ANNEX A TO
AGENDA ITEM 6B
CORPORATE GOVERNANCE COMMITTEE
27 SEPTEMBER 2011

DERBYSHIRE POLICE AUTHORITY

STATEMENT OF ACCOUNTS

2010/11

DERBYSHIRE POLICE AUTHORITY
STATEMENT OF ACCOUNTS
YEAR END 31 March 2011

CONTENTS

EXPLANATORY FOREWORD

Introduction

We have pleasure in presenting the Statement of Accounts for 2010/11 for the Derbyshire Police Authority. The intention of the Statement is to give the reader an overall perspective on the finances of the Derbyshire Police Authority during 2010/11 and the position as at 31 March 2011.

Background

In common with all local authorities, 2010/11 is the first year that the Police Authority has prepared its accounts in accordance with International Financial Reporting Standards (IFRS). These standards specify such matters as: which statements have to be prepared by the Authority, the content of each statement, and how specific figures within the statements are to be derived.

The new international standards have replaced the previous accounting framework applicable to local authorities which was specific to the United Kingdom and known as UK GAAP (Generally Accepted Accounting Principles). While many of the underlying accounting principles under IFRS remain unchanged from those under UK GAAP, their implementation has had a significant impact on the Statement of Accounts. Key requirements under IFRS are explained in the Statement of Accounting Policies and their impact compared to previous requirements is detailed in the Notes to the Accounts. The main changes implemented under IFRS are

- changes to the main financial statements with some previous statements either not required or replaced by other statements
- grants and contributions for capital purposes are to be recognised immediately instead of being deferred and then released to match depreciation
- all employee benefits are accounted for as they are earned by employees – necessitating accruals for such items as holiday pay and time-off-in-lieu
- recognising any long term employee benefits that depend on length of service such as injury awards.

The accounts for 2009/10 have been reinstated for IFRS and the Balance Sheet as at 1 April 2009 has also been restated on this basis for the purposes of transition.

To assist the reader an explanation of the various sections contained within the Statement of Accounts is set out below:

- <u>Statement of Responsibilities</u>
  This sets out the formal responsibilities of the authority and the chief financial officer in respect of the Statement of Accounts and confirms that the accounts have been prepared in accordance with the requirements of the Code of Practice on Local Authority Accounting.

- <u>Statement of Accounting Policies and Changes in Accounting Estimates</u>
  This statement, which supports the accounts, identifies the accounting practices adopted in the preparation of the accounts. Other notes are provided to explain further the information given. Wherever possible the accounts and statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom published in 2010. The Code specifies in detail how the IFRS framework referred to above is to be applied to local authority accounts. Where full compliance with the Code has not been achieved this is referred to in the accompanying notes.

- <u>Comprehensive Income and Expenditure Statement</u>
  The purpose of this statement is to show the full accounting cost in 2010/11 of providing the authority's services in accordance with generally accepted accounting practices. This cost is nearly always different to the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations and the difference between this amount and the accounting cost is shown in the Movement in Reserves Statement.

- <u>Balance Sheet</u>
  This shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the Authority (assets less liabilities) are matched by the reserves that it holds. Reserves are reported in two categories. Usable reserves are those that the authority may use to provide services, subject to the need to maintain a prudent level of reserves. Other reserves cannot be used to provide services, for example reserves that hold unrealised gains and losses where amounts would only become available if assets were sold and reserves that hold timing differences shown in the Movement in Reserves

Statement line 'Adjustments between accounting basis and funding basis under regulations'.

- Statement of the Movement in Reserves
  This shows the movement in the year on the different reserves held by the authority. These are analysed into 'usable reserves' (those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves'. The line for the Surplus or Deficit on the Provision for Services represents the true economic cost of providing the authority's services (see explanation below on the Comprehensive Income and Expenditure Statement). This is different from the statutory amount required to be charged to the General Reserve Balance for council tax setting, and the Movement in Reserves statement provides a reconciliation between the two amounts.

- Cashflow Statement
  This statement shows the changes in cash and cash-equivalents of the authority during 2010/11. It shows how the authority generated and used its cash and cash-equivalents by classifying cashflows between operating, investing and financing activities

- Notes to the Core Financial Statements
  This section provides notes to the core accounts prescribed by the Code of Practice.

- Supplementary Account – Pension Fund Account
  The funding arrangements for the police officers pension scheme changed on 1 April 2006. Each individual Police Authority is required by legislation to operate a Pension Fund and the amounts that must be paid into and paid out of the Pension Fund are specified by regulation. This account shows the transactions of the Pension Fund.

- Definition of Terms
  Wherever possible the use of technical phraseology has been avoided. However, the Statement of Accounts does contain some local government and accounting terminology and a glossary is provided which aims to simplify and explain such terminology.

Performance in 2010/11

Surplus/Deficit on the Provision of Services

The Comprehensive Income and Expenditure Statement shows that for 2010/11 the Authority achieved an overall surplus on the provision of its services of some £89.491m. However, this outcome reflects the 'full accounting costs' attributable to the year as required by the Code of Practice on Local Authority Accounting. This is mainly due to a number of technical adjustments relating to pensions.

In particular in relation to post-employment (retirement) benefits payable to employees, the authority must recognise the costs of these benefits as they are earned, and not as they are paid. In the UK budget statement on 22 June 2010 the Chancellor of the Exchequer announced that with effect from 1 April 2011 public service pensions would be uprated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). CPI has historically been lower than RPI and this is expected to continue.

As a consequence of this, all future pension benefits that have already been earned are expected to be lower than previously estimated, resulting in a 'past service' gain of some £160.125m being credited to the Income and Expenditure account.

Net Expenditure against Revenue Funding Income (2010/11 Revenue Budget)

Perhaps a more significant measure of financial performance in the year is the level of net expenditure incurred against the principal streams of revenue funding that make up the Authority's Revenue Budget.

(I) The Revenue Budget

The Authority set a revenue budget for 2010/11 of £170.022 million, an increase of 3.0% over 2009/10. The funding of the £170.022 million comprised central government formula funding (Police Specific Grant, National Non-Domestic Rates (NNDR) and Revenue Support Grant (RSG)) of £116.153m, and Council Tax of £53.869m. £10.096m funding was also received from the Home Office to cover the police pensions deficit for the year.

The consequential Council Tax for an average band D dwelling increased by 1.50% to £163.74, compared with £161.32 in 2009/10, an increase of just under 5p per week.

(II) Performance against budget

Net expenditure incurred against the Revenue Budget amounted to some £157.758m which allowed £12.264m to be added to the Authority's reserves at the end of the year. £1.682m of the contribution to reserves represented specific grants and contributions received which had not yet been spent. When other specific allocations are taken into account, £9,500m was put to reserves which is available to fund future budget pressures as a result of grant reductions announced within the Comprehensive spending review.

The outturn achieved by the Authority very much reflects positive actions taken by senior management to significantly reduce costs in line with the overall financial settlement announced for local authorities by the coalition government for the period 2011 to 2013. The authority's core funding from government will reduce by £13m over the 2 years 2011/12 and 2012/13 with further reductions expected in the next two years. When known cost increases and possible council tax increases are factored in, it is projected that the Authority will need to meet a funding shortfall of between £20m and £24m by the end of 2014/15

An early start to address this financial situation has been made and has resulted in the outturn achieved for 2010/11. Specific measures taken during the year were a recruitment freeze on Police Officer and Police Community Support Officer posts, the release of 42 police staff posts through redundancy or early retirement and the reduction in other staff posts by non-recruitment; a rigorous review of the need to incur overtime payments; the closure of catering facilities. Overall, the authority's payroll reduced by 52 officers and 131 staff (including PCSO's who are counted as staff) between March 2010 and March 2011.

The funds put to Reserves may be needed to offset costs in future years should the Authority be unable to identify sufficient savings to achieve a fully balanced budget.

Capital Expenditure in 2010/11

As well as revenue expenditure the Authority incurs capital expenditure which is expenditure on assets which have a life beyond one year, mainly building improvement works, IT and vehicles.

The Capital Programme for 2010/11 was £9.030m and actual expenditure against the programme totalled £5.557m, which was made up of the following:

Capital Programme	**£m**
Buildings	0.846
Equipment and Vehicles	1.723
IT and Communications	2.205
'Invest to Save' Schemes	0.341
East Midlands Counter-Terrorism Intelligence Unit	0.442
Total	**5.557**

This expenditure was funded by: Internal Borrowing (£2.925m), Reserves (£1.442m), Government Grant (£0.618m), Revenue contributions (£0.345m), Contributions from other bodies (£0.181m), Capital Receipts (£0.046m).

Of the underspend £2.237m will be used to fund planned expenditure that was delayed until 2011/12, the remainder being available for other projects.

In addition Derbyshire's share of capital expenditure for the East Midlands Special Operations Unit (EMSOU) was £0.055m, increasing total capital expenditure to £5.612m. This was funded from Revenue Contributions.

Cash-flow performance in 2010/11

The cash flow statement shows that the Authority increased its cash and 'cash equivalents' by some £47,000 in 2010/11. In other words, overall its various activities the Authority's cash in-flows roughly matched its outflows during the year. 'Cash equivalents' are funds that are placed for investment but which are available 'on-demand'.

Not categorised as 'cash-equivalents' are other investments placed for specific time periods. These increased from £17m to £26m during the year, largely reflecting the contributions to reserves as a result of the outturn against the Revenue Budget.

Position as at 31 March 2011

This is summarised by the balance sheet which shows that at 31 March 2011 the Authority had net liabilities of some £1,257.3m. However, as with the Comprehensive Income and Expenditure Statement, this position is heavily influenced by the required recognition of pension liabilities. The balance sheet includes a liability for £1,318m which represents all pension entitlements that have been earned to date but which are not yet in payment. This liability has reduced by £128m compared to 31 March 2010, mainly as a result of the change in the inflation measure for increasing public sector pensions referred to earlier.

Pension costs continue to be met by a combination of employee contributions, employer contributions (which are reviewed regularly) and specific government funding. These statutory arrangements for funding pensions means that the financial position of the Authority is stable.

Excluding the pension liability, the Authority's net assets increased by £10m to £61m during the year to 31 March 2011 with a matching increase in reserves. This is principally a result of the outturn against the Revenue Budget referred to earlier in this foreword.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required: -

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

The Treasurer's Responsibilities

The Treasurer is responsible for the preparation of the Authority's Statement of Accounts which, 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").

In preparing this Statement of Accounts the Treasurer has: -

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that are reasonable and prudent; and
- complied with the local authority code.

The Treasurer has also: -

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

TREASURER'S CERTIFICATE

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Derbyshire Police Authority as at 31 March 2011 and of its income and expenditure for the year ended 31 March 2011.

Helen Boffy CPFA
Treasurer

Date:

STATEMENT OF ACCOUNTS 2010/11

CHAIRMAN'S APPROVAL

I certify that the Statement of Accounts 2010/11 have been approved by the Corporate Governance Committee on the 27 September 2011 in accordance with section 8 of the Accounts and Audit Regulations 2011.

Signed …… Dated ……

Cllr John Williams
Corporate Governance Committee Chairman

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DERBYSHIRE POLICE AUTHORITY

Opinion on the Authority and Pension Fund accounting statements

I have audited the accounting statements and the police pension fund accounting statements of Derbyshire Police Authority for the year ended 31 March 2011 under the Audit Commission Act 1998. The accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes. The police pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

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

Respective responsibilities of the Treasurer and auditor

As explained more fully in the Statement of the Treasurer's Responsibilities, the Treasurer is responsible for the preparation of the Authority's Statement of Accounts, including the police pension fund accounting statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practice's Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on accounting statements

In my opinion the accounting statements:

- give a true and fair view of the state of Derbyshire Police Authority's affairs as at 31 March 2011 and of its income and expenditure for the year then ended;
- give a true and fair view of the financial transactions of the police pension fund during the year ended 31 March 2011 and the amount and disposition of the fund's assets and liabilities as at 31 March 2011; and

- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

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

Matters on which I report by exception

I have nothing to report in respect of the governance statement on which I report to you if, in my opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

Conclusion on Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

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

Auditor's responsibilities

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Basis of conclusion

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, I am satisfied that, in all significant respects, Derbyshire Police Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

Certificate

I certify that I have completed the audit of the accounts, including the police pension fund accounting statements, of Derbyshire Police Authority in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

John Cornett
Officer of the Audit Commission

Rivermead House
7 Lewis Court, Grove Park
Enderby
Leicestershire
LE19 1SU

28 September 2011

STATEMENT OF ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING ESTIMATES

Accounting Policies

General Principles

The Statement of Accounts summarises the Police Authority's transactions for the 2010/11 financial year and its position at the year end of 31 March 2011. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations. These regulations require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (the Code) based on International Financial Reporting Standards (IFRS) and the Best Value Accounting Code of Practice 2010/11. These codes are issued by the Chartered Institute of Public Finance & Accountancy (CIPFA).

These are the first set of accounts prepared under the Code which are based on IFRS. Comparative figures for the year ended 31 March 2010 have been restated to comply with the Code and the Balance Sheet as at 1 April 2009 has also been restated on this basis for the purposes of transition.

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

Accruals of Income and Expenditure

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

Debtors – these are recognised in the accounts when the ordered goods or services have been delivered or rendered by the Authority in the financial year but the income has not yet been received. Income has only been included in the accounts when it can be realised with reasonable certainty. Where there is evidence that the Authority may not be able to collect all amounts due to it, a provision for bad debts is established. The provision made is the difference between the current carrying value of the debt and the amount likely to be collected. These amounts are set on an individual debtor basis. The provision for bad debts is recognised as a charge to the Comprehensive Income and Expenditure Statement for the income that might not be collected.

Creditors – these are recorded where goods or services have been supplied to the Authority by 31 March but payment is not made until the following financial year.

Accounting for Local Taxes

The collection of council tax is, in substance, an agency arrangement with the Derbyshire district authorities (billing authorities) collecting council tax on behalf of Derbyshire Police Authority (the Police Precept).

The council tax income is included in the Comprehensive Income and Expenditure Statement on an accruals basis and includes the precept for the year plus Derbyshire Police Authority's share of Collection Fund surpluses and deficits from the billing authorities.

The difference between the income reported in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Reserve shall be taken to the Collection Fund Adjustment Account through the Movement in Reserves Statement.

The year end balance sheet includes Derbyshire Police Authority's share of year end debtors (arrears and collection fund surpluses) and creditors (prepayments, overpayments and collection fund deficits).

Cash and Cash Equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term commitments rather than for investment or other purposes. Derbyshire Police Authority have classed the following as cash and cash equivalents:

- Cash on hand
- Cash in bank (Current Account, Call Account and Business Premium Account)
- Temporary investments with instant access and no penalties

Exceptional Items

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

Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

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

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

The Accounts have been restated for IFRS and for a misstatement in last years Accounts for PFI under IFRS.

Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as salaries, paid annual leave and paid sick leave, expenses, bonuses and non-monetary benefits (eg cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, eg time off in lieu) earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is charged to Comprehensive Income and Expenditure Statement, but then reversed out through the Movement in Reserves Statement to the Short Term Accumulating Compensated Absences Account so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs but have no impact on the level of council tax.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Post employment Benefits (Pensions)

The Accounts are prepared in accordance with FRS17 on *Retirement Benefits.* The main effect of this is the recognition of the net liability and a pensions reserve in the balance sheet and entries in the Comprehensive Income and Expenditure Statement for movements in the liability relating to the employee pension schemes in which the Authority participates (with reconciling entries in the Movement in Reserves Statement back to the true cost of pensions for the purposes of grant and local taxation).

FRS17 is a complex accounting standard but has a simple principle:
"An organisation should account for retirement benefits when it is committed to give them, even if the actual giving will be many years into the future".

FRS17 relies on the recognition of pensions liabilities (being the retirement benefits promised measured on an actuarial basis) and assets (being the Authority's share of investments (if any)).

The Authority participates in 2 different pension schemes both of which are "defined benefit schemes" as they are both based on employees earning benefits from years of service;

a) Police Officers

This scheme is unfunded. This means it provides pensions and other retirement benefits for police officers based on final salaries but there are no investment assets built up to meet the pensions liabilities.

The funding arrangements for the police officers pension scheme changed on 1 April 2006. Before April 2006 each Police Authority was responsible for paying the pensions of its former officers on a "pay as you go" basis. From April 2006 there is now an employer's contribution instead (currently 24.2% of pensionable salary) which is charged to the Comprehensive Income and Expenditure Statement.

Each individual Police Authority is required by legislation to operate a Pension Fund Account and the amounts that must be paid into and paid out of the Pension Fund are specified by regulation. This account is shown on page 55. Officer's contributions and the employer's contribution are paid into the pensions account from which pension payments are then made. This will be topped up as necessary by the Home Office if the contributions are insufficient to meet the cost of pensions payments. Any surplus will be recouped by the Home Office. Injury awards and ill health retirements will continue to be paid from the Authority's Comprehensive Income and Expenditure Statement.

The pension fund account does not take account of the obligation to pay pensions and benefits which fall due after the end of the financial year.

b) Police Staff and PCSO's

Police staff and PCSO's, subject to certain qualifying criteria, are eligible to join the Local Government Pension Scheme administered by Derbyshire County Council. It is a funded scheme. Pensions and other retirement benefits, based on final salaries, are paid from the fund. Employers and employees make regular contributions into the fund so that the liabilities are paid for evenly over the employment period. Actuarial valuations of the fund are undertaken every three years to determine the contributions rates needed to meet its liabilities.

For both schemes, the liabilities are included in the Balance Sheet on an actuarial basis using the projected unit method (An assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees). Liabilities are discounted to their value at current prices, using a discount rate. The Discount Rate used is based on the 'current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities', which is often referred to as AA Corporate Bond Rate.

Assets in the Local Government Pension scheme are included in the Balance Sheet at their fair value:

- Quoted & Unitised securities – Current Bid Price
- Unquoted securities – Professional Estimate
- Property – Market Value

The changes in the net pensions liability is analysed into seven components:

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated to the Comprehensive Income and Expenditure Statement;
- past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of non distributed costs;
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid - debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- expected return on assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- gains/losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of non distributed costs;
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve;
- contributions paid to the pension fund.

Notes on Pensions are included on pages 33 to 38 of the accounts.

Discretionary Benefits
The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award.

Events after the Balance Sheet Date

These are events that occur between the end of the reporting period and the date when the financial statements are authorised for issue. The Authority will report these in the following way if it is determined that the event has had a material effect on the Authority's financial position.

- Events which provide evidence of conditions that existed at the end of the reporting period will be adjusted and included within the figures in the accounts; and
- Events that are indicative of conditions that arose after the reporting will be reported in the narrative notes to the accounts.

Financial Instruments - Liabilities and Assets

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

The Authority has not undertaken any repurchasing or early settlement of borrowing.

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.

Derbyshire Police Authority only has financial assets based on the first category of loans and receivables.

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

Government Grants & Contributions

Whether paid on account, by instalments or in arrears, Government Grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- the Authority will comply with the conditions attached to the payments, and
- the grants or contributions will be received

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

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

Statement. Revenue grants are recognised in full in the year of their receipt. The impact on the General Reserve is negated by a transfer to Earmarked Reserves in the Movement in Reserves Statement.
Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Reserve Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it is applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Non-Current Assets - Property, Plant and Equipment

Assets that have physical substance and are held for use in the provision of services or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition and Measurement

Expenditure on the acquisition, creation or enhancement of assets is capitalised on an accruals basis, provided that it yields benefits to the Authority and the services it provides for more than one financial year and that the cost of the item can be measured reliably.

Assets are initially measured at cost, comprising the purchase price and any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Assets are then carried in the Balance Sheet using the following measurement bases:

- Land, property and other operational assets are included in the balance sheet at fair value (existing use value). Operational assets can either be specialised or non-specialised. Specialised Assets, where there is no particular market or demand for their specific use, are valued at Depreciated Replacement Cost (DRC) as an estimate for fair value. The only assets to be classified as specialised property relate to the operational custody suites situated within the various properties. In cases where there is only a small number of cells, or where cells are now out of use, these have not been treated as specialised properties.
- Assets under construction are held in the balance sheet at historical cost until completed, whereupon they will be valued and included in the balance sheet as operational assets.

Where non property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value eg Vehicles, IT and Communications equipment and other equipment.

Revaluation

Assets included in the balance sheet at fair value are revalued sufficiently regularly to ensure that the carrying amount is not materially different from their fair 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 Comprehensive Income and Expenditure Statement where they arise from the reversal of an impairment loss previously charged to the account.

Where decreases in value are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down in the Comprehensive Income and Expenditure Statement.

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.

Impairments

Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall. The values of each category of assets and of material individual assets that are not being depreciated, are reviewed at the end of each financial year for evidence of reductions in value. Where impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down in the Comprehensive Income and Expenditure Statement.

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

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (ie freehold land) and assets that are not yet available for use (ie assets under construction). Depreciation is calculated on a straight-line basis as follows:-

Operational Buildings	Over the life of the asset (20-50 years) as estimated by the valuer.
Vehicles	Over the life of the asset (3-10 years)
IT/Communications Equipment	Over the life of the asset (3-10 years) Majority of assets are 5 or 7 years

Component Accounting – where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. The component is judged to be significant were the replacement value is above £0.5m or 25% of the asset. Application of component accounting is not required retrospectively. It applies to new expenditure from 2010/11 and any subsequent revaluations.

It is the Authority's policy not to charge depreciation in the year of acquisition but a full year's charge is made in the year of disposal. Depreciation is charged to the Comprehensive Income and Expenditure Statement and is reversed out through the Movement in Reserves Statement.

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.

Disposals and Assets held for sale

When a non-current asset is planned to be disposed of, it is reclassified as an Asset held for sale. To be reclassified it must meet the following criteria:

- The asset must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets;
- The sale must be highly probable (with management commitment to sell and active marketing of the asset initiated);
- It must be actively marketed for a sale at a price that is reasonable in relation to its current fair value; and
- The sale should be expected to qualify for recognition as a completed sale within one year

The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses in the Comprehensive Income and Expenditure Statement.

Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the balance sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of the disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account. Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used to finance new capital investment or set aside to reduce the authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Reserve Balance in the Movement in Reserves Statement.

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

Non-Current Assets - Investment Property

Investment properties are those that are used solely to earn rental income or for capital appreciation or both. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are revalued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Reserve balance. However, revaluation and disposal gains and losses are not permitted, by statutory arrangements, to have an impact on the General Reserve Balance. The gains and losses are therefore reversed out of the General Reserve Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and, for any sales proceeds greater than £10,000 the Capital Receipts Reserve.

Non-Current Assets - Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are identifiable and controlled by the Authority as a result of past events (e.g. software licences), are capitalised when it will bring benefits to the Authority for more than one financial year.

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services.

Intangible assets are measured at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised to the Comprehensive Income and Expenditure Statement over its useful life. Amortisation, as with depreciation, commences in the financial year following that in which they are received. Amortisation is not permitted to have any impact on the General Reserve Balance, it is therefore reversed through the Movement in Reserves Statement and posted to the Capital Adjustment Account.

Charges to Revenue for Non-Current Assets

The Comprehensive Income and Expenditure Statement is debited with the following amounts to record the cost of holding non-current assets during the year: -

- depreciation attributable to the assets used;
- revaluation and impairment losses on assets where there no accumulated gains in the Revaluation Reserve against which the losses can be written off;
- amortisation of intangible fixed assets.

The Authority is not required to raise council tax to cover depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (Minimum Revenue Provision (MRP)). Authorities are required to prepare an annual statement of their policy on making MRP and in

accordance with statutory guidance, this should be calculated on a prudent basis. The policy for Derbyshire is:

- For Supported Capital Expenditure, the MRP Policy will be based on the Capital Financing Requirement at 4% of the opening balance
- For unsupported borrowing the MRP policy will be based on the Asset Life Method, equal instalment over the life of the asset
- For PFI contracts and leases that are deemed to be on balance sheet, the MRP requirement would be regarded as met by a charge equal to the element of the charge that goes to write down the balance sheet liability.

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by revenue provision in the Movement in Reserves Statement, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset has been charged as expenditure to the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Reserve Balance to the Capital Adjustment Account then reverses out the amounts charged so there is no impact on the level of council tax.

Stocks & Stores

Stocks are included in the Balance Sheet at the lower of cost or net realisable value. The cost of inventories is generally assigned using the FIFO (First In First Out) costing formula. Stocks are mainly maintained for uniform supplies.

Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, vehicles, plant or equipment from the lessor (landlord) to the lessee (tenant). All other leases are classified as operating leases.

The Authority has looked at material property leases over £10,000 and for more than 10 years. IAS 17 'Leases' includes indicators for the classification of leases as a finance lease. Material leases have been judged against these indicators.

a) Finance Leases

i) Lessee – Property, Vehicles, Plant & Equipment

An asset identified as a finance lease and where the Authority is the lessee will be recognised on the balance sheet at an amount equal to the fair value of the asset, or if lower, the present value of the minimum lease payments, determined at the inception of the lease.

The asset recognised is matched by a liability for the obligation to pay the lessor. This liability is reduced as lease payments are made. Minimum lease payments are to be apportioned between the finance charge (interest) and the reduction of the deferred liability.

The finance charge (interest) will be charged to the Comprehensive Income and Expenditure Statement (Financing and Investment Income and Expenditure line).

Finance lease assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Authority. Depreciation to be charged over the lease term if this is shorter than the asset's estimated useful life.

ii) Lessor – Property, Vehicles, Plant & Equipment

An asset identified as a finance lease and where the Authority is the lessor will be recognised on the balance sheet as a debtor at an amount equal to the net investment in the lease. The lease payment is treated as repayment of principal and finance income (interest).

Initial direct costs are included in the initial measurement of the debtor and recognised as an expense over the lease term on the same basis as the income.

Rental income from finance leases entered into after 1 April 2010 should be treated as a capital receipt.

b) Operating Leases

i) Lessee – Property, Vehicles, Plant & Equipment

An asset identified as an operating lease and where the Authority is the lessee, the rentals will be charged to the Comprehensive Income and Expenditure Statement. Charges are made on a straight line basis over the term of the lease.

ii) Lessor – Property, Vehicles, Plant & Equipment
An asset identified as an operating lease, and where the Authority is the lessor, shall be retained in the Balance Sheet. Rental income is credited to the Comprehensive Income and Expenditure Statement. Credits are made on a straight line basis over the term of the lease.

Private Finance Initiative (PFI) and Similar Contracts

The Authority has entered into two PFI arrangements, Ilkeston Police Station and D Divisional HQ at Derby. The first affected the accounts from 1998/99, the second from 2000/01. Both have a continuing commitment by the Authority for 30 years. PFI contracts are agreements to receive services, where the responsibility for making available the non-current assets needed to provide the services passes to the PFI contractor. As the Authority is deemed to control the services that are provided under its PFI schemes and has control over the residual interest in the property at the end of the arrangement, the Authority carries the non-current assets under the contracts on the Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investments.

PFI assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Authority.

The amounts payable to the PFI operators each year should be analysed into five elements:

- fair value of the services received during the year – debited to the Comprehensive Income and Expenditure Statement

- finance cost – an interest charge of 9.114% for Ilkeston PFI and 7.917% for Derby PFI on the outstanding Balance Sheet Liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

- contingent rent – increases in the amount to be paid for the property arising during the contract. For both the Authority's PFI schemes there is no contingent rent as the property element of the fee paid to the PFI operator is not indexed.

- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator. This is also the MRP charge for PFI schemes.

- Lifecycle replacement costs – recognised as fixed assets on the Balance Sheet if the costs are of a capital nature, or if the costs are revenue debited to the Comprehensive Income and Expenditure Statement.

Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2010/11 (BVACOP). The full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the authority's status as a multi-functional democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

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

Provisions, Contingent Liabilities and Contingent Assets

Provisions – these are required for liabilities that have been incurred, but are of uncertain timing or amount. There are three criteria:

a) the authority has a present obligation (legal or constructive) as a result of a past event;
b) it is more likely than not that money will be needed to settle the obligation; and
c) a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the Comprehensive Income and Expenditure Statement.

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

Provisions contained within the balance sheet are split between current liabilities (those which are estimated to be settled within the next 12 months) and non-current liabilities (those which are estimated to be settled in a period greater than 12 months).

Details of provisions held at 31st March 2011 are shown in Note 26 to the accounts.

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

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

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

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

Reserves

Usable Reserves - the Authority's general revenue balances are held in the General Reserve to generally support the budget. The Authority also maintains a number of specific 'earmarked' reserves for future expenditure on either policy purposes or to cover contingencies. The intended use of 'earmarked' reserves is shown in Note 28 to the accounts. Reserves are created by appropriating amounts out of the General Reserve Balance in the Movement in Reserves Statement. When revenue expenditure to be financed from a reserve is incurred, it is charged to the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Reserve Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Also held under usable reserves are those that support the financing of capital (Capital receipts reserve and Capital Grants unapplied).

Unusable Reserves - certain reserves/accounts are kept to manage the accounting processes for non-current assets (Capital Adjustment Account, Revaluation Reserve), retirement and employee benefits (Pensions Reserve FRS17, Short term Accumulating Compensated Absences Account) and Accounting for local taxes (Collection Fund Adjustment Account). These do not represent usable resources for the Authority.

Value Added Tax (VAT)

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

Jointly Controlled Operations

Jointly controlled operations are activities undertaken by the Authority in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Authority recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement

with the expenditure its incurs and the share of income it earns from the activity of the operation. There are principally two Jointly Controlled Operations:

North Midland Helicopter Support Unit (NMHSU) - The NMHSU is based at Derbyshire's Police Headquarters. The accounts for the NMHSU are included as part of Derbyshire's accounts. The unit is a consortium funded on a 50:50 split basis by Derbyshire & Nottinghamshire forces. This split is based on a set number of flying hours by each force. If a force exceeds this set number of hours a charge is made for excess hours. Reimbursement from the Nottinghamshire Force is made quarterly in arrears.

The assets of NMHSU have also been split between the two forces. The helicopter and hangar assets have been included in the balance sheet (fixed assets) as 50% owned by Derbyshire Police.

East Midlands Special Operations Unit (EMSOU) - Derbyshire is part of a jointly controlled operation with the East Midland forces for special operations. EMSOU was formed on the 1 January 2003 and is responsible for undertaking special operations across Leicestershire, Nottinghamshire, Derbyshire, Lincolnshire and Northamptonshire. Leicestershire acts as lead Authority. Derbyshire make an annual contribution to the unit which for 2010/11 was £0.944m. The accounts include a share of the assets, liabilities, income, expenditure and cash flows of EMSOU (Derbyshires' share is 22% based on the current resourcing model for the unit).

Accounting standards that have been issued but not yet been adopted

For 2010/11 the only accounting policy change that has been published before 1 January 2011 but which has not been adopted by the Code relates to FRS 30 Heritage Assets. A note in the accounts discloses information relating to the impact of this accounting change.

Changes in Accounting Estimates

Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out above, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision. A review of assets is being undertaken in order to inform any such decisions.

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

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

The items in the Authority's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Uncertainties	Effect if Actual Results differ from Assumptions
Property, Plant and Equipment	
Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings (excluding PFI buildings which are contracted to be maintained) would increase by £22.4k for every year that useful lives had to be reduced.
Provisions	
The Authority has made a provision of £1.054m for the settlement of claims for insurance. This has been based on the claims handlers' assessment of claims outstanding and an estimate of future claims for 2010/11 based on the average experience in previous years. The number and value of claims may be different to the assessment,	An increase over the forthcoming year of 10% in the total number of claims would have the effect of adding £106k to the provision needed. However, this amount will be covered from the Authority's Insurance Reserve if necessary.
The Authority has made a provision of £852k for settlement of redundancy and early retirement costs in 2011/12. A number of reviews are still ongoing, for which the loss in staff is still uncertain, this could lead to further redundancies/early retirements in 2011/12.	An increase of 10% in the number of people made redundant or retired early in the year would have the effect of adding £85k to the provision needed. However, the Authority has set aside funds within its 2011/12 Revenue Budget for such additional cases which would cover this increase in costs.
Pensions Liability	
Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance for the larger scheme, the Police Pension scheme, a 0.5% reduction in the discount rate's excess over pension increases would result in a increase in the pensions liability of 7.5% or £98.868m. However, the assumptions interact in complex ways. During 2010/11, the Authority's actuaries advised that the net pensions liability had decreased by £161.102m as a result of past service gains – the effect of CPI replacing RPI as the basis for increasing public sector pensions. The liability also decreased by £25.733m as a result of experience changes and by £45.507m attributable to updating of the assumptions. A national review of public sector pensions is currently taking place which is expected to lead to changes in benefits payable, employee contribution rates and retirement ages.

Arrears – Bad debt provision	
At 31 March 2011, the Authority had a balance of sundry debtors for £1.611m. A review of these debtors suggested that an impairment of doubtful debts of £15k was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the amount of the impairment of doubtful debts would require an additional £15k to set aside as an allowance.

The Accounting Policies and Changes in Accounting Estimates can sometimes be found as a note to the Financial Statements.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

Restated For the year ended 31 March 2010					For the year ended 31 March 2011		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Note	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
94,622	(11,370)	83,252	Local Policing		97,837	(10,488)	87,349
14,404	(1,078)	13,326	Dealing with the Public		15,106	(926)	14,180
19,715	(2,523)	17,192	Criminal Justice Arrangements		19,475	(2,263)	17,212
8,398	(1,530)	6,868	Road Policing		8,736	(1,711)	7,025
10,404	(736)	9,668	Specialist Operations		10,143	(570)	9,573
11,220	(1,750)	9,470	Intelligence		12,725	(1,397)	11,328
19,160	(1,056)	18,104	Specialist Investigation		20,354	(1,060)	19,294
8,161	(455)	7,706	Investigative Support		7,391	(316)	7,075
7,608	(5,896)	1,712	National Policing		7,765	(7,306)	459
1,337	(2)	1,335	Corporate and Democratic Core		1,336	(1)	1,335
0	0	0	Non Distributed Costs	**10b,11a**	(160,125)	0	(160,125)
195,029	**(26,396)**	**168,633**	**Cost of Services**	**2**	**40,743**	**(26,038)**	**14,705**
			Other Operating Expenditure				
60	0	60	(Gains) or Losses on the Disposal of Non-Current Assets		76	0	76
422	0	422	Levies to national police services		441	0	441
			Financing and Investment Income and Expenditure				
519	0	519	Interest Payable on Debt	**22**	489	0	489
1,249	0	1,249	Interest Element of Finance Leases (PFI)	**22**	1,230	0	1,230
65,667	0	65,667	Pensions Interest Cost and Expected Return on Pensions Assets	**10b**	76,520	0	76,520
0	(424)	(424)	Investment Interest Income	**22**	0	(314)	(314)
0	0	0	**Profit or Loss on Discontinued Operations**		0	0	0
			Taxation and Non-Specific Grant Income				
0	(2,922)	(2,922)	Recognised Capital Grants and Contributions		0	(2,497)	(2,497)
0	(65,214)	(65,214)	General Government Grants		0	(67,057)	(67,057)
0	(8,890)	(8,890)	Revenue Support Grant		0	(6,225)	(6,225)
0	(38,517)	(38,517)	Non Domestic Rates Redistribution		0	(42,871)	(42,871)
0	(52,630)	(52,630)	Council Tax Income		0	(53,892)	(53,892)
0	(11,138)	(11,138)	Home Office Grant Payable towards the Cost of Retirement Benefits	**10a**	0	(10,096)	(10,096)
262,946	**(206,131)**	**56,815**	**(Surplus) or Deficit on the Provision of Services**		**119,499**	**(208,990)**	**(89,491)**
		(2,913)	(Surplus) or Deficit on Revaluation of Non-Current Assets				2
		446,926	Actuarial (Gains) or Losses on Pension Assets and Liabilities	**10a**			(47,848)
		444,013	**Other Comprehensive Income and Expenditure**				**(47,846)**
		500,828	**Total Comprehensive Income and Expenditure**				**(137,337)**

BALANCE SHEET

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

01-Apr-09 £000	Restated 31-Mar-10 £000		Note	31-Mar-11 £000
50,964	55,497	Property, Plant and Equipment	**13**	55,180
0	0	Investment Property		0
1,192	1,470	Intangible Assets	**14**	1,221
0	0	Assets Held for Sale (>1 yr)		0
0	0	Long-Term Investments		0
0	0	Long-Term Debtors		0
52,156	**56,967**	**Long-Term Assets**		**56,401**
33,000	17,032	Short-Term Investments	**21**	25,627
295	209	Inventories	**16**	218
14,365	12,640	Short-Term Debtors	**17**	12,955
(10)	7,402	Cash and Cash Equivalents	**18**	7,449
158	0	Assets Held for Sale (< 1 yr)		0
47,808	**37,283**	**Current Assets**		**46,249**
(580)	(658)	Short-Term Borrowing	**21**	(653)
(225)	(332)	Other Short-Term Liabilities	**25**	(671)
(19,245)	(16,227)	Short-Term Creditors	**20**	(15,464)
(334)	(755)	Short-Term Provisions	**26**	(1,331)
(20,384)	**(17,972)**	**Current Liabilities**		**(18,119)**
0	0	Long-Term Creditors		0
(742)	(795)	Long-Term Provisions	**26**	(575)
(9,745)	(9,198)	Long-Term Borrowing	**21**	(8,652)
(962,879)	(1,460,900)	Other Long-Term Liabilities	**11/25**	(1,332,417)
0	0	Donated Assets Account		0
(35)	(35)	Capital Grants Receipts in Advance	**7**	(200)
(973,401)	**(1,470,928)**	**Long-Term Liabilities**		**(1,341,844)**
(893,821)	**(1,394,650)**	**Net Assets/(Liabilities)**		**(1,257,313)**
30,462	29,088	Usable Reserves	**28**	41,202
(924,283)	(1,423,738)	Unusable Reserves	**29**	(1,298,515)
(893,821)	**(1,394,650)**	**Total Reserves**		**(1,257,313)**

MOVEMENT IN RESERVES STATEMENT 2009/10 RESTATED

This Statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and other reserves. The 'Surplus or (Deficit) on the Provision of Services' line shows the true economic cost of providing the authority's services, more details of which are shown in Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Reserve Balance for Council Tax setting. The 'Net increase /Decrease before Transfers to Earmarked Reserves' line shows the statutory General Reserve Balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

	Note	General Reserve Balance £000	Earmarked Reserves £000	Usable Capital Receipts Reserve £000	Capital Grant Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
			28			28	29	
Balance as at 31 March 2009		**3,000**	**21,954**	**0**	**5,508**	**30,462**	**(924,283)**	**(893,821)**
Surplus or (deficit) on the provision of services (accounting basis)		(56,815)	0	0	0	(56,815)	0	(56,815)
Other comprehensive income and expenditure		0	0	0	0	0	0	0
Total Comprehensive Income and Expenditure		(56,815)	0	0	0	(56,815)	0	(56,815)
Adjustments between accounting basis and funding basis under regulations								
- Depreciation and Impairment of non-current assets		11,900				11,900	(11,900)	0
- Capital grants and contributions credited to the CIES		(2,922)			2,922	0	0	0
- Revenue Expenditure funded from capital under statute		7				7	(7)	0
- Net gain or loss on sale of non-current assets		283				283	(283)	0
- Amount by which pension costs calculated in accordance with the code		51,426				51,426	(51,426)	0
(IAS19) are different from the contributions due under the pension scheme						0	0	0
- Amount by which council tax income included in the CIES is different		(178)				(178)	178	0
from the amount taken to the General Reserve in accordance with regulation						0	0	0
- Statutory provision for repayment of debt		(638)				(638)	638	0
- Capital expenditure charged to the General Reserve Balance		(894)				(894)	894	0
- Any voluntary provision for repayment of debt		(14)				(14)	14	0
- Charges for employee benefits		(114)				(114)	114	0
Total Adjustments between accounting basis and funding basis		**58,856**	**0**	**0**	**2,922**	**61,778**	**(61,778)**	**0**
Net Increase / Decrease before Transfers to Earmarked Reserves		**2,041**	**0**	**0**	**2,922**	**4,963**	**(61,778)**	**(56,815)**
Transfers to or from Earmarked Reserves		(1,741)	(628)	0	(3,968)	(6,337)	(437,677)	(444,014)
Increase or (Decrease) in Year		**300**	**(628)**	**0**	**(1,046)**	**(1,374)**	**(499,455)**	**(500,829)**
Balance as at 31 March 2010 carried forward		**3,300**	**21,326**	**0**	**4,462**	**29,088**	**(1,423,738)**	**(1,394,650)**

CASHFLOW

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

Restated 31-Mar-10 £'000		Note	31-Mar-11 £'000
56,815	Net (Surplus) or Deficit on the Provision of Services		**(89,491)**
	Adjust Net (Surplus) or Deficit on the Provision of Services for Non-cash Movements		
(11,479)	Depreciation of Non-Current Assets		(5,322)
0	Impairment and Downward Valuations of Non-Current Assets		-
(421)	Amortisation of Intangible Assets		(491)
0	Amortisation of Government Grant and Other Contributions		-
0	Increase in Impairment Provisions for Bad Debts		-
2,767	(Increase)/Decrease in Creditors		(69)
(582)	Increase/(Decrease) in Debtors		43
(85)	Increase/(Decrease) in Inventories		9
(51,426)	Pension Liability		79,963
(283)	Carrying Amount of Non-Current Assets Sold		(317)
(474)	Contributions to Provisions		(357)
0	Other Non-Cash Items Charged to the Net Surplus or Deficit on the Provision of Services		-
(61,983)			**73,459**
	Adjust for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing activities		
0	Purchase of Short-Term and Long-Term Investments		0
0	Proceeds from Short-Term and Long-Term Investments		0
2,922	Proceeds from the Sale of Property, Plant and Equipment, Investment Property. Capital Grants.		2,497
2,922			**2,497**
(2,246)	**Net Cash Flows from Operating Activities**	**30**	**(13,535)**
	Investing Activities		
14,344	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets		6,438
(15,968)	Purchase of Short-Term and Long-Term Investments		8,595
0	Other Payments for Investing Activities		0
(163)	Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets		(46)
(4,072)	Capital Grants and contributions		(2,383)
0	Proceeds from Short-Term and Long-Term Investments		-
0	Other Receipts from Investing Activities		-
(5,859)	***Net Cash Flows from Investing Activities***		**12,604**
	Financing Activities		
0	Cash Receipts of Short and Long-Term Borrowing		-
0	Other Receipts from Financing Activities		-
225	Cash Payments for the Reduction of the Outstanding Liability Relating to a Finance Lease		332
468	Repayments of Short and Long-Term Borrowing		552
693	***Net Cash Flows from Financing Activities***		**884**
(7,412)	**Net (Increase) or Decrease in Cash and Cash Equivalents**		**(47)**
(10)	Cash and Cash Equivalents at the Beginning of the Reporting Period	**18**	7,402
7,402	Cash and Cash Equivalents at the End of the Reporting Period	**18**	**7,449**

Notes to the Accounts

Note 1 Notes on Transition to IFRS

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS-based Code has resulted in the restatement of various balance and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10.

An explanation of the differences between the amounts presented in the 2009/10 financial Statements and the equivalent amounts presented in the 2010/11 financial statements is set out in the following tables and notes that accompany the tables.

Reconciliations of net worth reported under previous GAAP to net worth under IFRS at the date of Transition (1 April 2009)

Balance Sheet Headings	Previous GAAP £'000	Effect of transition to IFRS					IFRS £'000
		PFI £'000 (1)	Employee Benefits £'000 (2)	Grants £'000 (3)	Pensions £'000 (4)	Other £'000 (5)	
Property,Plant & Equipment	51,127					(163)	50,964
Investment Property	0						0
Intangible Assets	1,187					5	1,192
Assets held for Sale (>1yr)	0						0
Long Term Investments	0						0
Long Term Debtors	0						0
Long Term Assets	**52,314**	**0**	**0**	**0**	**0**	**(158)**	**52,156**
Short term Investments	34,426					(1,426)	33,000
Assets held for sale (<1yr)	0					158	158
Inventories	295						295
Short Term Debtors	14,365						14,365
Cash & Cash Equivalents	1,024					(1,034)	(10)
Current Assets	**50,110**	**0**	**0**	**0**	**0**	**(2,302)**	**47,808**
Short Term Borrowing	(580)						(580)
Short Term Liabilities	(86)	(139)					(225)
Short Term Creditors	(16,473)		(3,180)	408			(19,245)
Short Term Provisions	0					(334)	(334)
Cash overdrawn	(2,460)					2,460	0
Current Liabilities	**(19,599)**	**(139)**	**(3,180)**	**408**	**0**	**2,126**	**(20,384)**
Long Term Creditors	0						
Long Term Provisions	(1,076)					334	(742)
Long Term Borrowing	(9,745)						(9,745)
Long Term Liabilities	(943,740)	1,011			(20,150)		(962,879)
Government Grants Deferred	(8,855)			8,855			0
Government Grants Unapplied	(5,543)			5,543			0
Capital Grants Receipts in Advance				(35)			(35)
Long Term Liabilities	**(968,959)**	**1,011**	**0**	**14,363**	**(20,150)**	**334**	**(973,401)**
Net Assets	**(886,134)**	**872**	**(3,180)**	**14,771**	**(20,150)**	**0**	**(893,821)**
Capital Grants Unapplied	0			5,508			5,508
Other usable reserves	24,546			408			24,954
Usuable Reserves	**24,546**	**0**	**0**	**5,916**	**0**	**0**	**30,462**
Capital Adjustment Account	14,393	872		8,855			24,120
Accumulated Absences Account	0		(3,180)				(3,180)
Other Unusable Reserves	(925,073)				(20,150)		(945,223)
Unusable Reserves	**(910,680)**	**872**	**(3,180)**	**8,855**	**(20,150)**	**0**	**(924,283)**
Total Reserves	**(886,134)**	**872**	**(3,180)**	**14,771**	**(20,150)**	**0**	**(893,821)**

Reconciliations of net worth reported under previous GAAP to net worth under IFRS at the end of the latest period presented in the most recent financial statements under previous GAAP(31 March 2010)

Balance Sheet Headings	Previous GAAP £'000	Effect of transition to IFRS					IFRS £'000
		PFI £'000 (1)	Employee Benefits £'000 (2)	Grants £'000 (3)	Pensions £'000 (4)	Other £'000 (5)	
Property,Plant & Equipment	55,507					(10)	55,497
Investment Property	0						0
Intangible Assets	1,460					10	1,470
Assets held for Sale (>1yr)	0						0
Long Term Investments	0						0
Long Term Debtors	0						0
Long Term Assets	**56,967**	**0**	**0**	**0**	**0**	**0**	**56,967**
Short term Investments	25,388					(8,356)	17,032
Assets held for sale (<1yr)	0						0
Inventories	209						209
Short Term Debtors	12,640						12,640
Cash & Cash Equivalents	1,120					6,282	7,402
Current Assets	**39,357**	**0**	**0**	**0**	**0**	**(2,074)**	**37,283**
Short Term Borrowing	(658)						(658)
Short Term Liabilities	(181)	(151)					(332)
Short Term Creditors	(13,551)		(3,066)	390			(16,227)
Short Term Provisions	0					(755)	(755)
Cash overdrawn	(2,074)					2,074	0
Current Liabilities	**(16,464)**	**(151)**	**(3,066)**	**390**	**0**	**1,319**	**(17,972)**
Long Term Creditors	0						
Long Term Provisions	(1,550)					755	(795)
Long Term Borrowing	(9,198)						(9,198)
Long Term Liabilities	(1,426,802)	1,162			(35,260)		(1,460,900)
Government Grants Deferred	(10,065)			10,065			0
Government Grants Unapplied	(4,497)			4,497			0
Capital Grants Receipts in Advance				(35)			(35)
Long Term Liabilities	**(1,452,112)**	**1,162**	**0**	**14,527**	**(35,260)**	**755**	**(1,470,928)**
Net Assets	**(1,372,252)**	**1,011**	**(3,066)**	**14,917**	**(35,260)**	**0**	**(1,394,650)**
Capital Grants Unapplied	0			4,462			4,462
Other usable reserves	24,236			390			24,626
Usuable Reserves	**24,236**	**0**	**0**	**4,852**	**0**	**0**	**29,088**
Capital Adjustment Account	8,815	1,011		10,065			19,891
Accumulated Absences Account	0		(3,066)				(3,066)
Other Unusable Reserves	(1,405,303)				(35,260)		(1,440,563)
Unusable Reserves	**(1,396,488)**	**1,011**	**(3,066)**	**10,065**	**(35,260)**	**0**	**(1,423,738)**
Total Reserves	**(1,372,252)**	**1,011**	**(3,066)**	**14,917**	**(35,260)**	**0**	**(1,394,650)**

Reconciliation to Total Comprehensive Income and Expenditure under IFRS for the latest period in the most recent Annual Financial Statements (Year Ended 31 March 2010).

Comprehensive Income and Expenditure Statement (CIES)	Previous GAAP £'000	Effect of transition to IFRS					IFRS £'000
		PFI £'000 (1)	Employee Benefits £'000 (2)	Grants £'000 (3)	Pensions £'000 (4)	Other £'000 (5)	
Cost of Police Services	**165,312**	0	(113)	2,774	660	0	**168,633**
Other Operating Income	482						482
Financing and Investment Income and Expenditure	65,760	(139)			1,390		67,011
Taxations and Non-Specific Grant Income	(176,389)			(2,922)			(179,311)
(Surplus) or Deficit on Provision of Services	**55,165**	**(139)**	**(113)**	**(148)**	**2,050**	**0**	**56,815**
Surplus or deficit on revaluation of non current assets	(2,913)						(2,913)
Actuarial gains/losses on pension assets/liabilities	433,866				13,060		446,926
Other Comprehensive Income and Expenditure	**430,953**	**0**	**0**	**0**	**13,060**	**0**	**444,013**
Total Comprehensive Income and Expenditure	**486,118**	**(139)**	**(113)**	**(148)**	**15,110**	**0**	**500,828**

(1) PFI - This is an adjustment to the PFI liability for a misstatement in last years Accounts for PFI under IFRS.

(2) Employee Benefits – This refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Authority. These benefits include annual leave, Time off in Lieu and flexi leave.

Employees build up an entitlement to benefits as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render services that increase their entitlement to future compensated absences. As a result, the Authority is required to accrue for any annual leave and similar benefits earned but not taken at 31 March each year. Under the previous accounting arrangements, no such accrual was required.

The government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

(3) Grants (Capital) – Under the Code, grants and contributions for capital schemes are recognised when they become receivable. Previously, grants were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund.

As a consequence of adopting the accounting policy required by the code, the financial statements have been amended as follows:

- The balance on the Government Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 Balance Sheet.
- Portions of government grants deferred were previously recognised as income in 2009/10; these have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.
- Were a grant has been received in 2009/10 but not used, previously, no income was recognised in respect of this grant, which was shown in the Grants Unapplied Account within the Liabilities section of the Balance Sheet. Following the change in accounting policy, the grant is recognised in full, and transferred to the Capital Grants Unapplied Account within the Reserves section of the Balance Sheet.

- Any capital grants were the conditions of the grant have not been met are shown under Capital Grants Receipts In Advance.

- There is no change to the General Reserve balance, as capital grant is transferred out of the General Reserve under both the previous and current accounting policies.

Grants (Revenue) – all revenue grants and contributions have been reviewed to whether they had conditions attached to them. All income from grants, contributions and donations should be recognised as income in the year they are received unless they have conditions attached to them that will require the monies to be returned to the giver. In previous years some grants and contributions have been treated as receipts in advance when under IFRS these should be treated as income in the year. These entries have been reversed but a corresponding entry to usable reserves has been made.

(4) Pensions – Under IFRS any obligation arising from long-term employee benefits that depend on length of service need to be recognised when the service is rendered. As injury awards under the Police schemes are dependant on service the liability expected to arise due to injury awards in respect of service prior to the valuation have been valued. This has been done using historic injury data from Police Authorities to determine the expected incidence and size of future injury award. The liability arising from injury awards has been restated for previous years. The gratuity lump sum paid on injury is not dependant on service and so has not been recognised as service is rendered.

(5) Other – These are reclassifications in the balance sheet for the following:

- Cash and Cash Equivalents – Items have been moved from Cash Overdrawn and Temporary Investments in line with the accounting policy for Cash and Cash Equivalents.

- Property, Plant and Equipment – Items have been moved from Property, Plant and Equipment to Intangible Assets or Assets Held for Sale in line with the IFRS definitions as shown in the Accounting Policies.

- Provisions - Under the IFRS code provisions have been split between short and long term provisions. Short Term Provisions is less than one year.

Note 2 Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement has been prepared using the service expenditure analysis for Police Services as detailed in the Best Value Accounting Code of Practice (BVACOP).

The following table is intended to aid the reader in understanding where the money is spent and in making comparisons between Forces in terms of the type of expenditure incurred.

Comprehensive Income and Expenditure		
£'000 2009/10	**Expenditure**	**£'000 2010/11**
88,047	Police Pay & Allowances	87,288
44,589	Police Staff Pay & Allowances	44,941
390	Other Pay and allowances	396
1,485	Other Employee Expenses	1,610
18,080	Police Pensions (Current Cost)	33,270
7,315	Premises	6,882
4,388	Transport	4,093
14,934	Supplies & Services	13,589
3,980	Agency & Contracted Services	3,033
0	Central, Departmental & Technical Support	0
5,017	Depreciation & Debt Financing	5,764
6,798	Impairments/Revaluations	0
7	Revenue Expenditure Funded from Capital under Statute	2
0	Non Distributed Costs	(160,125)
195,030	**Gross Operating Expenditure**	**40,743**
(26,397)	Income from fees/charges and Special Government Grant	(26,038)
168,633	**Cost of Services**	**14,705**

Note 3 Leases

Authority as Lessee – Operating Leases

Equipment

The Authority has a contract for Hired Photocopiers which was renewed from December 2009 for five years. In 2010/11, £47,677 was spent on rental payments (£48,676 in 2009/10). The Authority also makes rental payments for Livescan units (an electronic system for taking fingerprints), this was originally piloted at Ripley custody unit and was rolled out across the Force under a five year contract. In 2010/11 £72,174 was spent on rental payments (£105,000 in 2009/10).

As at 31st March 2011, outstanding commitments in respect of Equipment leases were: -

	£'000
Within 12 Months	129
Later than 1 year and not later than 5 years	452

Land and Buildings

The Authority leases a number of buildings, which have been accounted for as an operating lease. In 2010/11, £525,249 was paid for the lease of land and buildings (£540,373 in 2009/10). The majority of these leases are less than £10,000 per annum.

As at 31st March 2011, outstanding commitments in respect of property leases were: -

	£'000
Within 12 Months	580
Later than 1 year and not later than 5 years	1,828
More than 5 years	3,317

Authority as Lessor – Operating Leases

The Authority acts as lessor for a number of offices and rent received for these properties in 2010/11 was £1,170 (£1,231 in 2009/10). A further £139,052 was received for mast rental (£124,542 in 2009/10).

Authority as Lessee and Lessor – Finance Leases

The Authority has no Finance Leases.

Note 4 Members' Remuneration

The Authority paid the following amounts to its members during the year:

	2009/10 £,000	**2010/11 £,000**
Allowances (inc NI)	244	250
Expenses	24	21
Total	**268**	**271**

Note 5 Officers Remuneration

The table below provides disclosure of the remuneration of Senior Officers and relevant Police Officers whose salary is less than £150,000 but more than £50,000 or more per year.

Remuneration is all amounts paid to or receivable by a person, and includes sums due by way of expenses allowance (so far as those sums are chargeable to United Kingdom income tax), and the estimated money value of any other benefits received by an employee otherwise than in cash.

Post Holder Information	Note	Total Remuneration 2009/10 £	Salary £	Allowances £	Other payments £	Benefits in kind £	Employer pension £	Total Remuneration 2010/11 £
Chief Constable (CC)	**1**	**199,363**	166,722	10,775	972	2,824	19,290	**200,583**
Deputy CC	**2**	**151,665**	127,572	9,723	972	4,852	27,487	**170,606**
Deputy CC Collaboration		**N/A**	113,582	4,935	972	2,910	27,487	**149,886**
Assistant CC Crime and Territorial Policing	**3**	**136,563**	62,308	4,320	2,903	3,394	15,079	**88,004**
Assistant CC Operational Support		**130,572**	98,756	10,285	972	3,776	23,899	**137,688**
Assistant CC Special Branch (secondment)	**4**	**128,189**	101,495	8,608	125	(489)	23,543	**133,282**
Director of Finance		**113,695**	89,492	7,000	987		14,408	**111,887**
Chief Executive Police Authority		**96,872**	76,839	7,000	684		12,371	**96,894**
Treasurer Police Authority	**5**	**60,502**	49,755		285	129	7,741	**57,910**
Chief Sup Corp Services/ Temp ACC	**6**	**111,742**	78,026	8,214		982	18,882	**106,104**
Chief Sup Crime Support/ Temp ACC	**7**	**107,578**	86,242	8,094		294	20,265	**114,895**

Note 1 - Included in Salary figure for the Chief Constable for 2009/10 is a bonus of £17,057 which has been approved but not taken and a bonus of £20,349 in 2010/11 again with was approved but not taken.
Note 2 - Included in 2010/11 salary figure for the Deputy Chief Constable is a bonus of £13,990 which has been approved but not taken.
Note 3 - ACC Crime and Territorial Policing is a pro rata salary as appointment was made on 25 August 2010 equivalent annual salary would be £93,753.
Note 4 - ACC Special Branch is a secondment to ACPO TAM and costs are fully recovered. This post is also showing a negative benefit in kind as there is a tax/NI refund due from HMRC due to the high proportion of business use of a force vehicle in 2010/11.
Note 5 - Treasurer for Police Authority is a part time appointment the full time equivalent salary is £80,140.
Note 6 - Chief Supt Corporate Services carried out the role of Temporary ACC between 1/4/10 to 6/4/10 full salary details for the whole year have been shown.
Note 7 - Chief Supt Crime Support carried out the role of Temporary ACC between 1/4/10 to 30/9/10 full salary details for the whole year have been shown.

The disclosure below details salary of Police Staff and Senior Police Officers (over and above the rank of Superintendent) receiving more than £50,000 remuneration for the year (excluding employer's pension contributions). This excludes the officers shown in the above table.

Remuneration Band	No. Of Employees 2009/10	No. Of Employees 2010/11
£50,000 - £54,999	3	5
£55,000 - £59,999	1	1
£60,000 - £64,999	1	2
£65,000 - £69,999	-	1
£70,000 - £74,999	-	1
£75,000 - £79,999	3	2
£80,000 - £84,999	3	2
£85,000 - £89,999	1	2
£90,000 - £94,999	1	-
TOTAL	**13**	**16**

Please note that the above figures for 2009/10 have been restated to only include Police Staff and Senior Police Officers over and above the rank of Superintendent. In previous years all staff and officers earning over £50,000 had been included in this note.

Note 6 External Audit Fees

In 2010/11 external audit was carried out by the Audit Commission, under the Audit Commission's Code of Audit Practice in accordance with section 5 of the Audit Commission Act 1998. The Audit Fee for 2010/11 was £82,500 (£78,000 in 2009/10). Detailed below: -

	2009/10 £'000	2010/11 £'000
Use of Resources	32	32
Financial Statements	46	50.5
	78	**82.5**
Other audit work	0	0
TOTAL	**78**	**82.5**

Note 7 Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement.

GRANTS, CONTRIBUTIONS AND DONATIONS	2009/10 £'000	2010/11 £'000
DCLG Grants		
Private Finance Initiative – Ilkeston	348	348
Private Finance Initiative – Derby	2,387	2,387
	2,735	**2,735**
Home Office Grants		
Crime Fighting Fund – Additional Officers	4,544	4,544
Additional Rule 2 Grant	2,567	970
Neighbourhood Policing Grant	3,631	3,681
East Midlands Counter-Terrorism Intelligence Unit	4,403	4,247
East Midlands Counter-Terrorism Intelligence Unit – Live Ex 2011	0	43
Safety Camera Project and Road Safety	1,082	911
BCU Funding	615	615
Loan Charges Grant	5	5
Grant towards specific operations	45	71
Football Policing Initiative	41	25
Special Branch – Prison Intelligence Officer	52	54
Specials Co-ordinator	18	9
Financial Investigation Doctrine Pilot	201	203
Channel Project	68	124
Security Grant	155	236
Prevent funding	360	328
POCA Simulation Monitoring	0	1,150
Other Home Office Grants	116	282
Criminal Justice Board & No Witness No Justice	319	119
Regional Grants – EMSOU	485	457
Total Grants	**21,442**	**20,809**
Contributions and Donations	1,580	1,221
Total Grants, Contributions and donations	**23,022**	**22,030**

The Authority has received a number of grants related to capital expenditure that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the source of the funds if the conditions are not met. These amounts are held within the Capital Grants Receipts in Advance Account and are as follows:

Capital Grants and Receipts in Advance	2009/10 £000	2010/11 £000
CTIU Grant	35	0
Mobile Data Grant	0	200
Total	**35**	**200**

The Police & Magistrates Court Act 1994 permits the Police Authority to accept gifts of money, and gifts or loans of other property. This can supplement Policing Activities. In accordance with the Financial Management Code of Practice a Register of such items is maintained. In 2010/11 the amount 'gifted' to the Force under this scheme was £3,000 compared to £2,238 for 2009/10 this amount is included under Contributions and Donations above.

Note 8 Jointly Controlled Operations

East Midlands Special Operations Unit (EMSOU)

The East Midlands Special Operations Unit (EMSOU) was formed on the 1 January 2003 and is responsible for undertaking special operations across Nottinghamshire, Leicestershire, Derbyshire, Lincolnshire and Northamptonshire. Leicestershire act as the lead authority.

Derbyshire contributes 22% to the net revenue budget of the EMSOU, this is included in the Forces Income and Expenditure Account. The contribution in 2010/2011 was £0.944m.

The following table show the accounts for the Jointly controlled operation together with the balances attributable to Derbyshire.

31 March 2010			31 March 2011	
EMSOU	**Derbyshire Police**	**Comprehensive Income and Expenditure Statement**	**EMSOU**	**Derbyshire Police**
£'000	**£'000**		**£'000**	**£'000**
2,835	624	Employees' Expenses	4,095	901
775	171	Premises	729	160
334	73	Transport	393	86
1,519	334	Supplies and Services	1,325	292
534	117	Capital Charges	543	120
5,997	**1,319**	**Gross Operating Expenditure**	**7,085**	**1,559**
(455)	(100)	Other Income	(326)	(72)
(1)	(0)	Profit and loss on disposal of Fixed Assets	(8)	(2)
5,541	**1,219**	**Net Operating Expenditure**	**6,751**	**1,485**
		Financed by:-		
(3,106)	(683)	Contributions from Partners	(4,293)	(944)
(2,203)	(485)	External Grants	(2,077)	(457)
232	**51**	**(Surplus) / Deficit for the year**	**381**	**84**

Air Support Unit

The North Midlands Helicopter Support Unit (NMHSU) is based at Derbyshire's Police Headquarters. The unit is a consortium funded on a 50:50 split basis by Derbyshire & Nottinghamshire forces. This is based on a set number of flying hours by each Force and in both 2009/10 and 2010/11, neither Force flew excess hours. The Derbyshire contribution for 2010/11 amounted to £0.521m.

North Midlands Helicopter Support Unit Statement of Accounts		
£'000 2009/10	**Expenditure**	**£'000 2010/11**
14	Employee Related Expenditure	13
29	Premises	23
620	Transport Related Expenses	634
335	Supplies & Services	344
85	Capital Financing Costs	48
1,083		**1,062**
	Less Income	
-	Sponsorship	-
(49)	Other	(20)
(49)		(20)
1,034	**Net Expenditure**	**1,042**
	Funded By:	
517	Derbyshire Constabulary	521
517	Nottinghamshire Constabulary	521
1,034		**1,042**

Note 9 Related Party Transactions

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority.

Disclosure of these transactions allows readers to assess the extent to which the Authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority.

Central Government
Central Government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (eg council tax bills). Grants received from government departments are summarised below:

Central Government	**Receipts £'000**
Revenue Support Grant	6,225
Non Domestic rate income	42,871
Police Grant	67,057
Pensions Grant	10,096
Other Government Grant (see note 7)	20,809

Members and officers
Members of the Authority have direct control over the Authority's financial and operating policies. The total of members' allowances paid in 2010/11 is shown in Note 4. Members declare any interests which are recorded in the Register of Members' Interest.

Certain senior officers might also be in a position to influence significantly the policies of the Authority.

No related party transactions have been identified following the consultation with members and relevant officers.

Other Public Bodies
The Authority participates in two Joint Arrangements with other neighbouring Police Authorities. The transactions have been disclosed elsewhere within the notes to the accounts.

In addition to the above, the Authority also has transactions during the year with other Local Authorities and Public Bodies. The material transactions are shown below:

	Payments £'000	**Receipts £'000**
Local Authority Precepts		
Precepts and surpluses (including accruals)		53,892
Local Authorities		
Derbyshire County Council	1472	295
Derby City Council	402	245

Note 10 Accounting for Pension Costs (a)

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

The Authority participates in two post-employment schemes: -

- **The Local Government Pension Scheme (LGPS)** for the Authority's police staff is a defined benefit scheme. It is a funded scheme which is administered by Derbyshire County Council. Pensions and other retirement benefits, based on final salaries, are paid from the fund. Employers and employees make regular contributions into the fund so that the liabilities are paid for evenly over the employment period.

Actuarial valuations of the fund are undertaken every three years to determine the contribution rates needed to meet its liabilities. A valuation was undertaken during 2010/11 for the period commencing 1 April 2011 and the next valuation will be in 2013/14 for the period commencing 1 April 2014.

The 2010/11 employer contribution of £6,107k consisted of £5,591k in 'regular' contributions representing 16.1% of gross pay and £516k in additional one-off contributions towards early retirements. This is in line with pension costs necessary to be provided in accordance with IAS19 "Employee Benefits".

In addition to contributions to the Pension fund the Police Authority is responsible for compensation payments in the form of "added years" awarded on premature retirement. In 2010/11 these amounted to £34k.

Further information can be found in the County Council's Pension Fund Statement of Accounts, which is available upon request from Derbyshire County Council.

- **The Police Pension Scheme** for police officers is an unfunded single employer defined benefit scheme. This means it provides pensions and other retirement benefits for police officers based on final salaries but there are no investment assets built up to meet the pensions liabilities. Two schemes are operated. The 1987 Police Pension Scheme is based on a maximum pensionable service of 30 years, whilst the 2006 New Police Pension Scheme (effective for police officers commencing from April 2006 onwards) is based on a maximum pensionable service of 35 years.

  From April 2006 the method of financing Police Officers pensions changed. A new Pensions Account was set up from this date. Officers' contributions and an employer's contribution are paid into the pensions account from which pension payments are made. The account is topped up each year by the Home Office if the contributions in that year are insufficient to meet the cost of pensions paid. Any surplus is repaid to the Home Office.

  For 2010/11 a Top up grant of £10,096k was received from the Home Office and the employer's contributions to the account amounted to £17,598k, representing 24.2% of pensionable salary. The rate from 1 April 2011 is again 24.2% and this will be reviewed by the Government Actuary's Department during 2011/12 for the period commencing 1 April 2012. In addition, payments were made into the Pensions Fund Account totalling £287k to reimburse the costs of benefits becoming payable early due to ill-health retirement. Injury-related payments amounted to £1,595k and these were paid from the Authority's Income and Expenditure Account. The Pensions Fund Account is shown on page 55.

Transactions relating to post-employment benefits (b)

Under IAS 19 we recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Reserve via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Reserve Balance via the Movement in Reserves Statements during the year: -

	Local Government Pension Scheme £'000		Police Pension Schemes £'000			
	2009/10	2010/11	2009/10	2010/11		
Comprehensive I&E Statement			**Total**	**1987 scheme**	**2006 scheme**	**Total**
Cost of Services						
• current service cost *	3,635	6,089	18,080	29,230	4,040	33,270
• past service cost/(gain)	-	(9,632)	-	(149,430)	(2,040)	(151,470)
• curtailments		977	-			
Financing and Investment Income and Expenditure						
• Interest cost	7,454	9,155	62,920	73,110	1,050	74,160
• Expected return on scheme assets	(4,707)	(6,795)	-			
Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services	**6,382**	**(206)**	**81,000**	**(47,090)**	**3,050**	**(44,040)**
Other Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement						
• Actuarial (gains) and losses	22,766	(9,718)	424,160	(38,780)	650	(38,130)
Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	**29,148**	**(9,924)**	**505,160**	**(85,870)**	**3,700**	**(82,170)**
Movement in Reserves Statement Expenditure						
• Reversal of net charges for post employment benefits in accordance with the code	(29,148)	9,924	(505,160)	85,870	(3,700)	82,170
Actual amount charged against the General Reserve Balance for pensions in the year						
• Employers' contributions payable to scheme plus added years	5,573	6,141	19,244	17,077	2,403	19,480
• Retirement benefits payable to pensioners	-		-			

*For the LGPS the current service cost is within the Police Staff Pay and Allowances figure in note 2.

The large past service gains have arisen from a change in the basis for increasing public sector pensions, as explained in Note 11. This change has also had an impact on the Current Service Cost – which is the total increase in entitlements earned by existing employees during the year. The Current Service Cost and other gains and losses are also affected by changes in the other key actuarial and financial assumptions used in projecting future pension entitlements (see note 11c for assumptions used). Firstly longevity assumptions for both current and future pensioners are increasing. Secondly, the 'discount rate' assumption has decreased over 2009/10 due to falling yields on Government bonds. This has the effect of increasing the present value of future pension payments. The actuarial gain on the assets of the Police Staff pension scheme reflect improved investment returns experienced in 2010/11

The cumulative amount of actuarial gains/losses recognised in the Comprehensive Income and Expenditure Statement to 31 March 2011 is a loss of £498m.

Note 11 Assets and Liabilities in relation to Post employment benefits (a)

Note 10 contains details of the Authority's participation in the Local Government Pensions Scheme (administered by Derbyshire County Council) and the Police Pension Scheme in providing Police staff and police officers with retirement benefits.

Reconciliation of present value of the schemes' liabilities:

	Funded liabilities: Local Government Pension Scheme £'000		Unfunded Liabilities: Pension Schemes 1987 and 2006 £'000			Police
	2009/10	2010/11	2009/10	2010/11		
			Total	1987 scheme	2006 scheme	Total
Opening Balance at 1 April	(103,489)	(158,339)	(918,209)	(1,376,096)	(16,890)	(1,392,986)
Current Service Cost	(3,635)	(6,089)	(18,080)	(29,230)	(4,040)	(33,270)
Interest on pension liabilities	(7,454)	(9,155)	(62,920)	(73,110)	(1,050)	(74,160)
Members Contributions	(2,224)	(2,161)	30,383	31,046	(1,470)	29,576
Past Service (Cost) / Gain	-	9,632	-	149,430	2,040	151,470
Curtailments	-	(977)	-			-
Actuarial Gains and (Losses)	(44,409)	7,377	(424,160)	38,780	(650)	38,130
Benefits paid	2,872	3,712	-	-	-	-
Deficit as at 31 March	**(158,339)**	**(156,000)**	**(1,392,986)**	**(1,259,180)**	**(22,060)**	**(1,281,240)**

In the UK budget statement on 22 June 2010 the Chancellor of the Exchequer announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI).

This has the effect of reducing the Authority's liabilities in the Local Government Pension Scheme by £9.632m and its liabilities in the Police Pension Schemes by a total of £151.470m. This has been recognised as a past service gain in accordance with guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact on the General Reserve.

Reconciliation of fair value of the scheme assets: -

	Local Government Pension Scheme £'000 2009/10	Local Government Pension Scheme £'000 2010/11
Opening balance at 1 April	74,002	105,277
Expected rate of return	4,707	6,795
Actuarial gains/(losses) on assets	21,643	2,341
Contributions by scheme participants	5,573	6,141
Member contributions	2,224	2,161
Benefits/transfers paid	(2,872)	(3,712)
Deficit as at 31 March	**105,277**	**119,003**

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 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 including expected return on plan assets in the year was a gain of £9,136k (2009/10 a gain of £26,350k)

Scheme History (b)

	2006/07 £'000	2007/08 £'000	2008/09 £'000	2009/10 £'000	2010/11 £'000
Present value of Liabilities					
Local Government Pension Scheme	(108,216)	(121,556)	(103,489)	(158,339)	(156,000)
Police Pension Schemes	(1,092,079)	(965,415)	(918,209)	(1,392,986)	(1,281,240)
Fair value of assets					
Local Government Pension Scheme	80,819	84,424	74,002	105,277	119,003
Surplus/(Deficit) in the scheme					
Local Government pension scheme	(27,397)	(37,132)	(29,487)	(53,062)	(36,997)
Police Pension Schemes	(1,092,079)	(965,415)	(918,209)	(1,392,986)	(1,281,240)
Total	(1,119,476)	(1,002,547)	(947,696)	(1,446,048)	(1,318,237)

The liabilities show the underlying long-term commitments that the Authority has to pay for post-employment (retirement) benefits. The total liability of £1,318,237k has a substantial impact on the net worth of the Authority as recorded in the balance sheet, resulting in a negative overall balance of £1,257,313k for the Authority. Some £1,281,240 of this overall deficit relates to the Police Pension Scheme, which is now a centrally funded scheme administered and underwritten by HM Government. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains stable:-

- the deficit on the local government scheme will be made good by contributions over the remaining working life of employees (ie before payments fall due), as assessed by the scheme actuary.

- As stated in Note 10, the method of financing Police Officers pensions changed from April 2006. These changes, and the fact that the employer contribution rate will be assessed on a regular basis to ensure that it accurately reflects the cost of the scheme, creates a more stable environment for Police Officer pensions.

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2012 are £6,266k. Expected contributions for the Police Pension Scheme in the year to 31 March 2012 are £27,389k.

Basis for estimating assets and liabilities (c)
Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary rates etc. Under the projected unit method, the current service cost will increase as the members of the scheme approach retirement for the local government and police pension schemes.

The Police officer scheme has been assessed by the Government Actuary Department (GAD) and the local government scheme has been assessed by Mercer Human Resource Consulting Limited, an independent firm of actuaries - estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2010.

The main assumptions used in their calculations have been: -

	Local Government Pension Scheme		**Police Pension Schemes**	
	2009/10	**2010/11**	**2009/10**	**2010/11**
Long-term expected rate of return on assets in the Scheme	**%**	**%**	**%**	**%**
Equities	7.5	7.5	n/a	n/a
Government Bonds	4.5	4.4	n/a	n/a
Other Bonds	5.2	5.1	n/a	n/a
Property	6.5	6.5	n/a	n/a
Cash/Liquidity	0.5	0.5	n/a	n/a
Other	7.5	7.5	n/a	n/a
Mortality assumptions:	**Years**	**Years**	**Years**	**Years**
Longevity at 65 for current pensioners:				
Men	21.2	21.7	23.9	24.1
Women	24.1	24.3	27.1	27.3
Longevity at 65 for future pensioners				
Men	22.2	23.1	26.0	26.1
Women	25.0	25.9	29.1	29.2
Financial Assumptions	**%**	**%**	**%**	**%**
Rate of RPI inflation	3.5	3.4	3.9	3.8
Rate of CPI inflation	3.0	2.9		3.0
Rate of increase in salaries	5.0	4.7	5.4	5.3
Rate of increase in pensions	3.5	2.9	3.9	3.0
Rate for discounting scheme liabilities	5.7	5.5	5.8	5.7
Take up option to convert annual pension into retirement grant	50	50		

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

	31 March 2010 %	31 March 2011 %
Equities	68.0	68.5
Government Bonds	14.6	6.8
Other Bonds	5.8	5.6
Property	5.1	5.1
Cash/liquidity	5.8	6.3
Other	0.7	7.7
Total	**100.0**	**100.0**

The market value of total fund assets was £2,574 million as at 31 December 2010 compared to £2,238 million as at 31 December 2009

Note 12 History of experience gains and losses

The actuarial gains identified as movements on the Pension Reserve can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March. The Code requires that comparisons be made for the previous 4 years.

Local Government Pension Scheme Movement in Reserves:

	2006/07 %	2007/08 %	2008/09 %	2009/10 %	2010/11 %
Differences between the expected and actual returns on assets	0.3	7.7	28.5	20.6	2.0
Experience gains and losses on liabilities	-	1.7	30.0	28.0	4.7

The actual investment returns on fund assets during 2010/11 compared to those expected at the start of the year created a gain of £2,341k. The scheme's liabilities at the end of 2010/11 were valued using different actuarial assumptions than at the end of 2009/10. This created an 'Experience' gain of £7,377k.

Police Pension Scheme Movement in Reserves:

	2006/07 %	2007/08 %	2008/09 %	2009/10 %	2010/11 %
Differences between the expected and actual returns on assets	n/a	n/a	n/a	n/a	n/a
Experience gains and losses on liabilities	9.0	19.9	14.4	30.4	2.9

The Police Pension Scheme has no assets. The scheme's liabilities at the end of 2010/11 were valued using different actuarial assumptions than at the end of 2009/10. This created an 'Experience' gain of £38,130k.

Note 13 Property, Plant and Equipment

Movements in 2010/11

As at 31 March 2011	Operational Assets				Non Operational		
	Operational Land & Buildings	Vehicles, Plant, Furniture Equipment	PFI Schemes	Joint Arrangement EMSOU	Surplus Assets Not Held for Sale	Assets Under Construction	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
At 1 April 2010	30,325	32,845	9,829	546	0	182	**73,727**
Additions	478	3,549	132	55	0	1,153	**5,367**
Derecognition – Disposals	0	(1,387)	0	(26)	0	0	**(1,413)**
Derecognition – Other	(121)	0	0	0	0	0	**(121)**
Reclassifications to/from Assets held for sale	0	0	0	0	0	0	**0**
Reclassifications – other	29	0	153	0	0	(182)	**0**
At 31 March 2011	**30,711**	**35,007**	**10,114**	**575**	**0**	**1,153**	**77,560**
Depreciation and Impairments							
At 1 April 2010	(592)	(16,912)	(386)	(340)	0	0	**(18,230)**
Depreciation charge	(654)	(4,111)	(439)	(114)	0	0	**(5,318)**
Depreciation written out to RR	0	2	0	0	0	0	**2**
Derecognition – Disposals	0	1,068	0	22	0	0	**1,090**
Derecognition – Other	76	0	0	0	0	0	**76**
At 31 March 2011	**(1,170)**	**(19,953)**	**(825)**	**(432)**	**0**	**0**	**(22,380)**
Net Book Value							
At 31 March 2011	**29,541**	**15,054**	**9,289**	**143**	**0**	**1,153**	**55,180**
At 31 March 2010	**29,733**	**15,933**	**9,443**	**206**	**0**	**182**	**55,497**

Comparison Movements in 2009/10

As at 31 March 2010	Operational Assets				Non Operational		
	Operational Land & Buildings	Vehicles, Plant, Furniture Equipment	PFI Schemes	Joint Arrangement EMSOU	Surplus Assets Not Held for Sale	Assets Under Construction	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
At 1 April 2009	23,718	28,738	9,824	504	395	2,313	**65,492**
Additions	7,214	5,420	522	46	0	182	**13,384**
Revaluation Increases/(decreases) to RR	3,266	52	(400)	0	0	0	**2,918**
Revaluation Increases/(decreases) to SDPS	(6,581)	(100)	(117)	0	0	0	**(6,798)**
Derecognition – Disposals	0	(1,265)	0	(4)	0	0	**(1,269)**
Derecognition – Other	0	0	0	0	0	0	**0**
Reclassifications to/from Assets held for sale	0	0	0	0	0	0	**0**
Reclassifications – other	2,708	0	0	0	(395)	(2,313)	**0**
At 31 March 2010	**30,325**	**32,845**	**9,829**	**546**	**0**	**182**	**73,727**
Depreciation and Impairments							
At 1 April 2009	0	(14,292)	0	(236)	0	0	**(14,528)**
Depreciation charge	(592)	(3,592)	(386)	(107)	0	0	**(4,677)**
Derecognition – Disposals	0	972	0	3	0	0	**975**
Derecognition – Other	0	0	0	0	0	0	**0**
At 31 March 2010	**(592)**	**(16,912)**	**(386)**	**(340)**	**0**	**0**	**(18,230)**
Net Book Value							
At 31 March 2010	**29,733**	**15,933**	**9,443**	**206**	**0**	**182**	**55,497**
At 31 March 2009	**23,718**	**14,446**	**9,824**	**268**	**395**	**2,313**	**50,964**

RR = Revaluation Reserve SDPS = Surplus or Deficit on the Provision of Services

Valuation of Assets

All Land and Building assets were re-valued as at April 1st 2009.

The valuations for land and buildings were made in accordance with the Appraisal and Valuation Manual published by the Royal Institution of Chartered Surveyors. Valuations were carried out by Andrew Martin BSc MRICS and Roger Smalley BSc MRICS, Valuers, Lambert Smith Hampton.

The basis of valuation is shown in the Statement of Accounting Policies (page 12).

Vehicle information has been taken from the Vehicle Fleet Information System and IT and Communications information has been provided by the Information Services Department.

The assets of NMHSU have been split between Derbyshire and Nottinghamshire Police. The helicopter and hangar assets are shown as 50% owned by Derbyshire Police. The value of Derbyshire's share of the assets is £0.777m as at 31 March 2011 (£0.918m as at 31 March 2010). These assets are within Operational Buildings and Vehicle, Plant, Furniture and Equipment in the table above.

The balance sheet shows a share of all the EMSOU Assets. EMSOU is a joint arrangement with the other East Midland Forces. Derbyshire has a 22% share of the assets apportioned on the basis of the current resourcing model for the unit. These represent vehicle, equipment and IT assets.

1 April 2009	**31 March 2010**		**31 March 2011**	
Derbyshire Share £'000	**Derbyshire Share £'000**	**EMSOU**	**Total £'000**	**Derbyshire Share £'000**
273	216	Fixed Assets	682	150
204	209	Net Current Assets	871	192
477	**425**	**Total Net Assets**	**1,553**	**342**
		Represented by		
222	227	EMSOU Usable Reserves	956	211
255	198	EMSOU Unusable Reserves	597	131
477	**425**		**1,553**	**342**

The above information has been included in Derbyshire Police's Balance Sheet.

Additions in Year

This relates to capital expenditure in the year excluding intangible assets which is shown in Note 14.

Assets Held by the Police Authority

A brief analysis of the Authority's principal assets is set out below:

	01/04/09	**31/03/10**	**31/03/11**
Main & Divisional Headquarters	4	4	3
Section Stations	20	20	20
Police Houses	3	2	2
Child Protection unit & Rape Crisis Centre	3	3	3
Community Offices & Others	23	22	23
Radio Masts	3	3	3
Vehicles	638	591	557
Helicopter	1(50%)	1(50%)	1(50%)
EMSOU	22% of assets	22% of assets	22% of assets
PFI Buildings	2	2	2

Depreciation

The basis of depreciation is shown in the Statement of Accounting Policies (page 13).

Capital Commitments

Significant capital contracts which have been entered into by the Authority as at 31 March 2011 are: -

Voicemail and Telephony System - A contract has been awarded for the replacement of the system. The capital budget for the scheme is £1.0m, £0.743m has been spent to date. The scheme will be completed in 2011/12.

Case and Custody System Upgrade – A contract was awarded in 2010/11 for this scheme. The capital budget for the scheme is £0.619m, £0.313m has been spent in 2010/11. The upgrade will be completed in 2011/12.

Note 14 Intangible Assets

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The main purchases in 2010/11 being software licences across the force and software for Energy Management, Vehicle Seizures and the Central Contact Management Centre.

	Purchased Software Licences £'000	Purchased Software Licences EMSOU £'000	Total £'000
Balance at 1 April 2009			
Gross carrying amount	2,101	7	2,108
Accumulated amortisation	(914)	(2)	(916)
Net carrying amount 1 April 2009	**1,187**	**5**	**1,192**
Additions	694	9	703
Amortisation in year	(421)	(4)	(425)
Balance at 1 April 2010			
Gross carrying amount	2,795	16	2,811
Accumulated amortisation	(1,335)	(6)	(1,341)
Net carrying amount 1 April 2010	**1,460**	**10**	**1,470**
Additions	245	0	245
Amortisation in year	(491)	(3)	(494)
Balance at 31 March 2011	**1,214**	**7**	**1,221**

Note 15 Capital Expenditure and Capital Financing Statement

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

2009/10 £'000		2010/11 £'000
26,606	**Opening Capital Financing Requirement**	**31,781**
(873)	Restatement for PFI	
25,733	**Restated Capital Financing Requirement**	**31,781**
	Capital investment	
13,384	Property, Plant and Equipment	5,367
702	Intangible assets	245
14,086	**Total asset related expenditure**	**5,612**
-	Revenue Expenditure Funded from Capital under Statute	-
14,086	**Total Capital Investment**	**5,612**
	Sources of Finance	
(163)	Capital receipts	(46)
(3,968)	Government Grants and Contributions	(799)
-	Revenue Expenditure Funded from Capital under Statute grant financing	-
(3,907)	Revenue Provision (NB: includes MRP)	(2,704)
31,781	**Closing Capital Financing Requirement**	**33,844**

	Explanation of movements in the year	
(652)	(Decrease)/Increase in underlying need to borrow (supported by Government financial assistance)	2,197
6,700	(Decrease)/Increase in underlying need to borrow (unsupported by Government financial assistance)	(134)
6,048	**(Decrease)/Increase in Capital Financing Requirement**	**2,063**

The above represents an increase in the need to borrow less any Minimum Revenue Payments (MRP).

The Local Authorities (Capital Finance and Accounting) Regulations 2003 requires the Authority to set aside an amount from revenue each year to provide for the repayment of loans. This amount is the MRP. Authorities are required to prepare an annual statement of their policy on making MRP, in accordance with statutory guidance this should be calculated on a prudent basis. The policy for 2010/11 was

- For Supported Capital Expenditure, the MRP Policy will be based on the Capital Financing Requirement at 4% of the opening balance (Option 2).
- For unsupported borrowing the MRP policy will be based on the Asset Life Method, equal instalment over the life of the asset (Option 3)
- For PFI contracts that are deemed to be on balance sheet, the MRP requirement would be regarded as met by a charge equal to the element of the charge that goes to write down the balance sheet liability.

In 2010/11 the MRP is £0.861m (£0.638m in 2009/10 plus additional revenue provision of £0.014m).

Note 16 Inventories

The Authority holds mainly uniform stock and some miscellaneous equipment stock as follows:

Inventories	1 April 2009 £'000	31 March 2010 £'000	31 March 2011 £'000
Uniform Stock	230	196	205
Miscellaneous Equipment Stock	65	13	13
Total Inventories	**295**	**209**	**218**

Note 17 Debtors

The level of debt outstanding during 2010/11 was analysed and it was decided that it would be prudent to provide a bad debt provision of £13.5k after taking account of the current year's write-offs.

Debtors are analysed as follows and include Derbyshire's share of EMSOU debtors:-

Debtors	1 April 2009 £'000	31 March 2010 £'000	31 March 2011 £'000
Government Departments and Agencies	7,690	5,522	5,738
Local and Police Authorities	3,273	3,824	4,067
Share of Council Tax Debtors	2,109	2,293	2,144
Other Entities and Individuals	1,318	1,016	1,020
Less: Provision for Bad debts	(25)	(15)	(14)
Total Debtors	**14,365**	**12,640**	**12,955**

Note 18 Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

Cash and Cash Equivalents	1 April 2009 £'000	31 March 2010 £'000	31 March 2011 £'000
Cash held by the Authority	61	60	57
Bank current accounts	(730)	744	940
Instant access accounts with banks and building societies	0	6,000	6,000
Proceeds of Crime Cash	659	598	452
Total Cash and Cash equivalents	**(10)**	**7,402**	**7,449**

Note 19 Assets held for sale

As at 1 April 2009, the Authority held one police house (£0.158m) as an asset held for sale. This was sold in 2009/10. As at 31 March 2010 and 31 March 2011 there were no assets held for sale.

Note 20 Creditors

Creditors are analysed as follows:-

Creditors	Restated 1 April 2009 £'000	Restated 31 March 2010 £'000	31 March 2011 £'000
Government Departments and Agencies	4,140	4,041	3,608
Local and Police Authorities	1,726	760	2,108
Share of Council Tax Creditors	2,097	2,103	1,931
Other Entities and Individuals	8,102	6,257	4,769
Employee Benefits	3,180	3,066	3,048
Total Creditors	**19,245**	**16,227**	**15,464**

Note 21 Borrowing and Investments

The borrowing and investments disclosed in the Balance Sheet are

	1 April 2009			31 March 2010			31 March 2011		
	Long Term £'000	Current £'000	Total £'000	Long Term £'000	Current £'000	Total £'000	Long Term £'000	Current £'000	Total £'000
PWLB	8,903	499	9,402	8,437	577	9,014	7,971	572	8,543
Deferred Liabilities	842	81	923	761	81	842	681	81	762
Total borrowing	**9,745**	**580**	**10,325**	**9,198**	**658**	**9,856**	**8652**	**653**	**9,305**
Loans and receivables – Temporary Investments	0	33,000	33,000	0	17,032	17,032	0	25,627	25,627
Total investments	**0**	**33,000**	**33,000**	**0**	**17,032**	**17,032**	**0**	**25,627**	**25,627**

'Current' is investments and borrowing less than one year. Interest earned is charged to the Income and Expenditure Account on an accruals basis and hence Temporary investments and Short term borrowing figures on the Balance Sheet also includes interest earned but not yet paid as at 31 March 2011.

PWLB is borrowing with the Public Works Loan Board. No new loans have been raised during 2010/11. The total PWLB outstanding at the 31 March 2011 is £8,437k plus interest of £106k.

Total Deferred Liabilities outstanding at the 31 March 2011 is £762k (£842k in 2009/10). These represent the balance of loans outstanding as at 31 March 1995 which were transferred to the new Police Authority as established under the Police and Magistrates' Court Act 1994. The loans are administered by Derbyshire County Council on behalf of the Police Authority. Repayments of £81k were made in 2010/11 (£81k in 2008/09).

The repayment schedule for PWLB & Deferred Liabilities is shown in Note 24c.

Loans and receivables are surplus cash that the Police Authority invests in short-term deposits and temporary investments with a range of banks and financial institutions. Total temporary investments outstanding as at 31 March 2011 is £25,500k plus interest of £127k.

PFI finance lease liabilities are shown in Note 25.

Note 22 Interest from borrowing and investments

Interest payable on external borrowings and interest receivable on short term investments fall on the Comprehensive Income and Expenditure Statement as shown below: -

	Total 31 March 2010 £'000	Borrowings £'000	Investments £'000	Total 31 March 2011 £'000
Interest Payable and similar charges	(519)	(489)		(489)
Interest Payable on PFI Schemes	(1,249)	(1,230)		(1,230)
Interest and investment Income	424		311	311

*The Comprehensive Income and Expenditure Statement in 2010/11 also includes interest income of £3k for a backdated VAT claim.

Note 23 Financial Instruments - Assets and Liabilities

A financial instrument is any contract that results in a financial asset on the Balance Sheet of one entity (for example the Authority) and a financial liability or equity instrument on the Balance Sheet of another entity. The term "financial instrument" covers both financial assets and financial liabilities ranging from the most straightforward (i.e. temporary investments, debtors and creditors) to the most complex (i.e. derivatives). Financial assets and financial liabilities are carried in the Balance Sheet at amortised cost. The fair value of each class of financial asset and liabilities is as follows: -

	1 April 2009		31 March 2010		31 March 2011	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Financial Assets						
Temporary Investments (excl interest)	33,000	33,000	17,000	17,000	25,500	25,500
Cash and Cash Equivalents	(10)	(10)	7,402	7,402	7,449	7,449
Debtors (contractual only)	11,219	11,219	9,502	9,502	9,661	9,661
Financial Liabilities						
Borrowing						
PWLB (excl interest)	(9,402)	(10,952)	(8,903)	(9,815)	(8,437)	(9,513)
Deferred Liabilities	(923)	(923)	(842)	(842)	(762)	(762)
Total Borrowing	**10,325**	**11,875**	**(9,745)**	**(10,657)**	**(9,199)**	**(10,275)**
Long Term Liabilities (PFI)	(15,408)	(15,408)	(15,183)	(15,183)	(14,851)	(14,851)
Creditors (contractual only)	(13,405)	(13,405)	(6,815)	(6,815)	(13,532)	(13,532)

Financial Assets

The fair value of investments has been assessed as being the same as the carrying value due to the investments being short term (less than one year). Cash is assumed to have a fair value which is equivalent to the carrying amount due to the short-term nature of the asset. In the case of debtors, the carrying amount (the invoiced amount) as shown in the balance sheet is assumed to approximate to fair value. These are likely to mature in the next 12 months.

Financial Liabilities

The fair value of PWLB has been calculated by reference to the 'premature repayment' set of rates as at 31 March 2011. The fair value of PWLB is more than the carrying amount because the authority's portfolio of loans is based on fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date.

Deferred liabilities have been accounted for on the basis of outstanding principal amounts as defined by statutory arrangements.

In the case of creditors, the carrying amount (the billed amount) as shown in the balance sheet is assumed to approximate to fair value. These are likely to mature in the next 12 months.

Note 24 Financial Instruments - Risk Exposure

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

- By formally adopting the requirements of the Code of Practice
- By approving annually in advance prudential indicators for the following three years limiting
    - The Authority's overall borrowing
    - Its maximum and minimum exposures to fixed and variable rates
    - Its maximum and minimum for exposures of the maturity structure of debt
    - Its maximum annual exposures to investments maturing beyond a year
- By approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

The Authority's Treasury Management Strategy is approved annually in February by Police Authority before the start of the year to which it relates which outlines the detailed approach to managing risk in relation to the Authority's financial instrument exposure. Actual performance is also reported at least annually to Police Authority. The key risks are:

a) Credit Risk Exposure

This is the risk that one party to a financial instrument will fail to meet their contractual obligations, causing a loss for the other party. Exposure to this risk is managed through the Authority's Treasury Management Strategy. The Authority only invests in approved institutions who meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Ratings Services. The current policy is to limit investment to the following categories

- UK Banks
- UK Building Societies
- Overseas Banks – Ireland
- Local Authorities
- Debt Management Office

The Authority does not make deposits with the above unless they meet the minimum requirements of the investment criteria at that time. There are also limits in place to how much can be invested with counterparties and for how long.

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

Whilst the current credit crisis in international markets has raised the overall possibility of default the Authority maintains strict credit criteria for investment counterparties and seeks security of capital over maximising interest.

The risk of customers failing to pay the Authority for goods/services provided is low as this income is only a small proportion of total income. The risk is managed via the Authority's Credit Control Procedures. These procedures set out the framework within which financial relationships with the Authority's customers are managed beginning with raising an invoice through to invoking legal action should it be required. The Director of Finance and Business Services can write off bad debts up to a limit of £10,000 in each case. Larger sums are referred to Police Authority. To further mitigate the risk of Customer credit default, the Authority makes a bad debt provision each year.

b) Liquidity Risk Exposure

This is the risk that a party will be unable to raise funds to meet its commitments associated with financial instruments. The Authority manages its liquidity position through the risk management procedures above as well as through a comprehensive cash flow management system, as required by the Code of Practice. This seeks to ensure that cash is available when it

is needed to meet payment obligations (for example payments to creditors and payments to and in respect of the Authority's employees). If unexpected movements happen, the Authority has access to borrowings from both the money markets and PWLB. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

c) Refinancing and Maturity Risk

This is the risk that the Authority might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms. The risk relates to the maturing of longer term financial liabilities and the fact that the Authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The financial liabilities however all mature at different times. The maturity analysis of financial liabilities is as follows

	PWLB	Deferred Liabilities	Total
	£'000	£'000	£'000
Less than one year interest	106	0	106
Less than one year principal	466	81	547
Between one and two years	466	80	546
Between two and five years	1,397	241	1,638
Between five and ten years	2,328	321	2,649
More than ten years	3,780	39	3,819
Total	**8,543**	**762**	**9,305**

This excludes trade and other payables which are due to be paid in less than one year and PFI Liabilities which are repaid over the life of the contract.

d) Market Risk Exposure

This is the risk that the value of an instrument will fluctuate because of changes in interest rates, market prices, foreign currency exchange rates. The Authority has limited risk. PWLB interest rates are fixed and investments are only temporarily invested (less than a year). The risk therefore arises from the uncertainty of what level interest rates will be at when the authority either makes a temporary investment or enters into a new borrowing arrangement with PWLB. A movement in interest rates could have a complex impact on the Authority. For instance, a rise in interest rates may have the following effects:

- Future borrowings may be more costly and result in a higher interest expense charged to the Comprehensive Income and Expenditure Statement
- The fair value of existing borrowings may alter
- Future temporary investments may realise a greater return and result in a higher interest receipt credited to the Comprehensive Income and Expenditure Statement

Borrowings are not carried at fair value in the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the surplus or deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Reserve Balance.

The Authority sets a Prudential Indicator regarding the percentage of borrowings held at variable rate loans. This limit is 30% and has not been breached during the financial year.

The Authority will consider, where economic conditions allow, the viability of repaying loans early in order to limit the Authority's exposure to interest rate risk.

With regard to market prices, the Authority does not invest in equity shares and hence has no exposure to the gains or losses arising from a movement in the price of shares. The Authority has no financial assets or liabilities in foreign currencies and hence has no exposure to loss arising from movements in exchange rates.

Note 25 Private Finance Initiatives

The Authority has two Private Finance Initiative (PFI) project agreements:-

On 23 December 1997 an agreement for the provision of a new serviced police station at Ilkeston was signed. The arrangement is for 30 years from October 1998 until September 2028. The building was occupied from October 1998 when payments commenced.

On 26 February 1999 an agreement for the provision of a new fully serviced Divisional Headquarters and City Section Station at Derby was signed. The arrangement is for 30 years from 18 December 2000 until 17 December 2030. The building was occupied from 18 December 2000 when payments commenced.

Property, Plant and Equipment

The assets used to provide services at the police station and divisional headquarters are recognised on the Authority's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, plant and equipment balance in Note 13.

Payments

The Authority makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. The amount of Unitary charge paid in 2010/11 was £0.454m for Ilkeston and £3.194m for Derby, this includes a previous years rate refund of £0.118m for Derby (the equivalent unitary charge paid in 2009/10 was £0.450m and £3.371m respectively). This can be analysed as follows

	2009/10			2010/11		
	Ilkeston £'000	**Derby £'000**	**Total £'000**	**Ilkeston £'000**	**Derby £'000**	**Total £'000**
Service Payment	168	1,657	1,825	172	1,914	2,086
Interest on liability	220	1,029	1,249	215	1,015	1,230
Lifecycle Payments	0	522	522	0	0	0
Repayments of Principal	62	163	225	67	265	332
Total Unitary Charge	**450**	**3,371**	**3,821**	**454**	**3,194**	**3,648**

Payments remaining to be made under the PFI contract at 31 March 2011 are as follows:

	Ilkeston PFI				
	Service Payments £'000	**Interest on Liability £'000**	**Lifecycle Payments £'000**	**Principal Payments £'000**	**Total Payments £'000**
2011/12	179	209	0	73	461
2012/13 to 2015/16	747	777	95	298	1,917
2016/17 to 2020/21	1,054	797	227	509	2,587
2021/22 to 2025/26	1,399	494	53	896	2,842
2026/27 to September 2028	567	75	381	512	1,535

For Ilkeston this includes estimated inflation of 4% on service payments and lifecycle as per the operators model. It excludes future availability/performance deductions.

	Derby PFI				
	Service Payments £'000	**Interest on Liability £'000**	**Lifecycle Payments £'000**	**Principal Payments £'000**	**Total Payments £'000**
2011/12	1,756	995	0	597	3,348
2012/13 to 2015/16	7,044	3,604	1,312	1,860	13,820
2016/17 to 2020/21	9,821	3,353	1,264	3,895	18,333
2021/22 to 2025/26	10,839	1,572	1,732	5,161	19,304
2026/27 to December 2030	12,484	247	0	1,049	13,780

For Derby this includes estimated inflation of 3% on service payments and lifecycle as per the operators model. Elements of the fee will also be benchmarked every five years. Both parties can instigate the benchmarking exercise, the second benchmarking exercise in December 2010 was not instigated. It excludes future availability/performance deductions.

The Authority receives a Special Grant towards the financing of the PFI schemes as follows:

	Ilkeston PFI £'000	**Derby PFI £'000**	**Total PFI £'000**
2010/11	348	2,387	2,735

The payment of grant is on an annuity basis, the same amount of grant is paid each year over the life of the contract.

The difference in grants received and actual payments plus current value of savings on the original station, plus a contribution plus interest in the year has been transferred to or from the PFI Reserves. This reserve is to fund future PFI payments and enables the net costs to be spread evenly over the contract period. For Ilkeston the movement from reserves in 2010/11 was £0.019m and for Derby the movement from reserves was £0.106m.

Liability
The PFI liability is written down by the repayment of principal each year as shown below:

	Ilkeston PFI £'000	Derby PFI £'000	Total PFI £'000
Balance as at 31 March 2009	2,418	12,990	15,408
Principal Paid 2009/10	(62)	(163)	(225)
Balance as at 31 March 2010	**2,356**	**12,827**	**15,183**
Principal Paid 2010/11	(67)	(265)	(332)
Balance as at 31 March 2011	**2,289**	**12,562**	**14,851**

In the balance sheet this is shown as short term (£0.671m) which is repayable within a year and long term PFI Finance lease liabilities (£14.180m).

Note 26 Provisions

Liability Insurance Provision -This provision was established to meet liability claims which are not covered by external insurers. The balance reflects the claims handlers estimate of claims outstanding to 31 March 2010 plus an estimate for claims for 2010-11 based on the claims history over the last thirteen years. A provision should be made for any liabilities of uncertain timing or amount that have been incurred. The provision is for events that are more likely than not to occur. For this reason a provision of £766k is required.

Vehicle Insurance Provision – The vehicle insurance policy was renewed in August 2003. From this date the Authority took over the responsibility of its Third Party Claims. This provision has been established to meet Third Party claims which are not covered by external insurers. The balance reflects the claims handlers estimate of claims outstanding to 31 March 2010 plus an estimate for claims for 2010-11 based on the claims history since 2003.

Redundancy / Early Retirement Provision – During 2010/11 the Authority continued to implement its 'Moving Forward' Programme. This is a structured process for achieving the substantial cost reductions that are required to match the reductions in the Authority's funding from central government. The Programme involves a reduction in the number of police staff employed, through a combination of early retirement and redundancy on a compulsory and a voluntary basis. The provision will cover the redundancy and early retirement costs for 53 staff due to leave the organisation in 2011/12.

Provisions	Liability Insurance £'000	Vehicle Insurance £'000	Total Insurance Provisions £'000	Redundancy Provision £'000	Total Provisions £'000
Balance at 1 April 2009	**650**	**426**	**1,076**	**0**	**1,076**
Provision in Year	252	234	486	525	1,011
Expenditure in year	(137)	(209)	(346)	0	(346)
Unused amounts reversed	(131)	(60)	(191)	0	(191)
Balance at 1 April 2010	**634**	**391**	**1,025**	**525**	**1,550**
Provision in Year	182	204	386	852	1,238
Expenditure in year	(143)	(115)	(258)	(525)	(783)
Unused amounts reversed	93	(192)	(99)	-	(99)
Balance at 31 March 2011	**766**	**288**	**1,054**	**852**	**1,906**

Provisions are split between short term (£1.331m) and long term (£0.575m) in the balance sheet.

Note 27 Contingent liabilities / Contingent assets

Contingent liabilities/assets arise where the Authority is aware of a possible obligation that has arisen because of events prior to the Balance Sheet date, but where the existence will only be confirmed by future events which are not in the Authority's control.

The Authority has no contingent liabilities or assets at 31 March 2011.

Note 28 Usable Reserves

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement. The balance as at 31 March 2011 was made up of the following:

Usable Reserves	1 April 2009 £'000	31 March 2010 £'000	31 March 2011 £'000
General Reserve Balance	3,000	3,300	3,300
Earmarked Reserves	21,954	21,326	31,742
Useable Capital Receipts Reserve	0	0	0
Capital Receipts Unapplied	5,508	4,462	6,160
Total Usable Reserves	**30,462**	**29,088**	**41,202**

Earmarked Reserves

This notes sets out Transfers to/from Earmarked Reserves.

Earmarked Reserve	Balance 1 April 2009 £'000	Transfers To £'000	Transfers From £'000	Balance 31 March 2010 £'000	Transfers To £'000	Transfers From £'000	Balance 31 March 2011 £'000
Revenue Reserves							
Devolved Budget Commitments	1,463	816	(485)	1,794	3,568	(1,185)	4,177
Operational Priorities Reserve	2,756	0	(1,431)	1,325	0	0	1,325
Operational Funding Reserve	1,554	2,985	0	4,539	9,501	(669)	13,371
PFI Reserve - Ilkeston	1,357	14	(29)	1,342	11	(30)	1,323
PFI Reserve - Derby	4,610	62	0	4,672	36	(142)	4,566
Pensions Reserve	500	0	0	500	0	0	500
Insurance Reserves	2,174	204	(1,430)	948	200	(94)	1,054
Helicopter Reserve	50	0	0	50	0	0	50
Helicopter Debt Charges Reserve	213	29	0	242	9	0	251
EMSOU Reserves	222	5	0	227	0	(16)	211
Total Revenue Reserves	**14,899**	**4,115**	**(3,375)**	**15,639**	**13,325**	**(2,136)**	**26,828**
Capital Reserves							
Capital Reserve	5,196	0	(1,501)	3,695	116	(732)	3,079
Centralised CMC Reserve	1,709	0	(867)	842	0	(485)	357
IT/IS Reserve	150	0	0	150	0	0	150
Invest to Save	0	1,000	0	1,000	669	(341)	1,328
Total Capital Reserves	**7,055**	**1,000**	**(2,368)**	**5,687**	**785**	**(1,558)**	**4,914**
Total Earmarked Reserves	**21,954**	**5,115**	**(5,743)**	**21,326**	**14,110**	**(3,694)**	**31,742**

Devolved Budget Commitments
This balance represents the underspendings on devolved budgets for 2010/11 which have been earmarked to carry forward to meet commitments in 2011/12.

Operational Priorities Reserve
This balance has been accumulated to assist with urgent operational needs. As at 31 March 2011 £0.498m has been committed to identified areas, leaving £0.827m available to meet further priority issues.

Operational Funding Reserve
This reserve is to assist with the 'funding gap' in the revenue budget between 2011/12 and 2012/13 identified by the Authority's medium-term financial planning process.

PFI Reserve – Ilkeston
This reserve represents the difference in grants received and actual payments for Ilkeston PFI plus savings on the original station plus a contribution of £0.010m plus interest in the year. This reserve is to fund future PFI payments and enables the net costs to be spread evenly over the contract period.

PFI Reserve – Derby DHQ

This reserve represents the difference in grants received and actual payments for the Derby DHQ PFI, plus savings on the original Full Street headquarters, plus a contribution of £0.547m plus interest in the year. The reserve is to fund future PFI payments and enables the net costs to be spread evenly over the contract period.

Pensions Reserve
This reserve is to meet any future pension liabilities accruing to the force from ill-health or injury-related retirements.

Insurance Reserve
This reserve is for future insurance liabilities not covered by the provision. The insurance excess on liability claims increased in 2005/06 from £25,000 to £100,000 so the reserve could be used for any large claims. The level was been reduced by £1.430m in 2009/10 to reflect the recommendation of a review by external insurance advisors.

Helicopter Reserve
This represents Derbyshire's share of underspendings on the North Midlands Helicopter Support Unit which has been earmarked to carry forward to meet commitments in future years.

Helicopter Debt Charges Reserve
A loan of £457,000 was taken out in 2003/04 for the purchase of the helicopter. This is payable on maturity in April 2028. This reserve is to meet the cost of this loan in 2028 in order to equalise the debt charges to the North Midlands Helicopter Support Unit.

EMSOU Earmarked Reserve
This represents Derbyshire's share of EMSOU reserves these are to used for future capital purchases and asset replacement.

Capital Reserve
This reserve was created from Force underspendings and a transfer from the Operational Funding Reserve. The reserve is used to support the Force's Capital Programme, the reserve is fully committed.

Centralised CMC Reserve
This reserve was created to part fund a new Centralised Contact Management Centre. The project was funded from £4m reserves and the rest from unsupported borrowing. £10.249m has been spent to 31 March 2011. The building was occupied from April 2010, some outstanding commitments remain for IT works.

IT/IS Reserve
This reserve was created from underspendings on IT. The reserve will be used as part of the network upgrade in the Force's Capital Programme in 2011/12.

Invest to Save
This reserve has been created to fund investment in 'one-off' expenditure – for example new IT systems – which will then generate future ongoing savings by allowing more efficient work practices to be implemented.

Note 29 Unusable Reserves

Unusable Reserves	**1 April 2009 £'000**	**31 March 2010 £'000**	**31 March 2011 £'000**
Revaluation Reserve	2,461	5,295	5,221
Capital Adjustment Reserve	24,120	19,891	17,336
Pensions Reserve	(947,696)	(1,446,048)	(1,318,237)
Collection Fund Adjustment Account	12	190	213
Accumulated Absences Account	(3,180)	(3,066)	(3,048)
Total Unusable Reserves	**(924,283)**	**(1,423,738)**	**(1,298,515)**

Revaluation Reserve

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

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

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

Revaluation Reserve	**2009/10 £'000**	**2010/11 £'000**
Balance as at 1 April	**2,461**	**5,295**
Upward revaluation of assets	2,918	
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(5)	(2)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services	**2,913**	**(2)**
Difference between fair value depreciation and historical cost depreciation	(79)	(72)
Accumulated gains on assets sold or scrapped		
Amount written off to the Capital Adjustment Account	**(79)**	**(72)**
Balance at 31 March	**5,295**	**5,221**

Capital Adjustment Account

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

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

The Movement on Reserves Statement details the source of all transactions posted to the Account, apart from those involving the Revaluation Reserve.

Capital Adjustment Account	**2009/10 £'000**	**2010/11 £'000**
Balance as at 1 April	**24,120**	**19,891**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
• Charges for depreciation and impairment of non-current assets	(4,681)	(5,322)
• Revaluation losses on Property, Plant & Equipment	(6,798)	0
• Amortisation of Intangible Assets	(421)	(491)
• Revenue Expenditure funded from capital under statute	(7)	(2)
• Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(447)	(363)
	(12,354)	**(6,178)**
Adjusting amounts written out of revaluation Reserve	79	72
Net written out amount of the cost of non current assets consumed in the year	**(12,275)**	**(6,106)**

Capital Financing applied in the year		
• Capital Receipts	163	46
• Capital Grants and Contributions	3,968	799
• Statutory Provision for financing capital investment (MRP)	638	862
• Additional Voluntary Set Aside	14	0
• Capital Expenditure charged against the General Reserve	894	403
• Reserves	2,369	1,441
	8,046	**3,551**
Balance at 31 March	**19,891**	**17,336**

Pension Reserve

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

Pensions Reserve	**2009/10 £'000**	**2010/11 £'000**
Balance as at 1 April	**(947,696)**	**(1,446,048)**
Actuarial gains or losses on pensions assets and liabilities	(446,926)	47,848
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.	(87,382)	44,246
Employer's pensions contributions and direct payments to pensioners payable in the year	35,956	35,717
Balance at 31 March	**(1,446,048)**	**(1,318,237)**

Collection Fund Adjustment Account

The Collection Fund adjustment account manages the difference arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the Statutory arrangements for paying across amounts to the General Reserve from the Collection Fund.

Collection Fund Adjustment Account	**2009/10 £'000**	**2010/11 £'000**
Balance as at 1 April	**12**	**190**
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from the council tax income calculated for the year in accordance with statutory requirements	178	23
Balance at 31 March	**190**	**213**

Accumulated Absences Account

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

Accumulated Absences Account	**2009/10 £'000**	**2010/11 £'000**
Balance as at 1 April	**(3,180)**	**(3,066)**
Settlement or cancellation of accrual made at the end of the preceding year	3,180	3,066
Amounts accrued at the end of the current year	(3,066)	(3,048)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	**114**	**18**
Balance at 31 March	**(3,066)**	**(3,048)**

Note 30 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

	2009/10 £'000	2010/11 £'000
Interest received including accruals	(424)	(313)
Interest received accruals	(596)	94
Interest received on a cash basis	**(1,020)**	**(219)**
Interest paid including accruals	1,768	1,719
Interest paid accruals	278	5
Interest paid on a cash basis	**2,046**	**1,724**

Note 31 Police Property Act Fund

Police Authorities are required under the Police Property Act 1997 to set aside any money received from the sale of property which has come into their possession in connection with a criminal charge. The net proceeds from this fund are subsequently either repaid to the individual, used to defray expenses incurred in the storage and safe custody of property, or distributed to local charities. Derbyshire Community Foundation is the Police Authority's nominated charity. The Foundation operates an endowment fund for the Derbyshire Police Property Act monies and distributes grants to other local charities from the net interest earned. The balance on the fund as at 31 March 2011 was £22,684 (£25,129 as at 31 March 2010). This has not been included in the Police Authority Balance sheet, as it does not represent monies owned by the Police Authority.

Note 32 Heritage Assets

Heritage assets are to be recognised as a separate class of assets for the first time in the 2011/12 financial statements, in accordance with FRS 30.

Heritage assets are assets preserved in trust for future generations because of their cultural, environmental or historical associations. This authority has no heritage assets to disclose.

Note 33 Authorisation of Accounts for issue

The 2010/11 Statement of Accounts were authorised for issue by the Treasurer on 21 June 2011. All events after the balance sheet date until this date have been considered for disclosure as events after the balance sheet date.

Note 34 Post Balance sheet events

There are no post balance sheet events.

Note 35
Amounts Reported for Resource Allocation Decisions

Financial management information is provided to the Police Authority primarily on a 'subjective' basis. This means expenditure is reported against expense categories such as Employee costs, Premises costs, Transport costs, etc. A breakdown of 2010/11 income and expenditure on this basis is set out at Note 2.

The analysis below shows income and expenditure attributable to specific operational areas, and a reconciliation to the Surplus on the Provision of Services within the Comprehensive Income and Expenditure Statement

	B Division	C Division	D Division	Operational Support	Crime Support	Community Safety	Contact Management	Criminal Justice	Other Operational	Support Costs	Corporate Costs	Funding Income	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges and other service income	(131)	(265)	(596)	(387)	(340)	(522)	0	(326)	(2,956)	(1,072)	(725)	(53,869)	(61,189)
Government Grants	(73)	(228)	(3,083)	(942)	(10)	(160)	0	(204)	(6,520)	(18)	(9,286)	(116,153)	(136,677)
Total Income	**(204)**	**(493)**	**(3,679)**	**(1,329)**	**(350)**	**(682)**	**0**	**(530)**	**(9,476)**	**(1,090)**	**(10,011)**	**(170,022)**	**(197,866)**
Employee expenses	13,371	25,418	31,519	13,212	19,876	1,654	11,262	9,606	9,475	10,115	8,129	-	153,637
Other service expenses	922	1,747	5,315	1,593	2,644	505	105	2,137	3,808	9,697	10,692	-	39,165
Total Expenses	**14,293**	**27,165**	**36,834**	**14,805**	**22,520**	**2,159**	**11,367**	**11,743**	**13,283**	**19,812**	**18,821**	**-**	**192,802**
Net Expenditure	**14,089**	**26,672**	**33,155**	**13,476**	**22,170**	**1,477**	**11,367**	**11,213**	**3,807**	**18,722**	**8,810**	**(170,022)**	**(5,064)**

Revenue Budget surplus reported to Committee	**(5,064)**
Add: Budgeted / Other contributions to Reserves	(6,793)
Net Increase on General Reserve Balance	**(11,857)**
less: Amounts relating to capital expenditure / repayment of debt	(1,263)
add: Depreciation and impairment of non-current assets	5,813
less: Capital Grants and contributions credited to CIES	(2,497)
add: Net loss on sale of non-current assets	317
less: Cost of Pensions on an IAS 19 bases	(79,963)
Other Acccounting cost changes	(41)
Surplus on Provision of Services within the CIES	**(89,491)**

Support costs are the net operating costs of the following department: Legal Services, Finance & Administration, Human Resources, Information Services, Contract Services and Strategic Estates. These costs are not formally recharged to the operational areas of the force. As well as the direct running costs of the departments, the figure for Other Services expenses include certain costs that the departments control on behalf of the force. Examples are: running costs of the authority's IT systems and premises costs for the authority's headquarters.

POLICE PENSION FUND ACCOUNT

2009/10 £'000		2010/11 £'000
	Contributions Receivable :	
(17,359)	Employer	(17,598)
(276)	Employer - Ill Health Capital Credit	(287)
(6,990)	Employee - Existing Scheme	(6,909)
(780)	Employee - New Scheme	(943)
	Transfers In :	
(736)	Transfer values receivable	(619)
	Benefits Payable :	
27,101	Pensions	28,400
9,017	Commutations and lump sum retirement benefits	7,771
2	Lump sum death benefits	0
	Payments to and on account of leavers :	
26	Refunds of contributions	13
1,133	Transfer values payable	268
11,138	**Sub-total : Net amount payable for the year**	10,096
(11,138)	**Additional contribution from the Police Authority to fund the deficit for the year**	(10,096)
0	**Net amount payable/receivable for the year**	0
	Net Assets Statement	
	Current assets	
1,957	Pensions paid in advance	2,070
	Current Liabilities	
0	Unpaid pension benefits	0
(2)	Unpaid pension benefits - previous years	0
(1,955)	Surplus for year payable to police authority	(2,070)
0	Other current liabilities	0
0		0

Notes to the Pension Fund Account

Note 1 Police Pensions Fund Account

The Police pension scheme is an unfunded single employer defined benefit scheme. This means it provides pensions and other retirement benefits for police officers based on final salaries but there are no investment assets built up to meet the pensions liabilities. Two schemes are operated. The 1987 Police Pension Scheme is based on a maximum pensionable service of 30 years, whilst the 2006 New Police Pension Scheme (effective for police officers commencing from April 2006 onwards) is based on a maximum pensionable service of 35 years.

The funding arrangements for the Police Pension Scheme changed on 1 April 2006. Each individual Police Authority is required by legislation to operate a Pension Fund Account and the amounts that must be paid into and paid out of the Pension Fund are specified by regulation (Police Pensions Regulations 2007 Statutory Instrument 1932/2007).

Before April 2006 each Police Authority was responsible for paying the pensions of its former officers on a "pay as you go" basis, from April 2006 there was a new employer's contribution instead (currently 24.2% of pensionable salary) which is charged to the Comprehensive Income and Expenditure Statement. Employers contributions along with officers contributions are paid into the pensions fund account from which pension payments are made. Employees and employers contribution levels are set nationally by the Home Office. The rates have changed from 1 April 2008 and will then be subject to triennial revaluation by the Government Actuary's Department.

Under the new arrangements the Pension Fund Account balances to nil at the year end by either receiving a contribution by the Authority to or from the Police Fund. In 2010/11 a contribution of £10.096m was received, this being equivalent to the pension top-up grant received from the Home Office in 2010/11.

The pension fund is statutorily prevented from including interest on cashflows and administration expenses in the pension fund, these expenses are borne by the Authority's Comprehensive Income and Expenditure Statement.

Injury awards and ill health retirements are not part of the Pensions Fund Account and will continue to be paid from the Authority's Comprehensive Income and Expenditure Statement.

Note 2 Pension Fund Liabilities

The Pension Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end.

Note 3 Accounting Policies

Accounting policies conform to those set out in the Statement of Accounts (page 8 to 19).

STATEMENT OF ACCOUNTS 2010/2011

ANNUAL GOVERNANCE STATEMENT 2010/2011

Position as at 31 March 2011 including plans for the financial year 2011/12

INTRODUCTION

1. Derbyshire Police Authority approved and adopted a Code of Corporate Governance at its meeting on 30 March 2010 which is consistent with the principles of the CIPFA/SOLACE Framework: *Delivering Good Governance in Local Government.* A copy of the Code of Corporate Governance can be obtained from the Chief Executive, Derbyshire Police Authority, Butterley Hall, Ripley, Derbyshire, DE5 3RS. It is also available on the Authority website http://policeauthority.derbyshire.police.uk/Publications/Financial-Reports-and-Information.aspx under the Audit and Governance section.

2. This statement explains how the Authority has complied with the code and also meets the requirements of Regulation 4[2] of the Accounts and Audit (England) Regulations 2011 in relation to its review of the effectiveness of its system of internal control.

SCOPE AND RESPONSIBILITY

3. Derbyshire Police Authority and the Chief Constable are responsible for ensuring that business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

4. Derbyshire Police Authority is responsible under the Police Act 1996 to secure an efficient and effective police force for Derbyshire. The Police Authority also has a duty under the Local Government Act 1999 to arrange to secure continuous improvement in the way in which its functions are exercised, having regards to a combination of economy, efficiency and effectiveness.

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

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

6. The governance framework has been in place at Derbyshire Police Authority for the year ending 31st March 2011 and is expected to be, up to the date of the approval of the Statement of Accounts 2010/11.

7. 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 these objectives have led to the delivery of appropriate, cost-effective services, including achieving value for money.

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

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

THE INTERNAL CONTROL ENVIRONMENT

10. The following documents establish the policies, aims and objectives at a high level:

- The four year strategic Policing Plan reflecting local and national priorities
- The Authority's Business Plan
- The Medium Term Financial Plan
- Strategic Risk Registers (Force and Authority)
- The Authority's Code of Corporate Governance

11. These documents and other strategies, which incorporate best practice, demonstrate that the Authority operates a good system of internal control and is detailed further in the following key elements of the Internal Control environment.

12. The Internal Control environment supports the Police Authority in establishing, implementing and monitoring policies and objectives. The Police Authority, in consultation with the Chief Constable, approves the annual policing objectives linked to the four-year Strategic Policing Plan, the Medium Term Financial Plan and the Risk Registers. The Policing Plan takes into account the views of local partnerships, the local community and fully supports the direction set by Government in the National Policing Plan. These objectives are used to direct resources and manage activity and risk. Priorities for Derbyshire Police Authority for 2010/11 were to address: -

Policing Pledge Point 3 – making teams visible at least 80% of their time

Organised Crime Groups

Alcohol Related Harm

Possession of Drugs

Public Protection

Anti-Social Behaviour (ASB)

Persons Susceptible to Harm

Tackle Terrorism and Violent Extremism

13. The activities of the Force are further governed by the vision, corporate values, principles and behaviours that have been agreed by Derbyshire Police Authority and the Force.

14. The Police Authority receives regular reports from the Chief Constable, Chief Executive and the Treasurer on the implementation of these objectives, financial management and emerging issues. This is supplemented by a range of policies and processes to support the operation of the Authority, including a scheme of delegation to officers, standing orders relating to the business of the Authority, and a code of conduct for members.

15. The financial management of the Police Authority is integrated with and influenced by many of the above processes, and includes processes for forward planning of expenditure and resources; budget consultation, setting and monitoring; and completion of final accounts, all aimed to be accurate, informative and timely. The Police Authority also has in place financial regulations designed to support sound financial management policies and procedures, and adherence thereto, and to reflect the Police Authority's current political and management structure and business activities.

16. In order to ensure compliance with policies, procedures and statutory requirements, the Police Authority has a range of controls and processes in place, as set out below. These processes also assist the Authority to ensure the economical, effective and efficient use of resources, and to secure continuous improvement in exercising its functions, providing for an effective performance management and reporting process.

17. Members of the Authority sit on groups at all levels within the Force and the Force regularly provides the Authority with information on performance, finance and risk management. There are direct links

between the Force project boards and the Authority committees and panels, including the fact that Members sit on the board that most closely links with the relevant committee or panel.

18. The Corporate Governance Committee of the Police Authority is specifically charged with overseeing the corporate governance process. It carries out the role of an audit committee; in 2010, it reviewed the full Annual Governance Statement and recommended an abridged version to the Resources Committee for inclusion in the annual Statement of Accounts. The Statement of Accounts for 2010/11 will be approved by the Corporate Governance Committee itself in September. Also as part of the year end process, an annual report for each committee is prepared which includes a review of the Committee Action Plan to determine a year-end position.

REVIEW OF THE CODE OF CORPORATE GOVERNANCE 2010/11

19. In adopting its Code the Authority undertook to demonstrate compliance with the principles of corporate governance in each of the six dimensions of its business:

    a. Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.

    b. Members and officers working together to achieve a common purpose with clearly defined functions and roles.

    c. Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

    d. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

    e. Developing the capacity and capability of members and officers to be effective.

    f. Engaging with local people and other stakeholders to ensure robust public accountability.

20. Attached at **Appendix 1** is a review of these six areas with EOAS comment as to how these have been achieved. This review evaluates how well the Authority has met its own code in 2010/11, provides an update on delivery of planned improvements from 2009/10, and identifies what areas of work will be reviewed or improved in 2011/12.

DELIVERING THE GOVERNANCE FRAMEWORK

21. The Authority and Force are committed to maintaining an effective governance framework.

22. The Corporate Governance Committee is responsible for all audit matters and receives reports on the full range of audit and inspection activity undertaken across the Authority and Force. This provides effective reassurance that governance arrangements are working effectively.

23. External Inspection activity includes HM Inspectorate of Constabulary and the Audit Commission, who have appointed the District Audit service as the Authority's external auditors. RSMTenon provides the internal audit service.

24. The Standards Committee is responsible for promoting and maintaining high standards of conduct of Police Authority members by monitoring compliance with the Members' Code of Conduct and the Members' Register of Interests.

25. The Professional Standards Panel oversees officer and employee standards across the Force as a whole and is supported by an effective Professional Standards Department. The Force has expanded this department in recent years with the creation of an anti-corruption unit. This demonstrates great commitment to maintaining high professional standards within the Force.

26. The Performance Monitoring and Targeting Panel has been established to enhance the role of Police Authority members in setting performance targets and monitoring delivery against those targets. A dedicated performance management officer supports this function.

27. The Force has made a significant commitment to risk management via the Strategic Risk Management Group and through its Strategic Risk Assessment. Over recent years it has sought to bring together the assessment of organisational and operational risks. This process has engaged Police Authority

members as well as senior force officers. This work is integral to setting service and financial priorities for the Force.
In line with ACPO and Cabinet Office requirements, the Force progressed worked to address information risk and will continue to improve compliance and information assurance maturity. An Accreditation Programme is in place to ensure network domains and systems remain current and to national standards. Progress has been made to ensure (where practicable) compliance to the Security Policy Framework, Information Security Standards no. 6 and the Information Assurance Maturity Model. Information security risks are considered through the governance structure for information management and the Security Committee.

POLICE AUTHORITY INSPECTIONS

28. Her Majesty's Inspectorate of Constabulary carried out a joint Police Authority/ Force inspection under the umbrella of 'Valuing the Police: Preparedness Inspection' which assessed how well police authorities and forces were prepared for the financial challenges facing them over the next few years. This took place in March and no report has yet been published. The inspection theme of Support and Challenge was continued into 2011 with a further review on collaboration, which covers arrangements across up to all five of the East Midlands forces.

REVIEW OF EFFECTIVENESS OF INTERNAL CONTROL

29. The Derbyshire Police Authority has responsibility for conducting, at least annually, the review of the effectiveness of the system of internal control. The review of effectiveness of the system of internal control is informed by the work of the internal auditors and the managers within the Force and Authority who have responsibility for the development and maintenance of the internal control environment. It is also informed by the comments received from external auditors, inspectorates and other agencies.

30. There are a number of ongoing processes, which review effectiveness from several different perspectives, and these are explained at **Appendix 2**.

31. Management Assurance statements were provided to the Treasurer and Chief Executive by individual Senior Officers, Directors, Heads of Department and Business Managers to provide confirmation on the status of the internal control environment within their areas of responsibility. Action plans are in place, monitored by the Corporate Governance Committee, where areas need attention.

32. The Management Assurance Statements established that all Senior Officers, Directors and Heads of Department were confident that all significant internal control matters brought to their attention had been dealt with and no such matters remained unresolved. This process includes the Business Managers who have specific delegations in relation to managing resources.

33. Internal Audit also provide assurance statements for each audit they carry out during the year, being either Substantive, Adequate, or Limited.

34. The Internal Audit Annual Assurance Statement opinion regarding the adequacy and effectiveness of the arrangements for governance, risk management and control is classified as GREEN as detailed in the Annual Internal Audit Letter for 2010/2011.

35. In addition to the above formal review, assurance is provided throughout the year through:

- The framework of regular management information.
- Internal audit reviews, advisory reports and progress reports.
- Performance monitoring arrangements.
- The role of the Professional Standards Department.
- Reviews by external agencies such as the Audit Commission and HMIC.

SIGNIFICANT INTERNAL CONTROL ISSUES

36. **Significant Internal Control Issues 2010/11 –** There were no significant control issues identified during the year and the system of Internal Control is considered to have operated adequately in 2010/11. At the time of writing, the annual accounts for 2010/11 have not yet been audited. There are no known post balance sheet events. There were no significant control issues identified and reported in the Statement of Accounts for 2009/10.

37. In looking forward, there will be serious challenges to be faced not only in 2011/12 but for the next three years at least. The Comprehensive Spending Review in December 2010 impacted heavily on police forces generally with cuts of 20% in grant funding over the lifetime of the Review. Anticipating the need to address a funding shortfall of £20m to £24m, and at the same time to improve levels of service and address areas of risk and threat, the Constabulary, working with the Police Authority, have been implementing a change programme called Moving Forward, now in its second iteration. Every service area has been reviewed; there have been redundancies in police staff, with more to come, and recruitment freeze of police officers. Nevertheless, Derbyshire Police Authority and the Derbyshire Constabulary are committed to delivering a high quality policing service. The organisation is also looking to make savings by reducing bureaucracy, and increasing its collaboration programme within the East Midlands generally and with Nottingham Police particularly.

38. At the time of writing this Statement, the legislation to introduce Police and Crime Commissioners has not been passed, but is still being debated. Should the legislation receive Royal Assent in the form envisaged by the Coalition Government, there will be further major changes in the governance of Police and these will be addressed at that time.

SUMMARY

39. In 2010/2011 both the internal and external auditors better understand the organisation and have provided both an opportunity and a challenge to the organisation. The Police Authority and the Constabulary welcomes the challenge and the support proved by our auditors; we will continue to meet the financial challenges through the Moving Forward Programme with a view to resuming police officer recruitment at the earliest opportunity.

DEFINITIONS

Accounting Period
The period of time covered by the accounts, normally a period of twelve months commencing on 1 April.

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

Agency and Contracted Services
Services which are performed by, or for, another Authority or public body where the agent or contractor is reimbursed for the cost of work done.

Budget
A statement of the Authority's (financial) plans for a specific period of time. A budget is prepared and approved by the Police Authority prior to the start of the financial year. The Authority's budget is prepared on an out-turn basis which means that increases for pay and prices during the financial year are contained within the total budget figure.

Capital Adjustment Account
Created from 1 April 2007 from the combination of the Capital Financing Account and the Fixed Asset Restatement Reserve. The capital adjustment account reflects the difference between the cost of fixed assets consumed and the capital financing set aside to pay for them. It provides a mechanism between the different rates at which assets are depreciated under the Code and are financed through the capital controls system.

Capital Expenditure
Expenditure on the acquisition of a fixed asset or expenditure which adds to the life or value of an existing fixed asset.

Capital Financing Requirement
The Capital Financing Requirement represents capital expenditure financed by borrowing and not by capital receipts, revenue contributions, capital grants or third party contributions at the time of spending. It measures the Authority's underlying need to borrow for a capital purpose.

Capital Receipts
Proceeds from the sale of an asset which may be used to finance new capital expenditure or to repay outstanding loan debt as laid down within rules set by Central Government.

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

Commutations and lump sum retirement benefits
These are the amounts paid to officers when they retire, if they choose to have a lower pension.

Contingent Liabilities
A potential liability at the balance sheet date when the accounts are submitted for approval. The liability will be included in the balance sheet if it can be estimated with reasonable accuracy otherwise the liability will be disclosed as a note to the accounts.

Corporate and Democratic Core
This represents the costs of delivering public accountability and representation in policy making and meeting our legal responsibilities.

Creditors
Amounts owed by the Police Authority for work done, goods received or services rendered which have not been paid for by the end of the financial year.

Debtors
Sums of money due to the Authority for work done or services supplied but not received at the end of the financial year.

Deferred Liabilities

Liabilities which by arrangement are payable beyond the next year at some point in the future or paid off by an annual sum over a period of time.

Defined Benefit Scheme
A pension or other retirement benefit scheme, with rules that usually define the benefits independently of the contributions payable and where the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded.

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 passing of time or obsolescence through technological or other changes.

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

Financial asset – Cash, equity instrument of another entity or a contractual right to receive cash or the right to exchange a financial instrument with another entity on potentially favourable terms. For example bank deposits, loans receivable, trade receivables and investments.

Financial Liability – a contractual obligation to deliver cash or another financial asset to another entity or to exchange a financial instrument with another entity on potentially unfavourable terms. For example trade payables, borrowings and financial guarantees.

Fixed Assets - Intangible
Intangible assets are defined as 'non financial fixed assets that do not have physical substance but are identifiable and are controlled by the entity through custody or legal rights' , for example, software licences.

Formula Grant Distribution System
A mechanism by which Central Government determines how much Revenue Support Grant, Home Office Police Grant and Business Rates each local authority should receive in a given year to provide a common level of service. For the police service it is principally based on the resident and daytime populations, plus relevant socio-economic characteristics, for the area covered by an authority.

Impairment
A reduction in the value of a fixed asset below the amount shown on the balance sheet.

Leasing
A method of financing capital expenditure where a rental charge is paid for a specified period of time. There are two main types of leasing arrangements:-

(a) finance leases which transfer all of the risks and rewards of ownership of a fixed asset to the lessee and such assets are included within the fixed assets in the balance sheet.
(b) operating leases where the ownership of the asset remains with the leasing company and the annual rental is charged direct to the revenue account.

Minimum Revenue Provision
The minimum amount which must be charged to the revenue account each year and set aside for provision for credit liabilities.

Net Book Value
The amount at which Property, Plant and Equipment are included in the balance sheet and being their historical cost or current value, less the cumulative amounts charged for depreciation.

Non Distributed Costs
The cost of discretionary benefits awarded to employees retiring early. These are overheads which are not charged or apportioned to activities within the service expenditure analysis in the Comprehensive Income and Expenditure Statement.

Precept
The method by which the Police Authority obtains the income it requires from council tax via the appropriate authorities.

Provision
An amount set aside to provide for a liability which is likely to be incurred but the exact amount and the date on which it will arise is uncertain.

Prudential code
The Code developed by CIPFA that sets out a framework for self-regulation of capital spending, in effect allowing authorities to invest in capital projects which best meet their service delivery objectives as long as they are affordable, prudent and sustainable. The code came into force from 1 April 2004 and is incorporated into the Local Government Act 2003 and associated regulations.

Receipts and payments
Amounts actually paid or received in a given accounting period irrespective of the period for which they are due.

Reserves
Earmarked reserves are amounts set aside for a specific purpose in one financial year and carried forward to meet expenditure in future years. General reserves are accumulated balances generally available to support revenue or capital spending.

Revaluation Reserve
This reserve records the net gain (if any) from revaluations made after 1 April 2007.

Revenue Expenditure funded from Capital by Statute
Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of fixed assets, for example, expenditure on property not owned by the Authority.

Supported Capital Expenditure
The amount of borrowing which is supported by Central Government through the revenue funding formula.