,422,625)	<b>NET WORTH</b>		(3,216,492)	

There has been a presentation change to the items included in deferred liabilities. To enable a like for like comparison to be made the comparative figures at 31<sup>st</sup> March 2008 have been redrawn.

**A. Westwood, C.P.F.A.**  
Treasurer to the Police Authority  
Dated: 18 June 2009

Revised 9th September 2009

## The Cash Flow Statement

### Notes 45 to 49

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

31 March 2008			31 March 2009		Note
£000	£000		£000	£000	
		<b>REVENUE ACTIVITIES</b>			
		<b>Cash outflows</b>			
544,792		Cash paid to and on behalf of employees	581,663		
96,927		Other operating cash payments	113,536		
	641,719			695,199	
		<b>Cash inflows</b>			
(91,454)		Precept income	(99,314)		
(177,511)		Non-domestic rate receipts	(186,880)		
(29,790)		Revenue support grant	(26,015)		
(318,678)		Other government grants	(347,176)		49
(29,061)		Cash received for goods and services	(37,525)		
	(646,494)			(696,910)	
	(4,775)	<b><u>Net Cash outflow/(inflow) from Revenue Activities</u></b>		(1,711)	45
		<b>RETURNS ON INVESTMENT AND SERVICING OF FINANCE</b>			
		<b>Cash outflows</b>			
3,711		Interest paid	4,215		
		<b>Cash inflows</b>			
(5,213)		Interest received	(7,303)		
	(1,502)	<b><u>Net Cash Outflow/(inflow) from Servicing of Finance</u></b>		(3,088)	
		<b>CAPITAL ACTIVITIES</b>			
		<b>Cash outflows</b>			
35,817		Purchase of fixed assets	48,573		
		<b>Cash inflows</b>			
(3,509)		Sale of fixed assets	(1,555)		
(13,439)		Capital grants received	(11,574)		
	18,869	<b><u>Net Cash outflow/(inflow) from Capital Activities</u></b>		35,444	
	12,592	<b><u>Net Cash outflow/(inflow) before financing</u></b>		30,645	46

31 March 2008			31 March 2009		Note
£000	£000		£000	£000	
	(6,207)	<b>MANAGEMENT OF LIQUID RESOURCES</b> Net increase/(decrease) in short term deposits		(20,750)	47
		<b>FINANCING</b>			
		<b>Cash outflows</b>			
1,610		Repayments of amounts borrowed	49,265		
		<b>Cash inflows</b>			
(10,000)		New loans raised	(47,000)		
0		New short term loans	(11,600)		
	(8,390)	<b><u>Net Cash flow from Financing</u></b>		(9,335)	47
	(2,005)	(Increase)/decrease in cash		560	47

A change has been made to the disclosures within the capital and revenue sections of the Cash Flow Statement. To enable a like for like comparison to be made the comparators at 31<sup>st</sup> March 2008 have been redrawn.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Notes to the Income and Expenditure Account

#### 1. Best Value Accounting Code of Practice

From April 2007 Police Authorities were no longer Best Value authorities in respect of the production of Best Value reviews and performance plans. However, the Best Value Accounting Code of Practice (BVACOP) 2008 still applies. The previous set of mandatory divisions have been merged into one line for the Net Cost of Police Services. This change is pending the formulation of a new objective analysis.

#### 2. Overheads and Support Services

**The costs of overheads and support services are charged to the Net Cost of Police Services with the exception of the Corporate and Democratic Core and Non Distributed Costs.**

#### 3. Corporate and Democratic Core (CDC)

**The Corporate and Democratic Core comprises:**

- Members' allowances
- Officer advice and support to Members
- Subscriptions to local authority associations and provincial councils
- The Chief Executive
- Providing statutory information and returns
- Accounting for corporate resources
- External audits and inspections
- Treasury management and bank charges

#### 4. Non Distributed Costs (NDC)

Non distributed costs comprise:

2007/2008		2008/2009
£000		£000
130	Past service costs	4,110
300	Curtailment and settlement	1,100
430		5,210

Both these are pensions costs calculated in accordance with FRS17.

## 5. Employees' Emoluments

The number of employees whose remuneration, excluding pension contributions, was £50,000 or more in bands of £10,000 were: -

<u>2007/08</u>	<u>Remuneration Band</u>	<u>2008/09</u>
558	50,000 - 59,999	688
60	60,000 - 69,999	72
32	70,000 - 79,999	39
11	80,000 - 89,999	17
1	90,000 - 99,999	3
1	100,000 - 109,999	2
2	110,000 - 119,999	1
0	120,000 - 129,999	0
0	140,000 - 149,999	1
1	150,000 - 159,999	0
1	220,000 - 229,999	0
667	Total	823

## 6. Leases

### Finance and Operating Leases

The Authority acquired no assets under leasing agreements during 2008/2009 or 2007/2008.

### Property Leases Payable

The Authority occupies a number of leased properties. Rentals paid in 2008/2009 amounted to £1,372,000 (£943,000 in 2007/2008), with a further outstanding obligation for the year of £23,000 (£36,000 in 2007/2008). Property lease costs in 2009/10 will be £1,341,000. This commitment can be further analysed:

	£000
Lease expires in 1 year	166
Lease expires in 2 to 5 years	698
Lease expires in over 5 years	477
	1,341

### Property Leases Receivable

The Authority received £11,500 rental income in 2008/09 (£11,500 in 2007/08). This income relates to the siting of transmitting equipment and is subject to yearly agreement. No assets have been acquired or are held solely for leasing purposes.

## 7. Section 137 Expenditure

Section 137 of the Local Government Act 1972, as amended by section 36 of the Local Government and Housing Act 1989, empowers the Authority to incur expenditure within specified limits on activities or projects not specifically authorised by other powers. No Section 137 expenditure was incurred by the Authority in 2008/2009 or 2007/2008.

## 8. Publicity Expenditure

Section 5 of the Local Government Act 1986 requires the Authority to keep a separate account of its expenditure on publicity.

This legislation has been amended by The Local Authorities (Publicity Account) (Exemption) Order 1987 and the Authority has not incurred any expenditure subject to Section 5 of the Act in 2008/2009, with the exception of £497,000 recruitment advertising (£434,000 in 2007/2008).

## 9. Pension Costs (see also note 42 to the Balance Sheet)

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 the Authority is required to make against 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 in the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year:

	Police Pension Scheme		Local Government Pension Scheme	
	£000s		£000s	
	2008/09	2007/08	2008/09	2007/08
<b>Income and Expenditure Account</b>				
Net cost of services:				
• current service cost	114,540	148,330	10,100	15,400
• past service cost	410	30	3,700	100
• curtailment and settlement	0	0	1,100	300
Net Operating Expenditure:				
• interest cost	243,300	222,960	21,700	19,600
• expected return on scheme assets	0	0	(20,400)	(20,800)
Net Charge to the Income and Expenditure Accounts	358,250	371,320	16,200	14,600
<b>Statement of Movement on the General Fund Balance:</b>				
• reversal of net charges made for retirement benefits in accordance with FRS 17	(358,250)	(371,320)	(16,200)	(14,600)
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>				
• Employers' contributions payable to scheme	26,916	21,456	14,200	13,100
• Retirement benefits paid to pensioners	129,630	120,970	400	400
	156,546	142,426	14,600	13,500

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains and losses were included in the Statement of Total Recognised Gains and Losses (STRGL), as follows:

### Assets and liabilities in relation to retirement benefits

Reconciliation of present value of the scheme liabilities:

	Police Pension Scheme £000s		Local Government Pension Scheme £000s		Both Schemes £000s	
	2008/09	2007/08	2008/09	2007/08	2008/09	2007/08
<b>STRGL</b> Actuarial gains/losses	441,240	832,650	(23,800)	44,700	417,440	877,350

### Reconciliation of fair value of the scheme assets:

	Police Pension Scheme £000s		Local Government Pension Scheme £000s	
	2008/09	2007/08	2008/09	2007/08
1 April opening	0	0	289,600	294,900
Expected return on assets	0	0	20,400	20,800
Actuarial gains and losses	0	0	(71,300)	(37,100)
Employer contributions	0	0	14,200	13,100
Contributions by members	0	0	6,500	5,600
Contributions iro unfunded benefits	0	0	400	400
Unfunded benefits paid	0	0	(400)	(400)
Benefits paid	0	0	(7,200)	(7,700)
31 March closing	0	0	252,200	289,600

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

The actual return on scheme assets in the year was £49,900,000 (2007/08 £11,100,000).

## Reconciliation of present value of the scheme liabilities:

	Unfunded liabilities: Police Pension Scheme		Funded liabilities: Local Government Pension Scheme	
	£000s		£000s	
	2008/09	2007/08	2008/09	2007/08
1 April opening	3,495,482	4,098,169	307,300	356,200
Current service cost	85,240	120,350	10,100	15,400
Interest cost	243,300	222,960	21,700	19,600
Contributions by members	29,300	27,980	6,500	5,600
Actuarial losses/(gains)	(441,240)	(832,650)	(47,500)	(81,800)
Past service costs/(gains)	410	30	3,700	100
Losses/(gains) on curtailments	0	0	1,100	300
Estimated unfunded benefits paid	0	0	(400)	(400)
Estimated benefits paid	(128,100)	(119,900)	(7,200)	(7,700)
Contribution to Police Pension Fund Account	(31,196)	(21,457)	0	0
31 March closing	3,253,196	3,495,482	295,300	307,300

## Scheme History

	2008/09	2007/08	2006/07	2005/06	2004/05
Present value of liabilities:					
• Local Government Pension Scheme	(295,300)	(307,300)	(356,200)	(349,800)	(268,100)
• Police Pension Scheme	(3,253,196)	(3,495,482)	(4,098,169)	(4,205,060)	(3,365,990)
Fair value of assets in the Local Government Pension Scheme	252,200	289,600	294,900	264,800	207,100
Surplus/(deficit) in the scheme:					
• Local Government Pension Scheme	(43,100)	(17,700)	(61,300)	(85,000)	(61,000)
• Police Pension Scheme	(3,253,196)	(3,495,482)	(4,098,169)	(4,205,060)	(3,365,990)
Total	(3,296,296)	(3,513,182)	(4,159,469)	(4,290,060)	(3,426,990)

\* The Authority has elected not to restate fair value of scheme assets for 2008/09 and 2007/08 as permitted by FRS 17 (as revised).

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £3,296,296 has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance of £3,216,492.

However, statutory arrangements for funding the deficit means that the financial position of the authority remains healthy:

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

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2010 is £14.2m. Expected contributions for the Police Pension Scheme in the year to 31 March 2010 are £68.3m.

## 10. Related parties' transactions

During the year transactions with related parties arose as follows:

2007/2008			2008/2009	
Income	Expenditure		Income	Expenditure
£000	£000		£000	£000
2,297	2,494	Home Office	2,514	2,672
9,033	8,002	Manchester Airport	9,202	8,044
4,326		Other local authorities and government bodies	6,351	
323,131		Central Government - specific grants	349,220	
207,301		- general grants	212,895	
91,454		Greater Manchester District Councils' Precept	99,314	
	10,162	Forensic Science Service		8,908
	238	Cheshire Police Authority (underwater search)		262
	2,378	Salford MBC (service level agreement)		2,675
	1,669	Tameside MBC (ex-GMC debt)		1,643
	336	Automatic Fingerprint Recognition (AFR) consortium		441
637,542	25,279		679,496	24,645

The disclosure above has been amended to include Police Pension Fund grant. To enable a like for like comparison to be made prior year figures have been restated.

A questionnaire was issued to all the Authority's Members and Senior Officers. No material related party transactions were revealed in the returned questionnaires.

## 11. The Greater Manchester High Sheriff's Police Trust

The Greater Manchester High Sheriff's Police Trust is an independent Trust that awards grants to support crime reduction and community safety projects in Greater Manchester. In the year to March 2009, the Trust awarded grants totalling £86,015 (£94,885 in the year to March 2008).

Applications to the Trust are made, often for local activities carried out in conjunction with community groups and other organisations.

The following members of the Authority and Chief Officers of Greater Manchester Police served on the Board of Trustees during 2007/08:

Councillor Paul Murphy	Chairman of Greater Manchester Police Authority
Mr. Peter Fahy	Chief Constable of Greater Manchester Police
Mr. David Thompson	Assistant Chief Constable of Greater Manchester Police

## 12. Members' Allowances

The Authority has 19 members and two independent (lay) members (see page 7). Allowances paid to these members in the year amounted to £0.282m (£0.252m in 2007/2008). The scheme is made in accordance with the provisions of Section 107 of the Criminal Justice and Police Act, 2001.

## 13. External audit fees

The Authority has incurred the following fees relating to external audit and certification of grant claims carried out by the Audit Commission.

2007/2008		2008/2009
£000		£000
110	Fees payable with regard to external audit services carried out by the appointed auditor	103
0	Fees payable in respect of statutory inspection	0
0	Fees payable for the certification of grant claims	0
0	Fees payable in respect of other services provided by the appointed auditor	0
110		103

In addition to the above, statutory inspection of the Force is undertaken by Her Majesty's Inspectorate of Constabulary (HMIC). Their costs in respect of this work are not borne by the Authority.

## 14. Private Finance Initiative (PFI)

On 4<sup>th</sup> December 2002, the Authority entered into a £78m PFI scheme with Equion plc to provide 17 new police facilities on 16 sites. Payments to the contractor, the unitary charge, began with the opening of the first building and the commencement of the service on 30<sup>th</sup> November 2003. The last station opened on 9<sup>th</sup> October 2006. Payments made under the contract in 2008/09 totalled £13.183m (£12.956m in 2007/08). The contract will end in 2030.

Future liabilities under the contract will be:

	Unitary Charge	Grant applied	Net
	£000	£000	£000
2009/10	13,429	(4,703)	8,726
2010/11 to 2013/14	56,369	(19,743)	36,626
2014/15 to 2018/19	77,321	(27,082)	50,239
2019/20 to 2023/24	86,569	(30,321)	56,248
2024/25 to 2028/29	97,940	(34,303)	63,637
2029/30	21,169	(7,414)	13,755
	<u>352,797</u>	<u>(123,566)</u>	<u>229,231</u>

Part of these liabilities will be set aside each year in order to build up the estimated residual value of the facilities by the end of the contract in 2030.

### Notes to the Statement of Movement on the General Fund Balance

**15.** The deficit for the year on the Income and Expenditure Account is measured in accordance with UK GAAP. However, the amount that must be charged or credited to the General Fund is not in accordance with UK GAAP but is the amount that must be taken into account in determining the Authority's Budget Requirement and Precept in accordance with statute and non-statutory proper practice. The movement on the General Fund Balance is an important measure of the Authority's stewardship during the year.

**16.** The amounts required by statute and non-statutory proper practice to be charged or credited to the General Fund are as follows:

### Note of Reconciling Items for the Statement of Movement on the General Fund Balance

2007/08 £000		2008/09 £000
	<b>Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the movement on General Fund Balance for the year</b>	
(11,971)	Depreciation including amortisation of intangible assets	(12,237)
(11,021)	Impairment of fixed assets	(16,240)
3,957	GGD amortisation matching depreciation	5,759
0	Deferred charges	0
0	Discount on rescheduling adjustment	1,085
0	Net gain or loss on disposal of fixed assets	(831)
(385,920)	Net charges made for retirement benefits in accordance with FRS17	(374,450)
(404,955)		(396,914)
	<b>Amounts not included in the Income and Expenditure Account but required by statute to be included when determining the movement on the General Fund Balance for the year</b>	
2,124	MRP and transferred debt repayments	2,776
630	Capital expenditure charged in year to the General Fund Balance	1,104
21,456	Additional contribution to the Police Pension Fund to balance the deficit on that Fund	31,196
133,000	Employer's contributions payable to the Pensions Account	142,300
400	Retirement benefits payable direct to pensioners	400
157,610		177,776
	<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>	
0	Voluntary revenue provision for capital financing	0
8,891	Net transfer to or from earmarked reserves	1,031
8,891		1,031
(238,454)	<b>Net additional amount required to be credited to the General Fund Balance for the year</b>	(218,107)

17. The Authority is required to set aside a minimum revenue provision (MRP) for the redemption of external debt. For 2008/09 the amount is £2.128m (£1.530m in 2007/08). This calculation is in line with regulation under the Local Government Act, 2003 and equates to 4% of the opening capital financing requirement. MRP provision between years is therefore directly comparable. A more flexible MRP system based on statutory guidance has replaced the regulations.

The Authority is also charged with a share of the debt relating to the former Greater Manchester County Council (GMC), which is administered on behalf of the successor authorities by Tameside MBC. Principal repayments in 2008/09 were £0.648m (£0.594m in 2007/08).

In addition to MRP the Authority may also voluntarily set aside sums as a provision for credit liabilities. The amount set aside in 2008/2009 was nil (nil in 2007/2008).

18. MRP and transferred debt repayments can be summarised as: -

2007/08 £000		2008/09 £000
1,530	MRP	2,128
594	Transferred debt repayments	648
2,124		2,776

#### Note to the Statement of Total Recognised Gains and Losses (STRGL)

19. The surplus arising on revaluation of fixed assets is analysed as follows:

2007/08 £000		2008/09 £000
(3,004)	Excess/decrease of valuation over capital expenditure	(1,516)
1,561	Net disposals	(2,104)
0	Loss on disposal of fixed assets	(831)
(3,509)	Capital receipts in the year	(1,555)
(4,952)		(6,006)

#### Notes to the Balance Sheet

##### 20. Intangible Assets

Movements in intangible assets during 2008/09 are summarised below:

<b>Cost or valuation</b>	£000
At 1 April 2008	1,639
Additions	0
Donations	0
Disposals	0
Reclassifications	0
Revaluations	0
At 31 March 2009	1,639
<b>Depreciation and impairments</b>	
At 1 April 2008	(478)

Charge for 2008/09	(311)
Disposals	0
Reclassifications	0
Revaluations	0
At 31 March 2009	(789)
<b>Balance Sheet amount at 31 March 2009</b>	<b>850</b>
<b>Balance Sheet amount at 1 April 2008</b>	<b>1,161</b>
<b>Nature of asset holding</b>	
Owned	850
Finance Lease	0
PFI	0
	<b>850</b>

## 21. Operational Assets

Movements in operational fixed assets during 2008/2009 are summarised below: -

	Other Land and Buildings £000	Vehicles, Plant, etc £000	Total £000
<b>Cost or valuation</b>			
At 1 April 2008	100,318	104,445	204,763
Additions	24,558	25,957	50,515
Donations	0	0	0
Disposals	0	(17,098)	(17,098)
Reclassifications	(842)	0	(842)
Revaluations	(13,512)	(2,695)	(16,207)
At 31 March 2009	110,522	110,609	221,131
<b>Depreciation and impairments</b>			
At 1 April 2008	(3,735)	(66,114)	(69,849)
Charge for 2008/09	(1,168)	(10,751)	(11,919)
Disposals	0	12,016	12,016
Reclassifications	0	0	0
Revaluations	1,752	4,479	6,231
At 31 March 2009	(3,151)	(60,370)	(63,521)
<b>Balance Sheet amount at 31 March 2009</b>	<b>107,371</b>	<b>50,239</b>	<b>157,610</b>
<b>Balance Sheet amount at 1 April 2008</b>	<b>96,583</b>	<b>38,331</b>	<b>134,914</b>
<b>Nature of asset holding</b>			
Owned	107,371	50,239	157,610
Finance lease	0	0	0
PFI	0	0	0
	<b>107,371</b>	<b>50,239</b>	<b>157,610</b>

## 22. Non-operational Assets

Movements in non-operational fixed assets during 2008/2009 are summarised below:-

	Investment Properties £000	Assets under Construction £000	Surplus Assets £000	Total £000
<b>Cost or valuation</b>				
At 1 April 2008	8	27,806	650	28,464
Additions	0	0	1,354	1,354
Donations	0	0	0	0
Disposals	0	0	0	0
Reclassifications	0	(1,903)	843	(1,060)
Revaluations	(3)	0	(165)	(168)
At 31 March 2009	5	25,903	2,682	28,590
<b>Depreciation and impairments</b>				
At 1 April 2008	0	0	(6)	(6)
Charge for 2008/09	0	0	(6)	(6)
Disposals	0	0	0	0
Reclassifications	0	0	0	0
Revaluations	0	0	0	0
At 31 March 2009	0	0	(12)	(12)
<b>Balance Sheet amount at 31 March 2009</b>	5	25,903	2,670	28,578
<b>Balance Sheet amount at 1 April 2008</b>	8	27,806	644	28,458
<b>Nature of asset holding</b>				
Owned	5	25,903	2,670	28,578
Finance lease	0	0	0	0
PFI	0	0	0	0
	5	25,903	2,670	28,578

- Notes: (a) Fixed assets were initially valued at 1<sup>st</sup> April 1994 at the lower of net current replacement cost and net realisable value.  
Periodic revaluations took place on 1<sup>st</sup> April 2000 and 1<sup>st</sup> April 2004.
- (b) Fixed assets will be revalued every five years, or earlier if appropriate.
- (c) The Authority's Valuer is R. Wynne, M.R.I.C.S. (Urban Vision Ltd).
- (d) For land and building and non-operational assets the gross book value of assets is the certified valuation. Other assets are carried at cost.
- (e) The Authority's valuer has undertaken a sample review of a number of valuations to consider whether a wholesale revaluation of the property portfolio should have been undertaken in 2008/09 due to the economic downturn, and has concluded that this is not necessary.

## 23. Summary of Capital Expenditure and Sources of Finance

This note summarises capital expenditure incurred and financed by Greater Manchester Police Authority in 2008/2009 and illustrates the effect on the movement in the Capital Financing Requirement (CFR) during the year. The CFR is a Prudential Code Indicator and measures the underlying need to borrow for capital purposes.

Year Ended 31 March 2008	Description	Year Ended 31 March 2009
<b>£000</b>		<b>£000</b>
57,194	<b>Opening Capital financing requirement</b>	72,141
	<b>Capital Investment:</b>	
15,795	Operational assets	13,435
24,521	Non operational assets	33,926
40,316		47,361
0	Deferred charges	0
	<b>Sources of finance:</b>	
(6,801)	Capital Receipts	(2,300)
(14,269)	Government Grants and other contributions	(10,743)
(4,299)	Revenue provision (including MRP)	(3,880)
(25,369)		(16,923)
72,141	Closing Capital Financing Requirement	102,579
14,947	<b>Movement in year</b>	30,438
	Explanation of movement in year:	
3,744	Increase in underlying need to borrow (supported by government financial assistance)	7,435
13,327	Increase in underlying need to borrow (unsupported by government financial assistance)	25,779
(2,124)	Provision for debt repayment	(2,776)
14,947		30,438

**24. An analysis of major fixed assets is as follows: -**

31 March 2008		31 March 2009
1	Headquarters	1
5	Divisional Headquarters	6
12	Sub-Divisional Headquarters	12
28	Section Stations	28
22	Police Posts and Offices	23
3	Deployment Stations	3
8	Operational Support, Workshops, Training and Social	8
1	Central Detention Centre	1
6	Family Support Units	6
22	Radio Sites and Masts	22
1	Helicopter	1
1	Fixed wing	1
2,005	Vehicles	2,040
16	Houses	16

**25. Commitments under Capital Contracts**

At 31st March 2009 the Authority had approved a capital programme of £89.490m for 2009/2010. The major schemes within this total are: -

	Contractually Committed	Approved only
	£000	£000
Force Headquarters		29,000
Bury Divisional Headquarters	13,149	
North Manchester DHQ		8,000
Vehicles		3,263
Mobile data		1,727
	13,149	41,990

The Authority has resolved to finance £4.000m of the capital programme from useable capital receipts and £50.558m by borrowing not supported by an SCE(R) allocation in 2009/2010.

Initial work started on the Bury Divisional Headquarters scheme in 2006 and is due to be completed in 2009. Total expenditure over the whole period is budgeted to be £21.503m as follows: -

	£m
2006/07 to 2007/08	0.254
2008/09	8.100
2009/10	12.850
2010/11	0.299
	<u>21.503</u>

## 26. Debtors and Prepayments

Year Ended 31 March 2008		Year Ended 31 March 2009
<b>£000</b>	<b>Amounts falling due in one year:-</b>	<b>£000</b>
5,389	Debtors - Government Grants	5,385 *
9,676	Police Pension Fund	10,894 *
1,563	Customs and Excise	5,579
1,489	Manchester Airport	604 *
282	Home Office	298 *
5,330	Other Local Authorities and Government Departments	4,439 †
6,999	Other Debtors	3,393 †
<hr/> 30,728		<hr/> 30,592
(726)	Less: Provision for Bad Debts	(312)
<hr/> 30,002		<hr/> 30,280
269	Add: Prepayments	1,879
<hr/> 30,271		<hr/> 32,159
	<b>Amounts falling due after one year: -</b>	
2,226	Debtors – PFI residual	2,968
1,423	Car loans	1,445
<hr/> 3,649		<hr/> 4,413
<hr/> 33,920		<hr/> 32,292

- The amounts due from debtors marked \* are transactions with related parties.
- The amounts due from debtors marked † include transactions with related parties as follows: -

Year ended 31 March 2008		Year ended 31 March 2009
<b>£000</b>		<b>£000</b>
75	Salford MBC	54
53	Forensic Science Service	0

See note 10 to the Income and Expenditure Account on page 52.

## 27. Investments

The Authority invests its surplus balances in external investments in order to generate income by earning interest on these investments. The balance sheet shows these investments at original cost plus interest accrued to 31<sup>st</sup> March 2009.

Long term investments are defined as 365 days or more, short term investments do not exceed 364 days.

## 28. Creditors

Year Ended 31 March 2008		Year Ended 31 March 2009
£000		£000
(10,443)	Inland Revenue	10,838
(2,521)	Other Local Authorities and Government Depts. *	2,270
(7,544)	Police Officers/Civilian Pay and Overtime	8,525
(8,121)	Capital	6,909
(9,870)	Prepaid Income	6,481
(2,733)	Seized money	2,788
(15,492)	Sundry Creditors *	17,475
<u>(56,724)</u>		<u>55,286</u>

The amounts due to creditors marked \* include transactions with related parties as follows: -

Year Ended 31 March 2008		Year Ended 31 March 2009
£000		£000
(2,468)	Forensic Science Service	2,849
(788)	Salford City Council	166
(133)	Home Office	1,053
(23)	Manchester Airport	87
(235)	Under Water Search Unit	260
<u>(3,647)</u>		<u>4,415</u>

## 29. Deferred Liabilities

The deferred liability relates to long term principal outstanding in respect of pre 1986 debt managed by Tameside MBC.

## 30. Long Term Borrowing

Year Ended 31 March 2008		Year Ended 31 March 2009
£000		£000
67,418	<b>Source of loan</b>	
<u>67,418</u>	Public Works Loan Board	53,401
	<b>Range of Interest Rates Payable %</b>	<u>53,401</u>
	0.910% to 9.375%	
	<b>Maturity Periods</b>	
	The above borrowings are repayable as follows: -	
17	Maturing in 1 - 2 years	5,017
50	Maturing in 2 - 5 years	8,050
675	Maturing in 5 - 10 years	658
66,676	Maturing in more than 10 years	39,676
<u>67,418</u>		<u>53,401</u>

Long term borrowing is repayable beyond the next financial year. Borrowing repayable within one year is included in the current liabilities section of the Balance Sheet. Pre 1986 debt

managed by Tameside MBC is now disclosed as a deferred liability. To enable a like for like comparison to be made the comparative figures for the year ended 31<sup>st</sup> March 2008 have been redrawn.

### 31. Provisions

Year Ended 31 March 2008		Year Ended 31 March 2009
£000		£000
(13,675)	<b>Insurance Liabilities</b>	(15,754)
(19)	Balance at 1 April b/f	(155)
(4,566)	Add: Receipts in Year	(6,256)
2,506	Increase in provision	3,743
<u>(15,754)</u>	Less: Payments in Year	<u>(18,422)</u>
	Balance at 31 March c/f	
(2,352)	<b>Compensatory grant</b>	(2,117)
(2,117)	Balance at 1 April b/f	(1,822)
2,352	Add: Receipts in year	2,117
<u>(2,117)</u>	Less: Payments in Year	<u>(1,822)</u>
	Balance at 31 March c/f	

Each year the Authority's actuary carries out a valuation of the funding requirement as at 31<sup>st</sup> March, and the balance on the insurance provision is adjusted accordingly. Further details on provisions can be found in the Statement of Accounting Policies on page 21.

### 32. Capital Grants Deferred Account

Capital grants are initially credited to this account. Grant received in respect of assets being depreciated is released to the Income and Expenditure Account to match depreciation charged.

Year Ended 31 March 2008		Year Ended 31 March 2009
£000		£000
(38,503)	Balance at 1 April b/f	(48,815)
(14,269)	Grants received in year	(10,742)
3,957	Released to Income and Expenditure Account in year	5,759
0	Transferred to Capital Financing Account	0
<u>(48,815)</u>		<u>(53,798)</u>

### 33. Capital Adjustment Account

The closing balance on the Capital Adjustment Account at 31<sup>st</sup> March 2009 represents timing differences between the amount of historical cost fixed assets that have been consumed and the amount that has been financed in accordance with statutory requirements since 1<sup>st</sup> April 2007, plus revaluation gains accumulated up to 31<sup>st</sup> March 2007. The effect of the revaluation gains accumulated up to 31<sup>st</sup> March 2007 will reduce over time as assets held at that date are disposed of.

The presentation below has been enhanced. To enable a like for like comparison to be made the comparative figures at 31<sup>st</sup> March 2008 have been redrawn.

Year Ended 31 March 2008		Year Ended 31 March 2009
£000		£000
50,070	Opening balance 1 April	41,764
(11,971)	Depreciation in year	(12,236)
631	Revaluation depreciation	3,825
0	Loss on disposal of fixed assets	831
2,548	Impact of current value on historic cost	1,313
(11,021)	Impairment	(16,240)
(7,815)	Disposals	(19,001)
4,265	Disposals depreciation	12,016
6,801	Capital receipts applied	2,300
2,175	Revenue contributions	1,104
3,957	Grants released	5,759
2,124	MRP for capital financing	2,776
<u>41,764</u>	Closing balance 31 March	<u>24,211</u>

### 34. Financial Instruments Adjustment Account

The amount in this account represents the discount on rescheduling adjustment.

### 35. Revaluation Reserve

The Revaluation Reserve was created on 1<sup>st</sup> April 2007 and therefore shows revaluation gains accumulated since that date only. The reserve records accumulated gains on fixed assets arising from increases in value as a result of inflation or other factors that have not been consumed by subsequent downward revaluations. The reserve also records depreciation charges associated with the movements described above. The overall balance on the reserve represents the amount by which the current value of fixed assets in the balance sheet is greater because they are carried at revalued amounts rather than depreciated historical cost. The balance on the reserve does not represent a resource available to support capital financing.

The presentation below has been enhanced. To enable a like for like comparison to be made the comparative figures at 31 March 2008 have been redrawn.

Year Ended 31 March 2008		Year Ended 31 March 2009
£000		£000
0	Balance at 1 April b/f	1,813
455	Revaluation gains	2,230
1,358	Depreciation on revaluation gains	2,405
<u>1,813</u>	Balance at 31 March c/f	<u>6,448</u>

### 36. PFI Reserve

Year Ended 31 March 2008		Year Ended 31 March 2009
£000		£000
10,769	Balance at 1 April b/f	11,484
<u>715</u>	Receipts from revenue account	<u>698</u>
11,484	Balance at 31 March c/f	12,182

### 37. Usable Capital Receipts Reserve

These are capital receipts which may be used to finance capital expenditure or repay debt. Figures at March 2008 have been redrawn to separately disclose the receipt from the sale of the helicopter.

Year Ended 31 March 2008		Year Ended 31 March 2009
£000		£000
12,465	Balance at 1 April b/f	9,173
3,509	Received during year	1,555
<u>(6,801)</u>	Less: Application of Receipts:	<u>(2,300)</u>
9,173	Capital Equipment and Building Works	8,428
	Balance at 31 March c/f	
	Source of receipts	
75	Sale of vehicles plant & equipment	0
933	Sale of houses	0
2,356	Sale of land and buildings	250
<u>145</u>	Sale of helicopter	<u>1,305</u>
3,509		1,555

### 38. Earmarked Reserves

Year Ended 31 March 2008		Year Ended 31 March 2009
£000		£000
7,594	Balance at 1 April b/f	14,225
(4,249)	Applied in year	(5,606)
(505)	Returned to General Fund via I&E	(1,096)
<u>11,385</u>	Receipts in year from Revenue Account	<u>7,035</u>
14,225	Balance at 31 March c/f	14,558
0	Strategic Change Programme	3,094
500	Bank Holiday	1,800
1,625	Uniform/equipment replacement	1,867
6,408	DFM carry forwards	1,190
2,255	Police pay award 2007	0
0	Quest	850
0	Modernise uniform/officer developments	1,357
1,211	Capital expenditure	1,432
<u>2,226</u>	PFI residual	<u>2,968</u>
14,225		14,558

Earmarked reserves are those set aside for specific policy purposes. The larger reserves are identified above by name.

### 39. Police General Fund Balance

Year Ended 31 March 2008		Year Ended 31 March 2009
£000		£000
11,054	Balance at 1 April b/f	12,098
1,044	Revenue Account Surplus/(Deficit)	794
<u>12,098</u>	Balance at 31 March c/f	<u>12,892</u>

The General Fund balance is not committed for any specific purpose.

### 40. Contingent liabilities - Municipal Mutual Insurance (MMI)

On the 30th September 1992, the Authority's insurer, MMI Limited, announced that it had ceased taking new business or issuing renewals and had placed a moratorium on claims payments. On the 6th October 1992, MMI resumed the full payment of claims. However, no new business was neither accepted nor existing policies renewed.

As at 31st March 2009, MMI estimated that 1 claim was still outstanding valued at approximately £0.008m. The extent to which any claims will not be settled in full cannot currently be assessed and, therefore, no provision has been made for these potential liabilities in the balance sheet.

In addition the Scheme of Arrangement provides that the liquidators may "claw back" up to 100% of claim payments made after April 1992, should there be insufficient funds to meet future claims. As at 31st March 2009, based on latest available information, the Authority's share of the total amount subject to the claw back provision was £0.227m. The Authority has set its provision against this potential liability at this amount, to be reviewed annually.

### 41. Contingent liability - Independent Insurance

On 15<sup>th</sup> June 2001 Independent Insurance ceased writing new business or renewing expiring policies. The company provided employer's and public/third party liability cover to the Police Authority from 1993/94 to 1999/2000. The company is expected to provide indemnity for insured claims made arising from incidents occurring in these years above the self insured levels of £3m for 1993/94 to 1997/98 and £2.5m for the years 1998/99 and 1999/2000. At 31<sup>st</sup> March 2009 there were no currently notified claims outstanding for the period during which Independent Insurance provided cover to the Police Authority.

### 42. Accounting for Retirement Benefits Under FRS 17

The objectives of FRS17 are to ensure that:

- (i) financial statements reflect at fair value the assets and liabilities arising from an employer's retirement benefit obligations and any related funding
- (ii) the costs of providing retirement benefits are recognised in the accounting period(s) in which the benefits are earned by the members of the scheme, and related finance costs

and changes in asset and liability values are recognised in the accounting periods in which they arise; and

- (iii) the financial statements contain adequate disclosure of the cost of providing retirement benefits and related gains, losses, assets and liabilities.

## **Pension Schemes**

### **Police Pension Scheme**

Police officers may join the Police Pension Scheme, a defined benefit statutory scheme administered by Greater Manchester Police Authority in accordance with the Police Pensions Regulations 1987 and the Police Pensions Act 1976, as amended. There are no assets held to offset against liabilities. Employer and employee contributions, based on a percentage of pensionable pay, are paid into the Police Pension Fund Account, see page 73.

The FRS17 disclosures include liabilities in respect of injury awards.

The Government Actuary's Department (GAD) prepared the FRS17 disclosures using the following data, which excludes additional employer contributions to the Police Pension Fund Account:

- Actual pay and pensions increases
- Numbers of serving officers, deferred pensioners and pensioners at 31.3.09
- Employee contributions up to 31.3.09
- Benefit expenditure up to 31.3.09
- Expenditure recharged to the Authority from Cheshire, Lancashire and West Yorkshire Police Authorities in respect of pension increases from service accrued before 1974
- Retirements on unreduced pensions during 2008/09 not anticipated in the normal employer service cost (e.g. injury retirements)

### **Local Government Pension Scheme**

Police staff may join the Greater Manchester Pension Fund, part of the Local Government Pension Scheme, a defined benefit statutory scheme administered by Tameside MBC in accordance with the Local Government Police Pension Scheme Regulations 1997, as amended. Scheme members contributions of between 5.5% and 7.5% and Authority contributions of 14.1% are paid into the fund. The Authority also meets the cost of inflation awards to pensioners of the Fund. In preparing the FRS17 disclosures the following data was used:

- individual membership data
- individual pensioner data in respect of unfunded pensions
- the latest numbers of employees, deferred pensioners and pensioners
- employer and employee contributions up to the latest available date
- the actual split of fund assets as at the latest available date
- actual fund returns to the latest available date
- the bid value of fund assets as at the latest available date
- any new early retirements from 1<sup>st</sup> April 2008 to the latest available date on unreduced pensions not anticipated in the normal employer service cost
- allowance for the abolition of the "Rule of 85" for new entrants from 1<sup>st</sup> October 2006 to 31<sup>st</sup> March 2007 has been made

## Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Police Scheme and the Local Government Fund liabilities have been assessed by the Government Actuary's Department (GAD) and Hymans Robertson LLP respectively, estimates for the Local Government Fund being based on the latest full valuation of the scheme as at 1 April 2007.

The principal assumptions used by the actuary have been:

	Police Pension Scheme £000s		Local Government Pension Scheme £000s	
	31 March 2009	31 March 2008	31 March 2009	31 March 2008
Long term expected rate of return on assets in the scheme:				
Equity investments	0	0	7.0%	7.7%
Bonds	0	0	5.4%	5.7%
Property	0	0	4.9%	5.7%
Cash	0	0	4.0%	4.8%
Mortality assumptions:				
Longevity at 65 for current pensioners				
Men	23.4 yrs		19.6 yrs	
Women	26.6 yrs		22.5 yrs	
Longevity at 65 for future pensioners				
Men	25.6 yrs		20.7 yrs	
Women	28.6 yrs		23.6 yrs	
Rate of inflation	3.0%	3.7%	3.1%	3.6%
Rate of increase in salaries	4.5%	5.2%	2.6%	5.1%
Rate of increase in pensions	3.0%	3.7%	3.1%	3.6%
Rate for discounting scheme liabilities	6.9%	6.9%	6.9%	6.9%
Take-up of option to convert annual pension into retirement lump sum	N/a	N/a	50%	50%

The Police Pension Scheme has no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	31 March 2009	31 March 2008
Equity investments	67%	63%
Bonds	16%	19%
Property	7%	9%
Cash	10%	10%

### History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2008/09 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2009.

		31 March 2009	31 March 2008	31 March 2007	31 March 2006	31 March 2005
		%	%	%	%	%
Difference between the expected and actual return on assets	Police	0	0	0	0	0
	Local	(6.9)	(11.0)	0.6	12.6	4.5
	Govt					
Experience gains and losses on liabilities	Police	(0.8)	(2.9)	(1.6)	0.6	1.1
	Local	(0.03)	0.6	0.2	(1.6)	7.6
	Govt					

Readers of the accounts should be aware that the figures in the Core Financial Statement and notes have been prepared for the purposes of FRS17 only and have no validity in other circumstances. In particular, they are not relevant for calculations undertaken for funding purposes, for accounting under international accounting standards and for other statutory purposes under UK pensions legislation.

**43.** The Statement of Accounts was authorised for issue on 18<sup>th</sup> June 2009 by Alan Westwood, CPFA, Treasurer to the Police Authority. This is the date up to which events after the balance sheet date have been considered.

### **44. Financial assets and financial liabilities**

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories and classifications of financial instruments:

Long term £m	Current £m	31 March 2008 £m		Long term £m	Current £m	31 March 2009 £m
			<b>Financial assets (loans and receivables)</b>			
20.000	76.393	96.393	Investments	17.000	58.560	75.560
3.649	30.721	34.370	Debtors and prepayments	4.413	32.159	36.572
			<b>Financial liabilities (amortised cost)</b>			
67.417	0.602	68.019	PWLB borrowing	53.401	24.526	77.927
0	56.724	56.724	Creditors	0	55.286	55.286

### Fair value – financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arms length transaction with no other motive than to secure a fair price. Fair values are determined by calculating the Net Present Value (NPV) of future cash flows, which provides an estimate of the value of payments in the future in today's terms. The rates used in the NPV calculations in respect of assets were wholly market rates on 31<sup>st</sup> March 2009 for instruments with the same duration, structure and terms. The rates used in respect of liabilities were the PWLB rates applying to new loans at 31<sup>st</sup> March 2009. The table below shows the fair value of assets and liabilities disclosed in the balance sheet at 31<sup>st</sup> March 2009.

Balance sheet disclosure £m	Fair value disclosure at 31 March 2008 £m		Balance sheet disclosure £m	Fair value disclosure at 31 March 2009 £m
		<b>Financial assets</b>		
13.463	13.270	Callable deposits	5.187	5.352
19.330	19.250	Cash	6.900	6.900
61.576	61.608	Fixed term deposits	58.297	59.144
2.024	1.994	Other structured deposit	5.180	5.187
96.393	96.122		75.564	76.583
		<b>Financial liabilities</b>		
67.861	67.731	PWLB Maturity loans	77.785	78.339
0.158	0.194	PWLB EIP loans	0.142	0.183
68.019	67.925		77.927	78.522

The differences between carrying and fair value amounts are not material. No gains or losses have been recognised in the year.

### Risks arising from financial instruments

#### Credit risk

This is the possibility that one party to a financial instrument will fail to meet their contractual obligations, causing a loss for the other party. This may happen if debtors default or investments are not repaid.

In respect of debtors action is taken when payments become overdue which may lead to legal action to recover the debt. At 31<sup>st</sup> March 2009 £2.8m trade debtors had been outstanding for 30 days or more. The Authority provides for bad debts each year based on historical evidence updated to reflect current conditions. The provision made during 2008/09 was £0.323m.

Risk relating to investments is managed in accordance with the Authority's Treasury Management Strategy Document, produced in accordance with the CIPFA Code of Practice for Treasury Management in the Public Services, which the Authority adopted in March 2002. This document is contained within the Budget report which is available on the Authority's website. Treasury Management indicators are set to control key financial instrument risks in accordance with CIPFA's Prudential Code. Counterparty lists are reviewed and updated as credit ratings change. Historically, the Authority has suffered no losses where principal sums and the agreed interest due have not been repaid. The Authority has never invested in Icelandic banks.

### **Economic climate**

The loss of confidence arising from the banking sector problems and the attendant limited availability of credit have had a depressing effect on business nationally and internationally. However the problems arising directly for the Police Authority are not necessarily the same as those faced by other organisations. Funding streams are mainly from Central and Local Government and are guaranteed in the short term. Longer-term prospects are another matter and the Authority has been affected by the depressed property market, low interest rates on deposits and robust long term borrowing rates.

### **Liquidity Risk**

This is the possibility that a party will be unable to raise funds to meet its commitments associated with financial instruments. This may happen if the Authority is unable to pay its creditors or loan repayments as they fall due. This risk is managed by cash flow projections including a maturity analysis in respect of borrowing, (see note 30 to the Core Financial Statements). The Authority has access to an uncommitted overdraft facility if necessary. The Authority has historically never been in a position where it cannot meet its commitments and borrows short term infrequently.

### **Market risk**

This is the possibility that the value of an instrument will fluctuate because of changes in interest rates, market prices or foreign currency exchange rates.

The Authority has no material exposure to this type of risk.

## Notes to Cash Flow Statement

### 45. Reconciliation of net surplus (deficit) on the income and expenditure account to the revenue activities net cash flow in the statement

Year Ended 31 March 2008	Description	Year Ended 31 March 2009
£000		£000
237,410	(Surplus)/Deficit for the year	217,313
	<u>Non-cash transactions</u>	
(11,971)	Depreciation including Amortisation of Intangible Fixed Assets	(12,236)
(11,021)	Impairment of Fixed Assets	(16,240)
3,957	Government Grants Deferred Amortisation	5,759
(231,063)	Pensions	(200,554)
0	Net loss on sale of fixed assets	(831)
(1,844)	Contribution to Provisions	(2,373)
	<u>Items on an Accruals Basis</u>	
529	Less/(add) incr/(dec) in stocks	634
11,851	Less/(add) incr/(dec) in debtors	3405
(3,294)	Less/(add) incr/(dec) in creditors	324
	<u>Other items</u>	
(3,711)	Interest paid	(4,215)
5,213	Interest received	7,303
<u>(3,944)</u>		<u>(1,711)</u>

### 46. Reconciliation of net cash flow to movement in net debt

	Year Ended 31 March 2009
	£000
(Increase)/Decrease in Cash	560
Increase/(Decrease) in Debt	9,335
(Increase)/Decrease in Liquid Resources	20,750
Change in Net Debt	<u>30,645</u>
Net Debt 31 March 2007	12,621
Net Debt 31 March 2008	(18,024)
	<u>30,645</u>

**47. Reconciliation of items under the financing and management of liquid resources to the opening and closing balance sheets**

	31 March 2008	Cash Flow	31 March 2009
	£000	£000	£000
<u>Cash</u>			
Imprest cash balance	559	80	639
Cash overdrawn at bank	(274)	(640)	(914)
	285	(560)	(275)
<u>Financing</u>			
Debt due within one year	(662)	(24,055)	(24,717)
Debt due after one year	(81,252)	14,720	(66,532)
	(81,914)	(9,335)	(91,249)
<u>Liquid Resources</u>			
Investments	94,250	(20,750)	73,500
	12,621	(30,645)	(18,024)

**48.** Liquid resources are specified and non specified investments as set out in the Authority's investment strategy. Specified investments will be sterling denominated, have a maturity of less than one year, and made with a body having a high credit rating (as defined within the strategy).

Non-specified investments are in most cases for periods in excess of one year, and are also made with a body having a high credit rating (as defined within the strategy).

Non specified investments also include structured deposits, Gilts, Treasury Bills and Certificates of Deposit.

**49. Analysis of Government Grants**

Year Ended 31 March 2008	Description	Year Ended 31 March 2009
£000		£000
590	Loan Charges Grant	656
225,374	Specific Police Grant	232,718
9,638	CT Hub	17,645
0	CT Prevent	648
14,147	Other Government Grants	9,735
5	Crime reduction programme	0
3,607	Security	3,458
17,208	Crime fighting fund	17,208
6,574	Rule 2 Grants	7,803
11,538	Community support officers	18,039
3,647	Basic command units	2,888
5,315	Private finance initiative	5,315
1,837	Asset incentivisation	1,085
1,440	IPLDP	0
17,758	Police Pension Fund top up grant	29,978
318,678		347,176

A change has been made to the disclosures within the capital and revenue sections of the Cash Flow Statement. To enable a like for like comparison to be made the comparators at 31<sup>st</sup> March 2008 have been redrawn.

## The Police Authority Pension Fund Account

The funding arrangements for police pensions changed on 1<sup>st</sup> April 2006. The scheme remains unfunded but is no longer on a pay-as-you-go basis with pensions paid direct from the Income and Expenditure Account. Instead an employer's pension contribution based on a percentage of pay is paid into the Pension Fund. The amounts that must be paid into and out of the Pension Fund are specified by the Police Pension Fund Regulations 2007 and do not include injury awards.

Year ended 31 March 2008 £000		Year ended 31 March 2009 £000
	<b>Contributions receivable</b>	
	- from Police Authority	
(63,225)	- normal	(65,426)
(1,443)	- early retirements	(754)
(75)	- other (reimbursement of unabated pensions of 30+ police officers)	(38)
(27,980)	- from Members	(29,280)
	<b>Transfers in</b>	
(1,067)	- individual transfers from Police Authorities and other schemes	(1,522)
	<b>Benefits payable</b>	
89,289	- pensions	95,849
22,462	- commutations and lump sum retirement benefits	29,696
132	- lump sum death benefits	166
1,371	- other (recharge payments)	1,214
	<b>Payments to and on account of leavers</b>	
1,929	- individual transfers out to Police Authorities and other schemes	1,262
37	- refunds of contribution	28
26	- other (CEP)	1
21,456	<b>Net amount payable for the year</b>	31,196
(21,456)	<b>Additional contribution from the Police Authority</b>	(31,196)
0	<b>Balance at year end</b>	0

## The Police Pension Fund Net Assets Statement

2007/08 £000		2008/09 £000
	<b>Net current assets and liabilities</b>	
0	- contributions due from employer	0
0	- unpaid pension benefits	0
0	- other current assets and liabilities (other than liabilities to pay pensions and other benefits in the future)	0
0		0

## NOTES TO THE POLICE AUTHORITY PENSION FUND ACCOUNT AND NET ASSETS STATEMENT

1. The Fund was established under the Police Pension Fund Regulations 2007 (SI 2007 no. 1932) and is administered and managed by the Chief Constable on behalf of the Police Authority.
2. The Police Pension scheme is an unfunded, defined benefit scheme. There are no investment assets.
3. The Fund receives contributions from the Authority as the employer and from scheme members based on a percentage of pensionable pay. Percentages were:

	2007/08	2008/09
Employer	24.6%	24.6%
Employee		
- 'Old' scheme	11%	11%
- 'New' scheme from 1.4.2006	9.5%	9.5%
- 'New' scheme from 1.4.2006 (excluding ill health element)	6%	6%

Inward transfer values are paid into the Fund.

4. Benefits payable to scheme members are made from the Fund with the exception of injury awards which are payable by the Authority. Administrative costs are met by the Authority. Outward transfer values are paid from the Fund.
5. The fund is balanced to zero each year. If income to the fund exceeds expenditure then the excess is paid to the Police Authority. If expenditure exceeds income then the Police Authority must fund the deficit. The Police Authority pays any excess income to the Home Office and receives Police Pension Fund top up grant from the Home Office to fund any deficit.
6. The amount of Home Office grant outstanding at 31<sup>st</sup> March 2009 has been accrued and is shown in the Police Authority's Balance Sheet.
7. An estimate of £4.280m for lump sum benefits payable under Home Office Circulars 11/08 and 06/09, and the corresponding contribution from the Police Authority, has been included in the account.
8. The Fund's financial statements do not take into account liabilities to pay pensions after 31<sup>st</sup> March 2009. Liabilities to pay future payments are included in the FRS17 note to the Core Financial Statements.
9. The Fund's Accounting Policies are set out in the main Statement of Accounting Policies.

## GLOSSARY OF FINANCIAL TERMS

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

**Actuarial Gains and Losses** - For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because (a) events have not coincided with the actuarial assumptions made for the last valuation; or (b) the actuarial assumptions have changed.

**Amortised Cost** – Where part of the carrying amount of an asset or liability in the Balance Sheet will be either written down or up via the Income and Expenditure Account over the term of the instrument.

**Assets** - Items of worth which are measurable in terms of money (value). Current assets are ones that may change in value on a day-to-day basis (e.g. stocks). Fixed assets are tangible assets that yield benefit to the Authority and the services it provides for a period of more than one year.

**Budget Strategy Group** - A group of senior Members, Police Authority Officers and Force Command Team Officers established by the Authority to oversee budgets and the SFO.

**Capital Charge** - The charge to the revenue account for the use of fixed assets. As a minimum, the capital charge must cover the annual provision for depreciation, where appropriate, plus a capital financing charge determined by applying a specified notional rate of interest to the net amount at which the asset is included in the balance sheet.

**Capital Expenditure** - Capital expenditure is defined by legislation but is broadly expenditure on the acquisition of a fixed asset, or expenditure which adds to, and not merely maintains, the value of an existing asset.

**Capital Financing Charges** - The annual charge to the Revenue Account in respect of the minimum revenue provision and interest on money borrowed.

**Capital Financing Requirement (CFR)** - A measure of the Authority's underlying need to borrow to finance its capital investment. The requirement is calculated by aggregating assets, deferred charges, government grants deferred, fixed asset restatement account and capital financing account from the balance sheet.

**Capital Grants** - Grants received towards capital expenditure either generally or for a particular project.

**Capital Receipts** - Money received from the sale of land or other capital assets. They may be used to finance capital expenditure or repay existing debt.

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

**Contingent Liabilities** - Sums relating to past events that may become due to individuals or organisations in the future. Such liabilities are not recognised within the accounts but are described as a note.

**Corporate and Democratic Core** - The costs of democratic representation and management and corporate management.

**Creditors** - Amounts owed by the Authority for work done, goods received or services rendered where payment has not been made at the date of the balance sheet.

**Current Service Cost** - The increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current financial year, i.e., the ultimate pension benefits "earned" by employees in the current year's employment.

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

**Debtors** - Amounts due to the Authority for work done, goods received or services supplied but not received at the date of the balance sheet.

**Deferred Charges** - Items of capital expenditure which do not result in, or remain matched by, tangible fixed assets.

**Defined Benefit Scheme** - A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded (as with Police staff) or unfunded (as with Police officers).

**Defined Contribution Scheme** - A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

**Depreciation** - The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use, the passage of time or obsolescence through technological or other changes.

**Direct Revenue Financing** - The method of financing capital expenditure directly from revenue in the financial year.

**Expected Return on Pension Assets** - For a defined benefit pension scheme, the average return, including both income and charges in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

**Fair Value** - The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arms length transaction with no other motive than to secure a fair price.

**Financial Instrument** - Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.

**Financial Reporting Standard (FRS)** – Accounting standards developed by the Accounting Standards Board (ASB) are contained in Financial Reporting Standards.

**Impairment** - A reduction in the value of a fixed asset due to either a consumption of economic benefits or a general fall in prices.

**Local Area Agreements (LAA)** - These are made between central and local government and aim to achieve local solutions that meet local needs while also contributing to national priorities and the achievement of standards set by central government.

**Minimum Revenue Provision (MRP)** - The minimum amount which must be charged to the revenue account each year and set aside as provision for credit liabilities, presently 4% of outstanding debt at the beginning of the financial year.

**National Non-Domestic Rate (NNDR) (also known as Business Rates)** - A levy on business property, based on a national rate in the pound applied to the 'rateable value' of the property. The Government determines national rate poundage each year which is applicable to all local authorities. Local authorities collect the non-domestic rate but the proceeds are pooled and distributed by central government to receiving authorities (including police authorities) on the basis of resident population.

**Net Current Replacement Cost** - The cost of replacing or recreating a particular asset in its existing condition and in its existing use, i.e., the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

**Net Realisable Value** - The open market value of the asset in its existing use (or open market value in the case of non operational assets) less the expenses to be incurred in realising the asset.

**Non Distributed Costs** - Costs excluded from the cost of providing services.

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

**Police Grant** - A Home Office specific grant allocated between police authorities by a needs based formula similar to FSS.

**Precept** - The amount the police authority raises from local taxpayers. It is collected by local councils with their council tax.

**Private Finance Initiative (PFI)** – a government policy of encouraging local authorities to enter into partnership with the private sector in order to provide new facilities or improve existing facilities.

**Projected Unit Method** - An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. A valuation method in which the scheme liabilities at the valuation date relate to: -

- The benefits for pensioners and deferred pensioners (i.e., individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases; and
- The accrued benefits for members in service on the valuation date.

**Provisions** - *These are sums set aside to meet liabilities or losses which it is anticipated will be incurred but where the amount and/or timing of such costs is uncertain.*

**Public Works Loans Board (PWLB)** - An independent statutory body which can make loans to local authorities and other prescribed bodies. Monies are provided by Acts and Parliament and drawn from the national loans fund.

**Related Parties** - For the purposes of the Police Authority's accounts related parties are central government, other police and local authorities, elected members, all senior officers from assistant director and above and the support staff Pension Fund. For individuals identified as related parties, the following are also presumed to be related parties: -

- (i) Members of the close family of the same household; and
- (ii) Partnerships, companies, trusts or other entities in which the individual, or member of their close family or the same household, has a controlling interest.

**Reserves** - Earmarked reserves are amounts set aside for specific purposes and carried forward to meet expenditure in future years. General reserves represent accumulated balances which may be used to support future spending.

**Revenue Expenditure** - Expenditure incurred on day to day running expenses of the Authority and Force; the costs principally include employee expenses, capital financing charges and general running costs.

**Revenue Support Grant (RSG)** - A grant paid by central government to every local authority to help to finance its general expenditure. The payment of RSG attempts to ensure that differences in spending needs and resources between authorities are equalised, in order to permit each authority to support a standard level of spending.

**Specific Grants** - Government grants to aid particular services.

**Statement of Recommended Practice (SORP)** - The SORP sets out the principles and practices required to prepare a Statement of Accounts which 'presents fairly' the financial position and transactions of an Authority. The SORP has statutory backing in the Local Government Act 2003 and departures from it must be disclosed in the published Statement of Accounts.

**Statements of Standard Accounting Practice (SSAPs)** - Statements prepared by the Accounting Standards Committee to ensure consistency in accountancy matters. Many standards are now applied to local authority accounts and any departure must be disclosed in the published accounts.

**Strategic Financial Outlook (SFO)** - An exercise undertaken by the Authority to assess revenue and capital expenditure requirements and funding likely to be available in the medium term.

**Supported Borrowing** - Under the Prudential Code authorities are free to borrow as long as the decisions they make are prudent, affordable and sustainable. Government will support a defined amount of borrowing each year (known as Supported Capital Expenditure Revenue or SCE(R)) through the Revenue Support Grant (RSG) system.

**Unsupported Borrowing** - Borrowing made under the Prudential Code which does not attract Government support.