



**CAMBRIDGESHIRE
POLICE AUTHORITY
STATEMENT OF
ACCOUNTS
2006/07**

CAMBRIDGESHIRE POLICE AUTHORITY

STATEMENT OF ACCOUNTS

2006/07

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Foreword by the Treasurer

Introduction

This Statement of Accounts sets out the financial position of Cambridgeshire Police Authority for the year ended 31st March 2007.

The Statement of Accounts has been produced in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2006: Statement of Recommended Practice (SORP) and the publication of the Statement is required under the Accounts and Audit Regulations 2003.

The Financial Statements

The core financial statements are supported by a Statement of Accounting Policies and explanatory notes follow each statement. The SORP specifies the statements to be included and the order of presentation.

- The Income and Expenditure Account reports the net cost of all the Authority's functions and how this is met by government grants and local tax-payers.
- The Statement of the Movement on the General Fund Balance reconciles the Income and Expenditure Account with the General Fund Balance (which is required to absorb other statutory and non-statutory charges).
- The Statement of Total Recognised Gains and Losses brings together the gains and losses shown in the Balance Sheet and the outturn on the Income and Expenditure Account to show the total movement in the Authority's net worth for the year.
- The Balance Sheet sets out the financial position as at 31st March 2007 including the Authority's balances and reserves, its long term indebtedness, and the fixed and net current assets employed in its operations.
- The Cash Flow Statement summarises the inflows and outflows of cash arising from transactions with third parties for both revenue and capital purposes.
- The Pension Fund Account and accompanying Net Asset Statement. The Authority is required to maintain a Pensions Account in order to discharge its responsibility for paying the pension of retired officers and their survivors and to account to the Home Office as sponsoring department for police pensions funding.

Financial Performance

The Authority approved a budget for the year of £110.5m; this necessitated a 5% increase in the council tax.

Net operating expenditure for the year was £159.4m and after adjusting for appropriations to and from reserves, as detailed in the Statement of Movement on the General Fund Balance, left expenditure to be met from government grants and local taxation in the year of £111.7m. This is £1.2m more than the budget. The overspending was primarily due to additional police overtime costs and the costs of injury awards and ill health pensions.

Capital expenditure on buildings, vehicles and information and communications technology amounted to £8.3m. This was financed by grant and capital receipts (£3.4m) with the balance from borrowing (£5.1m). Only about half of the budgeted programme was achieved primarily as a result of slippage in the Three Counties Police Investigation Centres project.

Reserves

Despite the overspend in the current year reserves will be slightly higher than anticipated. Total (useable) reserves at the 31st March 2007 are £7.8m of which £1.2m are earmarked for specific purposes. The remainder, the General Fund Balance, held as a working balance and general contingency, is £6.6m (about 5.6% of the Net Budget Requirement for 2007/08 and within the 2% to 6% range approved by the Authority).

Further Information

Further information about the accounts is available from the Police Authority's Treasurer or the Constabulary's Director of Finance.

The Authority publishes a number of important documents to inform the public about the work of both the Police Authority and the Constabulary. These (including the annual Statement of Accounts) can be viewed and downloaded via the Policies, Plans & Reports page of the Authority's website: <http://www.cambs-pa.gov.uk/policies.cfm>.

You can also write to the Authority's Chief Executive at the Constabulary Headquarters:

Cambridgeshire Police Authority
Cambridgeshire Constabulary Headquarters
Hinchingbrooke Park
Huntingdon
Cambridgeshire PE29 6NP

Tel: 0845 345 4335; Fax: 01480 425748; Email: police.authority@cambs.pnn.police.uk

Thanks

I am extremely grateful to the Constabulary's Director of Finance, Niki Howard and her team, for their support during another challenging year and who have worked extremely hard to close the accounts and prepare this Statement of Accounts to a very tight timescale.

John Hummersone CPFA

Treasurer to Cambridgeshire Police Authority

27th September 2007

A Statement of Accounting Policies

General Principles

The financial statements have been prepared under the historical cost convention as modified by any revaluation of fixed assets. They have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2006: A Statement of Recommended Practice* (the SORP) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). They comply with proper accounting practice under the terms of the Local Government and Housing Act 1989 and the Local Government Act 2003.

Accruals of Income and Expenditure

Items of income and expenditure are accounted for in the year to which they relate. Payments may be made, or receipts received, in the year prior or subsequent to the appropriate year. Accruals are made to reflect the economic effect of expenditure incurred or income earned.

This means that all material sums due to or from the Authority during the year are included in the accounts whether or not the cash has actually been paid or received in the year.

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

Deferred Charges

Deferred charges are payments of a capital nature that do not result in a tangible fixed asset, for example capital grants to third parties. Deferred charges incurred during the year would be written off as expenditure to the Income and Expenditure Account in the year, net of any grant received financing that expenditure. A transfer to the Capital Financing Account in the Statement of Movement on the General Fund Balance reverses out the deferred charges so there is no impact on the level of council tax.

Government Grants and Contributions

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

Specific revenue grants are credited within the Net Cost of Services where they are matched with the expenditure to which they relate. Grants to cover general expenditure are credited to the foot of the Income and Expenditure Account as a source of finance. Grants and contributions towards fixed assets are credited to a Government Grants and Contributions Deferred Account and written off to the Income and Expenditure Account over the useful life of the assets to match the depreciation of the assets to which they relate.

Intangible Fixed Assets

Expenditure on assets that do not have a physical substance but are identifiable and are controlled by the Authority (e.g. software licences) is usually capitalised in the first year of the project and where it will bring benefits to the Authority for more than one financial year. The balance is amortised to the Income and Expenditure account over the economic life of the asset to reflect the pattern of consumption of benefits. In most cases it is assumed that software will have an economic life of 5 years.

Investments

All investments are recorded in the Balance Sheet at cost. Interest on investments is credited to the Income and Expenditure Account when receivable.

Leasing

Rentals payable under operating leases are charged to the Income and Expenditure account on an accruals basis over the term of the lease.

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 2006 (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Authority's status as a multi-functional, democratic organisation; and
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early.

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

Pensions

The Authority participates in three defined benefit pension schemes: the Police Pension Scheme (PPS) for police officers in service before 31st March 2006, the new Police Pensions Scheme (NPPS) for officers starting service on or after 1st April 2006 and the Local Government Pension Scheme for Police Staff (LGPS). Pension contributions and further costs that arise in respect of certain pensions paid to retired employees on an unfunded basis are charged to the Income and Expenditure Account and the Statement of Movement on the General Fund Balance (as appropriate). The accounts include aggregated disclosures in respect of the PPS and NPPS since the latter is not material in the context of the former.

The Authority has fully adopted Financial Reporting Standard 17 (Retirement Benefits) (FRS17) including recognition of the net asset/liability and a pension reserve in the Balance Sheet and entries in the Income and Expenditure Account, Statement of Movement on the General Fund Balance and the Statement of Total Recognised Gains and Losses for the movements in the asset/liability relating to defined benefit schemes.

FRS 17 requires an authority to see beyond its commitment to pay contributions to the pension fund and to determine the full longer-term effect that the award of retirement benefits in any year has had on the authority's financial position. A net pension asset indicates that an authority has effectively overpaid contributions relative to the future benefits earned to date by its employees. A net liability shows an effective underpayment.

The PPS and the NPPS are unfunded schemes and have no attributable assets.

The LGPS is a funded scheme and as such the SORP specifies the basis on which each type of asset held by the pension scheme should be valued. These valuations are either objective (requiring reference to published market information) or require the opinion of an expert valuer:

- quoted securities – mid-market value
- unquoted securities – an estimate of fair value

- unitised securities – average of the bid and offer price
- property – open market value or other basis determined in accordance with the RICS *Appraisal and Valuation Manual* and Practice Statements
- insurance policies matching the amount and timing of benefits payable under the scheme – amount of the related obligations
- other insurance policies – a method giving the best approximation of fair value given the circumstances of the scheme.

Scheme assets include current assets, such as debtors and cash, as well as the investment portfolio. Accrued expenses and other current liabilities (such as fees payable to fund managers) are deducted from the net asset/liability.

Liabilities largely comprise benefits promised under the formal terms of the pension scheme. Scheme liabilities are measured using the projected unit method. This method examines all the benefits for pensioners and deferred pensioners and their dependants and the accrued benefits for current members of the scheme, making allowance for projected scheme member earnings. The valuation requires the input of an actuary, who will work to the principles contained in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.

The change in the net pensions liability is analysed into the following headings:

Current Service Cost

This is a measure of the full liability to pay future retirement benefits estimated to have been generated in the year and is based on the most recent actuarial valuation at the beginning of the year with the financial assumptions updated to reflect condition at that date.

Interest Cost

This is the expected increase in the present value of liabilities during the year as they move one year closer to being paid. Interest cost is charged to Net Operating Expenditure in the Income and Expenditure Account.

Expected Return on Assets

This is a measure of the estimated return (income from dividends, interest, etc) on the investments held by the scheme for the year. It is not intended to reflect the actual realised return by the scheme, but an estimate at the beginning of the financial year of the long-term future expected investment return for each asset class. The expected return on assets is credited to Net Operating Expenditure in the Income and Expenditure Account.

The expected return is based on:

- for quoted corporate or government bonds – application of the current redemption yield at the start of the year to the market value of bonds held
- for other assets (especially equities) – application of the rate of return expected for each significant class of assets over the long-term at the beginning of the year to the fair value of assets held.

Actuarial Gains and Losses

This element arises where actual events have not coincided with the actuarial assumptions made for the last valuation (known as experience gains and losses) or the actuarial assumptions have been updated. For instance, there might be an unexpectedly high pay award in the year, or new research might alter assumptions about general levels of mortality. Due to changes in the Pension Fund Regulations in the year, assumptions have been updated for the likely percentage take-up of commutation payments, where employees elect to swap a part of

their pension for an additional tax-free lump sum on retirement. This has been treated as an actuarial gain in the year. Actuarial gains and losses are recognised to the Statement of Total Recognised Gains and Losses.

Past Service Costs

These arise from decisions taken in the current year, but whose financial effect is derived from years of service earned in earlier years. For instance, if scheme regulations were amended to increase the multiplier derived from years of service applied to final salaries in calculating pensions, total liabilities would rise but the majority of this rise would not relate to employee activity in the current year. It is therefore presented separately from the current service cost and is charged to Non-Distributed Costs in the Income and Expenditure Account.

Settlements and Curtailments

These are events that change the pensions liabilities but are not normally covered by actuarial assumptions.

Settlements are irrevocable actions that relieve the employer of the primary responsibility for pensions obligations (e.g. the transfer of scheme assets and liabilities relating to a group of employees moving to another scheme).

Curtailments are events that reduce the expected years of future service of present employees or reduce for a number of employees the accrual of defined benefits for some or all of their future service (e.g. closing a service unit of the authority).

Gains or losses on settlements and curtailments are debited to Non-Distributed Costs in the Income and Expenditure Account.

Actual amount charged against the General Fund Balance for pensions in the year

Revenue charges in respect of current and past service costs; interest costs and the expected return on assets are reversed in order that actual employer's contributions and retirement benefits payable are recognised in the Statement of Movement in the General Fund Balance.

Provisions

Provisions are made where an event has taken place that gives the Authority an obligation to incur future expenses, which are likely or certain to be incurred but the amount or timing of which cannot be determined accurately, but can be estimated reliably. These include provisions for bad and doubtful debts and the cost of meeting insurance claims falling below the Authority's policy excess.

Repurchase of Borrowing

Gains or losses on the repurchase or early settlement of borrowing are credited or debited to Net Operating Expenditure in the Income and Expenditure Account in the year in which they occur. However, when these are coupled with a refinancing or restructuring of borrowing with substantially the same overall effect when viewed as a whole, gains and losses are recognised in the Balance Sheet and are written down to revenue over the life of the replacement borrowing.

Reserves

Amounts set aside for purposes falling outside the definition of provisions are considered to be reserves. Reserves are created by appropriating amounts from the Statement of Movement on the General Fund Balance. When expenditure to be financed by a reserve is incurred, it is charged to score against the Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated back to the General Fund Balance Statement so that there is no net charge against council tax for the expenditure.

The Authority has set aside a number of revenue reserves and details of these are provided in the notes to the accounts. Reserves include earmarked reserves set aside for specific policy purposes. Certain reserves can only be used for specific statutory purposes. The Fixed Asset Restatement Account, the Usable Capital Receipts Reserve, and the Capital Financing Account are examples of such reserves.

Stocks and Works in Progress

Stocks are valued at the lower of cost or net realisable value in the Balance Sheet. This gives compliance with Statement of Standard Accounting Practice 9, Stocks and long-term contracts. A valuation of Stocks and Works in Progress is undertaken annually.

Tangible Fixed Assets

Recognition

All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis in the accounts, provided that the asset yields benefit to the Authority for a period of more than one financial year. Any asset acquired for other than a cash consideration or where payment is deferred is also likewise included in the Balance Sheet at a fair value.

Measurement

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

- Operational land and properties and other operational assets are included in the Balance Sheet at the lower of net current replacement cost or net realisable value in their existing use. Non-specialised operational properties are valued on the basis of “Existing Use Value” (EUV). Specialised operational properties are valued on the basis of “Depreciated Replacement Cost” (DRC).
- Non-operational land and properties and other non-operational assets, including investment properties and any assets surplus to requirements, are included in the Balance Sheet at the lower of net current replacement cost or net realisable value. This is normally open market value.

Assets that are included in the Balance Sheet at current value are revalued where there have been material changes in the value, but as a minimum every five years. Any gains on the valuation of fixed assets or losses due to price fluctuations are credited or debited to the Fixed Asset Restatement Account to recognise unrealised gains and losses. All valuations are on a basis recommended by CIPFA and in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS).

Valuations in 2006/07 have been carried out by the Authority’s own Valuer: Colin Luscombe FRICS IRRV (Head of Estates and Facilities Management).

Impairment

Although valuations are carried out at five-yearly intervals, material changes to valuations will be adjusted in the interim period, as they occur. Circumstances include a significant change in market value, or evidence of obsolescence or physical damage. A review is undertaken after the end of each year to ascertain whether any material change has taken place. Impairment loss caused by a clear consumption of economic benefit (such as physical damage or quality deterioration) is charged to the Income and Expenditure account in the same way as depreciation. Other impairments (reflecting a general fall in prices) are recognised in the Fixed Asset Restatement Account.

Disposal

When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are then credited to the Income and Expenditure Account, netting off the carrying value of the asset at the time of disposal. Sale of an asset will usually provide the best evidence of what the asset's value actually is and make valuers' previous estimates redundant. In accordance with SORP, unless there is evidence to establish that the asset was disposed of for materially more or less than the market value, all assets are revalued at the point of disposal to the value of the sale proceeds. Losses on disposal will therefore only arise to the extent that the cost of disposing housing assets has been set-off against the capital receipt.

Amounts in excess of £10,000 are categorised as Capital Receipts. These are credited to the Usable Capital Receipts Reserve, and held until applied to finance new capital investment or set-aside to reduce the Authority's underlying need to borrow (the Capital Financing Requirement). The gain or loss on disposal of assets is not a charge against Council Tax, and is appropriated to the Capital Financing Account from the Statement of Movement on the General Fund Balance.

Depreciation

Depreciation is provided for all assets with a finite useful life, and is calculated using the straight-line method. The value of the asset (less any residual value) is depreciated over its useful life. Where a fixed asset comprises two or more major components with substantially different useful economic lives, each component is treated separately for depreciation purposes. Part provision may be made for newly acquired assets, unless acquired towards the end of the year. No provision is made for non-depreciable land and non-operational assets, or if the charge would be immaterial. Assets are depreciated on the basis shown in the Notes to the Core Financial Statements (Note 11f. Depreciation Methodologies).

Grants and Contributions

Where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited initially to the Government Grants and Contributions Deferred account. The balance is then written down and charged to the Income and Expenditure Account in line with the depreciation policy applied to the relevant assets.

Charges to Revenue

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

- depreciation attributable to the assets used by the relevant service;
- impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service; and
- amortisation of intangible fixed assets attributable to the service.

The above items are not, however, a charge on the council tax. Instead, the Authority is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (currently 4% of the adjusted Capital Financing Requirement). The above charges are therefore replaced by a Minimum Revenue Provision charge in the Statement of Movement in the General Fund Balance, by way of an adjusting transaction with the Capital Financing Account for the difference between the two.

Value Added Tax (VAT)

VAT is included in the income and expenditure accounts only to the extent that it is irrecoverable.

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 those affairs. In this Authority, that officer is the Treasurer;
- manage its affairs to secure the economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

The Treasurer's Responsibilities

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

In preparing this Statement of Accounts, the Treasurer has:

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

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.

I certify that the Statement of Accounts presents fairly the financial position of the Authority at the 31st March 2007 and its income and expenditure for the year then ended.

John Hummersone CPFA

Treasurer to Cambridgeshire Police Authority 27th September 2007

Completion of the Approval Process by the Authority

In accordance with the requirements of s10 of the Accounts and Audit Regulations, I confirm that the Statement of Accounts was approved by a resolution of the Cambridgeshire Police Authority on 27th September 2007.

JK Walters

Chair of Cambridgeshire Police Authority 27 September 2007

The Accounting Statements: The Core Financial Statements

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Income and Expenditure Account

For the year ended 31 March 2007

Note 1 Restated 2005/06 Net Expenditure £000		Notes	2006/07 Gross Expenditure £000	2006/07 Gross Income £000	2006/07 Net Expenditure £000
	Continuing Operations				
	Police Services				
55,286	Crime		67,244	(9,660)	57,584
65,287	Policing in the Community		76,665	(11,012)	65,653
120,573			143,909	(20,672)	123,237
	Central Services				
1,094	The Corporate and Democratic Core		1,413	-	1,413
1,240	Non Distributed Costs		3,203	-	3,203
2,334			4,616	-	4,616
122,907	Net Cost of Services	2,3	148,525	(20,672)	127,853
(439)	Net loss / (gain) on sale of fixed assets		142	-	142
(816)	Interest & Investment Income		-	(960)	(960)
243	Interest payable and similar charges		442	-	442
30,528	Pensions interest cost and expected return on Pension assets	22	35,312	(3,431)	31,881
152,423	Net Operating Expenditure		184,421	(25,063)	159,358
(34,646)	Precepts				(36,715)
	General Government Grants:				
(16,729)	Revenue Support Grant				(4,728)
(49,442)	Police Grant				(44,537)
(11,857)	Non Domestic Rates Redistribution				(24,494)
39,749	Deficit for the year				48,884

Statement of the Movement on the General Fund Balance

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

- capital investment is accounted for as it is financed, rather than when the assets are consumed; and
- retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the Authority's spending against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

	2006/07 Net Expenditure £000	2005/06 Net Expenditure £000
Deficit on Income & Expenditure Account	48,884	39,749
Net additional amount required by Statute and Non-Statutory proper practices to be debited or credited to the General Fund Balance for the year.	(47,714)	(43,020)
Decrease / (Increase) in General Fund Balance in the year	1,170	(3,271)
General Fund Balance brought forward	(7,726)	(4,455)
General Fund Balance carried forward	(6,556)	(7,726)

The net amount required by statute and Non-Statutory proper practices to be debited or credited to the General Fund Balance for the year is analysed in the supplementary statement overleaf:

Supplement to the Statement of the Movement on the General Fund Balance

	2006/07 Net Expenditure £000	2005/06 Net Expenditure £000
Amounts included in the Income & Expenditure Account but required by Statute to be excluded when determining the Movement on the General Fund Balance for the year		
Amortisation of Intangible Fixed Assets	(119)	(56)
Depreciation / Impairment of Fixed Assets	(6,664)	(5,742)
Government Grants Deferred amortisation	1,789	1,380
Net (loss) / gain on sale of fixed assets	(142)	439
Net charges for retirement benefits under FRS 17	(61,338)	(53,075)
	(66,474)	(57,054)
Amounts not included in the Income & Expenditure Account but required to be included by Statute when determining the Movement on the General Fund Balance for the year		
Minimum Revenue Provision for capital financing	346	238
Capital Expenditure charged to General Fund Balance	30	3,362
Employer's contributions to Pension Fund & Direct Pension Payments	19,313	18,335
	19,689	21,935
Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year		
Net transfer to Earmarked Reserves	704	92
Net transfer from Earmarked Reserves	(1,633)	(7,993)
	(929)	(7,901)
Net additional amount required to be credited to the General Fund Balance for the year	(47,714)	(43,020)

Statement of Recognised Gains and Losses

	2006/07 Net Expenditure £000	2005/06 Net Expenditure £000
Deficit on Income & Expenditure Account	48,884	39,749
Deficit / (Surplus) on revaluation and disposal of Fixed Assets	715	(5,316)
Actuarial (Gains) / Losses on Pension Fund Assets & Liabilities	(49,593)	57,434
Other (Gains) / Losses	-	(79)
Total Recognised Losses in the year	6	91,788

Balance Sheet

31 March 2006		Notes	31 March 2007
£000			£000 £000
	Fixed Assets		
436	Intangible Fixed Assets		553
	Tangible Fixed Assets		
	Operational assets:		
41,741	Land & Buildings		41,859
	Vehicles, Plant, Furniture and Equipment		
5,088	IT & Comms		5,367
1,030	Plant & Equipment		1,258
3,822	Vehicles		3,520
325	Helicopter		3,744
	Non-operational assets:		
4,207	Assets Under Construction		408
189	Surplus Assets held for Disposal		-
<u>56,838</u>	Total Fixed Assets	11	<u>56,709</u>
	Current Assets		
303	Stocks and Work in Progress		278
5,458	Debtors	12	4,971
15,817	Investments		9,759
			<u>15,008</u>
<u>78,416</u>	Total Assets		<u>71,717</u>
	Current Liabilities		
(5,577)	Creditors	13	(5,745)
(104)	Government Grants Deferred and Contributions	14	(104)
(3,175)	Cash and Bank Overdrawn		(3,167)
			<u>(9,016)</u>
<u>69,560</u>	Total Assets less current liabilities		<u>62,701</u>
(8,846)	Long-term Borrowing	15	(8,628)
(1,589)	Provisions	16	(1,951)
(5,981)	Government Grants Deferred Contributions Account	17	(6,552)
(666,340)	Liability related to Defined Benefit Pension Scheme	22	(658,772)
<u>(613,196)</u>	Total Assets Less Liabilities		<u>(613,202)</u>
	Financed by:		
41,491	Fixed Asset Restatement Account	18	37,666
1,521	Capital Financing Account	19	132
275	Usable Capital Receipts Account	20	14
(666,340)	Pensions Reserve	22	(658,772)
7,726	General Fund Reserve Balances		6,556
2,131	Earmarked Reserves	21	1,202
<u>(613,196)</u>	Total Net Worth		<u>(613,202)</u>

John Hummersone CPFA (Treasurer to the Cambridgeshire Police Authority) 27th September 2007

Cash Flow Statement

	Notes	2006/07 £000	2005/06 £000
<u>Revenue Activities</u>			
Cash outflows:			
Cash paid to and on behalf of employees		(107,945)	(105,945)
Other operating cash payments		(24,609)	(25,973)
		<u>(132,554)</u>	<u>(131,918)</u>
Cash inflows:			
Rents		2	3
Precepts on District Councils		36,715	34,646
National non-domestic rate income		24,494	11,857
Revenue Support Grant		4,728	16,729
Police Grant		44,537	49,442
Other government grants	23	13,577	10,435
Cash received for goods and services		6,151	2,264
Other operating cash receipts		1,415	6,916
		<u>131,619</u>	<u>132,292</u>
Net Cash Flow from Revenue Activities	24	<u>(935)</u>	<u>374</u>
<u>Servicing of Finance</u>			
Cash outflows			
Interest Paid		(442)	(243)
Cash inflows			
Interest received		960	816
Net Cash Flow from Finance Servicing		<u>518</u>	<u>573</u>
<u>Capital Activities</u>			
Cash outflows			
Purchase of fixed assets		(8,609)	(10,088)
Cash inflows:			
Sale of fixed assets		824	986
Capital grants received		2,360	3,017
		<u>3,184</u>	<u>4,003</u>
Net Cash Flow from Capital Activities		<u>(5,425)</u>	<u>(6,085)</u>
Net cash (inflow)/outflow before financing		(5,842)	(5,138)
Management of liquid Resources			
Net increase/(decrease) in short-term investments		6,058	256
Financing			
Cash outflows			
Repayments of amounts borrowed Long-Term		(208)	-
Cash inflows:			
New Long-Term Borrowing		-	4,857
Increase/(Decrease) in cash	25	<u>8</u>	<u>(25)</u>

1. Prior Period Adjustments

The format of local authority accounts has changed significantly for the 2006/07 accounts. This is a result of changes in the 2006 Statement of Recommended Practice (SORP) to bring Local Authority accounting in-line with UK Generally Accepted Accounting Principles (UK GAAP). The main changes have been:

- Removal of Notional Interest and the Asset Management Revenue Account;
- Replacement of the Consolidated Revenue Account (CRA) with an Income and Expenditure Account (I & E);
- Replacement of the Statement of Movement on Reserves with a Statement of Recognised Gains & Losses;
- Introduction of net gains and losses on disposal of fixed assets; and
- Changes in the treatment of Grants and Contributions Deferred written down to revenue.

The following analysis shows how the published Consolidated Revenue Account for 2005/06 has been modified to comply with the new Income and Expenditure Account.

	2005/06 CRA Figures £000	Capital Financing Charges £000	Grants Deferred Credit £000	(Gain) / Loss on Sale of Fixed Assets £000	2005/06 I & E Account £000
Police Services					
Crime	56,756	(837)	(633)	-	55,286
Policing in the Community	67,023	(989)	(747)	-	65,287
	<u>123,779</u>	<u>(1,826)</u>	<u>(1,380)</u>	<u>-</u>	<u>120,573</u>
Central Services					-
The Corporate and Democratic Core	1,094	-	-	-	1,094
Non Distributed Costs	1,240	-	-	-	1,240
	<u>2,334</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,334</u>
Net cost of Services	126,113	(1,826)	(1,380)	-	122,907
(Gain) / Loss on the disposal of Fixed Assets	-	-	-	(439)	(439)
Interest & Investment Income	(816)	-	-	-	(816)
Transfer from Asset Management Revenue Account (Interest Payable and Similar Charges in 2006/07)	(2,963)	1,826	1,380	-	243
Pensions Financing Costs	30,528	-	-	-	30,528
Net Operating Expenditure	152,862	-	-	(439)	152,423

2. Service Expenditure Analysis

The Income and Expenditure Account is presented in accordance with the CIPFA Best Value Accounting Code of Practice, which requires costs to be apportioned to prescribed service expenditure headings. An analysis of expenditure by the subjective classification is also set out at note 3.

Costs attributable to each service expenditure heading arise from the following:

Crime

- Reducing Crime

Involving the community in police activity, including communication via the media; crime prevention and awareness activity; and partnership working with other community-based organisations. Gathering local intelligence on crime and criminals. Community safety initiatives.

- Investigating Crime

Detecting and investigating crime by means of specialist investigation teams; surveillance and covert teams; family protection and domestic violence units; dog section; air support unit; scientific, photographic and forensic work; case building and liaison with the Crown Prosecution Service.

Policing in the Community

- Promoting Public Safety

Providing a responsive service to the public by means of local reactive policing; road traffic policing; planning for and policing large public events; receiving and dealing with enquiries from the public via the force control room and customer relationship management centres; tactical firearms officers; firearms and explosives licensing; operations planning; and custody and court security.

- Assistance to the Public

Providing visibility and reassurance; community policing, including Special Constables and Police Community Support Officers; press and public relations; and alarms inspectorate.

Corporate and Democratic Core

All aspects of Police Authority Members' activities, including officer time spent providing advice and support to them.

3. Subjective Analysis of Net Cost of Services

	2006/07	Note 1 Restated 2005/06
	£'000	£'000
Police Pay and Allowances	58,105	57,458
Police Staff Pay and Allowances	32,696	26,721
Other Pay and Allowances	451	641
Other Employee Expenses	1,307	880
Police Pensions	25,205	24,197
Premises	3,565	3,861
Transport	1,237	2,214
Supplies and Services	16,626	18,279
Agency and Contracted Services	2,551	2,435
Depreciation of Fixed Assets	6,782	5,796
Gross Operating Expenditure	148,525	142,482
Government Grants	(13,639)	(8,496)
Income from Fees and Charges	(7,033)	(11,079)
Gross Operating Income	(20,672)	(19,575)
Net Cost of Services	127,853	122,907

4. Publicity Expenditure

The Authority is required to keep a separate account of its expenditure on publicity.

	2006/07	2005/06
	£'000	£'000
Staff Recruitment Advertising	296	424
Other Advertising	147	30
	443	454

5. Local Authority (Goods and Services) Act 1970

Section 1 of the Local Authority (Goods and Services) Act 1970 (as amended by subsequent legislation) specifies conditions under which authorities can enter into agreements to supply goods and services to each other and to other public bodies.

The value of goods and services received for 2006/07 was £129,562 (2005/06 £53,527)

6 Operating Leases

Payments in respect of operating leases were:

	2006/07	2006/07	2005/06	2005/06
	Property	Equipment	Property	Equipment
	£'000	£'000	£'000	£'000
Leases expiring:				
In 1 year	1	74	61	72
Between 2 and 5 years	124	-	80	-
More than 5 years	60	-	51	-
Total	185	74	192	72

7. Members' Allowances

The total amount of members allowances paid during the 2006/07 financial year was £185,930 (2005/06 £183,887). Details of members' allowances are published by Cambridgeshire Police Authority and are available upon request.

8. Officers' Emoluments

The numbers of officers whose remuneration, excluding pension contributions, was £50,000 or more, in bands of £10,000, was as follows:

	2006/07	2005/06
£50,000 to £59,999	25	23
£60,000 to £69,999	16	15
£70,000 to £79,999	5	4
£80,000 to £89,999	2	1
£90,000 to £99,999	-	3
£100,000 to £109,999	1	-
£130,000 to £139,999	1	1

9. Related Parties

Members and Chief Officers

The Code of Practice on Local Authority Accounting requires Members and Chief Officers (defined as members of the Force Executive Board, the Chief Executive and Treasurer) to declare whether they, or any member of their immediate family, have had any significant financial dealing with the Police Authority during the financial year. The Chief Executive has written to all Members and Chief Officers and has obtained the following information:

Two Officers, through a controlling interest in their respective business had dealings with the Authority to the value of £47,700 (2005/06 £50,532)

Cambridgeshire Police Authority Shrievally Trust

The Cambridgeshire Police Shrievally Trust is a charitable organisation supported by the Police Authority whose objective is to support efforts to “Create a Safer Cambridgeshire”. Details of Members and Officers who were trustees throughout the period are set out below:

Member: B Damazer

Officer: M Hopkins Assistant Chief Constable (Appointed 23 June 2006)

In the year to 31 March 2007, the Authority had dealings with the Trust amounting to £40,000 grant contribution and £21,231 payment for hire of facilities (2005/06 £40,000)

10. Audit Costs

The SORP requires (in line with other parts of the public services) disclosure of the amounts payable to auditors for work carried out in performing statutory functions and in providing additional services.

	2006/07	2005/06
	£000	£000
Fees payable to the Audit Commission regarding external audit services carried out by the appointed auditor	90	90
Fees payable regarding other services provided by the appointed auditor	-	25
	<u>90</u>	<u>115</u>

11a. Fixed Assets Movement Summary

	Intangible Fixed Assets	Tangible Fixed Assets							
	Operational Assets						Non-operational Assets		Total
	Software licences	Land and Buildings	IT and Comms	Plant and Equipment	Vehicles	Helicopter	Assets Under Construction	Surplus Assets for Disposal	
Certified Valuation at 31 Mar 2006	492	48,923*	12,031	3,474	6,803	565	3,317*	225	75,830
Accumulated Depreciation and Impairment at 31 Mar 2006	56	6,292	6,943	2,444	2,981	240	-	36	18,992
Net Book Value at 31 Mar 2006	436	42,631	5,088	1,030	3,822	325	3,317	189	56,838
Movements in 2006/07:									
Additions	236	1,995	2,301	550	1,123	65	2,058	-	8,328
Disposals	-	(181)	-	-	(1,051)	(565)	-	(376)	(2,173)
Transfers	-	1,099	33	-	-	3,835	(4,967)	-	-
Revaluations/Restatements	-	(5,474)	-	-	(93)	-	-	151	(5,416)
	236	(2,561)	2,334	550	(21)	3,335	(2,909)	(225)	739
Depreciation:									
Additional	119	2,872	2,079	370	1,179	156	-	8	6,783
On Disposals	-	(30)	-	-	(898)	(240)	-	(46)	(1,214)
Transfers	-	(2)	-	-	-	-	-	2	-
On Revaluations/Restatements	-	(4,629)	(24)	(48)	-	-	-	-	(4,701)
	119	(1,789)	2,055	322	281	(84)	-	(36)	868
Net Book Value At 31 Mar 2007	553	41,859	5,367	1,258	3,520	3,744	408	-	56,709
Net Book Value at 31 Mar 2007	553	41,859	5,367	1,258	3,520	3,744	408	-	56,709
Accumulated Depreciation and Impairment at 31 Mar 2007	175	4,503	8,998	2,766	3,262	156	-	-	19,860
Gross Book Value at 31 Mar 2007	728	46,362	14,365	4,024	6,782	3,900	408	-	76,569

*Land with a value of £890,000 has been recategorised from Assets Under Construction to Land and Buildings.

11b. Valuations Information

The following statement shows the progress of the Authority's programme of the revaluation of fixed assets. Asset values are reviewed at 5 yearly intervals in a rolling programme, or sooner where there is a material change in value in any year, with the exception of a number of assets valued before the 2002/03 year of account. These assets will be valued for the 2007/08 year of account.. Valuations for 2006/07 have been carried out by the Authority's own internal valuer.

The basis for valuation of fixed assets is set out in the Statement of Accounting Policies.

	Intangible Fixed Assets	Tangible Fixed Assets					Total
	Software licences	Land and Buildings	IT and Comms	Plant and Equipment	Vehicles	Helicopter	
Assets valued at historical cost:	728	3,760	14,365	4,024	6,782	3,900	33,559
Valued at current Value in:							
2006/07	-	16,182	-	-	-	-	16,182
2005/06	-	20,473	-	-	-	-	20,473
2004/05	-	418	-	-	-	-	418
2003/04	-	5,529	-	-	-	-	5,529
	<u>728</u>	<u>46,362</u>	<u>14,365</u>	<u>4,024</u>	<u>6,782</u>	<u>3,900</u>	<u>76,161</u>
	<u>728</u>	<u>46,362</u>	<u>14,365</u>	<u>4,024</u>	<u>6,782</u>	<u>3,900</u>	<u>76,161</u>

11c. Capital Expenditure and Financing

	2006/07	2005/06
	£000	£000
Borrowing		
Supported	834	834
Unsupported	4,300	2,258
Government Grants and Contributions		
Home Office Capital Grants	1,584	2,452
Home Office Projects - Cost Recovery	717	473
Other Contributions	59	-
Capital Receipts	1,085	711
Revenue	30	3,362
Creditors	(281)	319
	<u>8,328</u>	<u>10,409</u>

11d. Assets Information

	2006/07	Restated*
	Number	Number
Buildings		
- Police Headquarters and Stations	29	28
- Police Houses	25	26
- Radio Masts	3	4
Motor Vehicles	519	527
Helicopter	1	1
IT and Communications Systems	149	140
Plant and Equipment Assets	<u>108</u>	<u>107</u>

*The prior year has been restated following a reconciliation exercise.

11e. Assets Held under Leases

The Authority has capitalised, within the Balance Sheet, one building acquired under finance lease agreements as follows:

	2006/07 £000	2005/06 £000
Gross Book Value		
Value at 1 April	567	567
Movement in year	-	-
Value at 31 March	<u>567</u>	<u>567</u>
Depreciation		
Balance at 1 April	151	38
Depreciation in year	113	113
Balance at 31 March	<u>264</u>	<u>151</u>
Net Book Value at 31 March	<u><u>303</u></u>	<u><u>416</u></u>

11f. Depreciation Methodologies

Assets were depreciated on the following straight-line bases:-

- Land and Buildings – 20 to 60 years
- Vehicles – 3 to 7 years, depending on type
- Plant and Equipment – 5 years
- Helicopter – 8 years
- IT and Communications - 5 years

11g. Future Capital Commitments

The Authority had not entered into any significant (i.e. in excess of £0.5m) capital contracts as at 31st March 2007 (31st March 2006: Hampton Police Station £1.04m; Helicopter project £0.6m).

12. Debtors

	2006/07	2005/06
	£000	£000
Government Departments	2,061	2,143
Service Debtors	737	1,304
Employees Pre-payments	1,817	1,679
Other Payments in Advance	358	358
	<u>4,973</u>	<u>5,484</u>
Less: Provisions for Doubtful Debts	<u>(2)</u>	<u>(26)</u>
	<u><u>4,971</u></u>	<u><u>5,458</u></u>

13. Creditors

	2006/07	2005/06
	£000	£000
Borrowing repayable within one year	(218)	(208)
Employees	(840)	(1,018)
Government Departments	(790)	(3)
Service Creditors	(3,824)	(3,952)
Receipts in Advance	(73)	(396)
	<u>(5,745)</u>	<u>(5,577)</u>

14. Government Grants Deferred and Contributions Unapplied Account

	2006/07 £000	2005/06 £000
Balance at 1 April	104	12
Add: Capital Grants and Contributions in the year	(2,360)	3,017
Less: Amount used for Capital Financing	2,360	(2,925)
Balance at 31 March	<u>104</u>	<u>104</u>

15. Long Term Borrowing

	2006/07 £000	2005/06 £000
Analysis of Loans by Type		
Public Works Loan Board	<u>8,628</u>	<u>8,846</u>
Analysis of Loans by Maturity		
Between 1 and 2 years	228	218
Between 2 and 5 years	747	715
Between 5 and 10 years	1,494	1,428
Between 10 and 15 years	1,873	1,790
More than 15 years	4,286	4,695
	<u>8,628</u>	<u>8,846</u>

16. Provisions

The Authority has transferred a proportion of the earmarked insurance reserve to an insurance provision as set out below in order to comply with the requirements of FRS12 'Provisions, contingent liabilities and contingent assets.' The balance at 31 March 2007 represents estimated outstanding claims under the 'excess' clauses of the Authority's employers' and public liability, motor and property insurance policies. The settlement of these claims is likely to be spread over a number of years. There are no amounts in respect of liabilities covered by the insurance provision that are expected to be subject to reimbursement from third parties.

	2006/07 £'000	2005/06 £'000
Balance at 1 April	1,589	-
Applied	(530)	-
Revenue Contribution	892	1,589
Balance at 31 March	<u>1,951</u>	<u>1,589</u>

17. Government Grants Deferred and Contributions Account

	2006/07	2005/06
	£000	£000
Balance at 1 April	(5,981)	(4,436)
Capital Financing	(2,360)	(2,925)
Amortised (written down) to Service Revenue Accounts	1,789	1,380
Balance at 31 March	<u>(6,552)</u>	<u>(5,981)</u>

18. Fixed Asset Restatement Account

	2006/07	2005/06
	£000	£000
Balance at 1 April	41,491	36,734
Unrealised gains/(losses) from revaluation of fixed assets	(715)	5,316
Disposal of fixed assets in the year	(968)	(559)
Excess depreciation charged in prior years*	(2,142)	-
Balance at 31 March	<u>37,666</u>	<u>41,491</u>

19. Capital Financing Account

	2006/07	2005/06
	£000	£000
Balance at 1 April	1,521	1,629
Financing of Capital Expenditure		
from Capital Receipts	1,085	711
from revenue	30	3,362
Excess of Depreciation over Minimum Revenue Provision	(6,435)	(5,560)
Amortisation (write down)		
of Government Grants Deferred	1,789	1,379
Excess depreciation charged in prior years*	2,142	-
Balance at 31 March	<u>132</u>	<u>1,521</u>

*Elimination of excess depreciation charged in respect of Headquarters buildings in prior years.

20 Useable Capital Receipts Reserve

	2006/07	2005/06
	£000	£000
Balance at 1 April	275	-
Add: Capital Receipts in the year	824	986
Less: Amount used for Capital Financing	(1,085)	(711)
Balance at 31 March	<u>14</u>	<u>275</u>

21. Earmarked Reserves

	Balance 1 April 2005 £000	2005/06		Balance 31 March 2006 £000	2006/07		Balance 31 March 2007 £000
		Added to Reserve £000	Applied £000		Added to Reserve £000	Applied £000	
Innovation	440	-	-	440	200	-	640
Carry Forward Underspendings	1,166	80	(1,166)	80	504	(71)	513
Insurance	2,000	-	(1,589)	411	-	(362)	49
Ill Health	1,000	-	-	1,000	-	(1,000)	-
Asset Replacement	1,071	-	(1,071)	-	-	-	-
Diversity	112	-	(112)	-	-	-	-
Freedom of Information	205	-	(205)	-	-	-	-
Future Pensions Liability	2,113	-	(2,113)	-	-	-	-
Helicopter Maintenance	295	-	(295)	-	-	-	-
Investing In People	(12)	12	-	-	-	-	-
Litigation	58	-	(58)	-	-	-	-
Public Order Policing	500	-	(500)	-	-	-	-
Special Grant	859	-	(859)	-	-	-	-
Allowances	225	-	(25)	200	-	(200)	-
	<u>10,032</u>	<u>92</u>	<u>(7,993)</u>	<u>2,131</u>	<u>704</u>	<u>(1,633)</u>	<u>1,202</u>

The level of Earmarked Reserves is subject to a year-on-year review.

Innovation

Many Central Government initiatives require matched funding from Police Authorities. This reserve, which has been augmented by the transfer of the balances on the Ill-Health and Allowances reserves during the year, is maintained for this purpose and, in addition, to pump prime innovative best value review implementation projects.

Carry Forward Underspending

Funds transferred to the Carry Forward Underspendings Reserve are underspends attributable to revenue commitments that are to be applied in the coming year.

Insurance

The purpose of this reserve is to finance self-insured liabilities and the policy excesses that are not provided by external policies.

22. Retirement Benefits

Participation in Pension Schemes

As part of the terms and conditions of employment of its Police Officers and Police Staff, the Authority offers retirement benefits which are normally payable on retirement. The Authority, however, is required to disclose its commitment to pay future retirement benefits as those benefits are earned by officers or employees.

The Authority participates in three pension schemes:

- i) the Local Government Scheme (LGPS) for Police Staff, administered by Cambridgeshire County Council. This is a defined benefit, funded scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets; and
- ii) the Police Pension Scheme (PPS) for Police Officers in service on or before 31st March 2006 and the New Police Pension Scheme (NPPS) for Police Officers starting service on or after 1st April 2006. Both schemes are defined benefit, unfunded schemes, administered by Cambridgeshire County Council, meaning that there are no investment assets built up to meet the pension liabilities and that cash has to be generated to meet actual pensions payments as they eventually fall due. Disclosures for the PPS and the NPPS are made in aggregate since the latter is not material in the context of the former.

Transactions Relating to Retirement Benefits

The costs of retirement benefits are recognised in the Net Cost of Services when they are earned by staff rather than when the benefits are actually paid as pensions. However, the charge required to be made against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Income and Expenditure Account in the Statement of Movement in the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and the Statement of Movement in the General Fund Balance during the year:

Cambridgeshire Police Authority
Statement of Accounts 2006/07

	2006/07			2005/06		
	PPS £000	LGPS £000	Total £000	PPS £000	LGPS £000	Total £000
Income and Expenditure Account						
<i>Net Cost of Services:</i>						
Current service cost	21,600	4,654	26,254	18,300	3,007	21,307
Past service costs	3,200	3	3,203	1,200	40	1,240
	<u>24,800</u>	<u>4,657</u>	<u>29,457</u>	<u>19,500</u>	<u>3,047</u>	<u>22,547</u>
<i>Net Operating Expenditure:</i>						
Expected return on assets in the scheme		(3,431)	(3,431)		(2,670)	(2,670)
Interest costs	31,900	3,412	35,312	30,300	2,898	33,198
Pensions interest cost and expected return on Pension assets	31,900	(19)	31,881	30,300	228	30,528
	<u>56,700</u>	<u>4,638</u>	<u>61,338</u>	<u>49,800</u>	<u>3,275</u>	<u>53,075</u>
<i>Net Charge to the Income and Expenditure Account</i>						
	<u>56,700</u>	<u>4,638</u>	<u>61,338</u>	<u>49,800</u>	<u>3,275</u>	<u>53,075</u>
<i>Statement of Movement in the General Fund Balance</i>						
Reversal of net charges made for retirement benefits in accordance with FRS 17	(56,700)	(4,638)	(61,338)	(49,800)	(3,275)	(53,075)
Actual amount charged against the General Fund Balance for pensions in the year:						
Employer's contributions payable to the scheme		(3,089)	(3,089)		(2,535)	(2,535)
Retirement benefits payable to pensioners	(16,224)		(16,224)	(15,800)		(15,800)
Employer's contributions to Pension Fund & Direct Pension Payments	(16,224)	(3,089)	(19,313)	(15,800)	(2,535)	(18,335)

Assets and Liabilities in Relation to Retirement Benefits

The underlying assets and liabilities for retirement benefits attributable to the authority at 31st March are as follows:

	31 March 2007			31 March 2006		
	PPS £000	LGPS £000	Total £000	PPS £000	LGPS £000	Total £000
Estimated Liabilities in Scheme	(644,576)	(70,417)	(714,993)	(648,000)	(67,167)	(715,167)
Estimated Assets in Scheme	-	56,221	56,221	-	48,827	48,827
Net Liability	<u>(644,576)</u>	<u>(14,196)</u>	<u>(658,772)</u>	<u>(648,000)</u>	<u>(18,340)</u>	<u>(666,340)</u>

The liabilities are the underlying commitments that the Authority has to pay retirement benefits in the long-term. The total liability of £658.8m has a significant impact on the net worth of the Authority as presented in the Balance Sheet, giving rise to negative equity of £613.2m. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- i) the deficit on the Local Government Pension Scheme will be made good by increased contributions over the remaining working lives of employees, as assessed by the scheme actuary; and
- ii) finance is only required to be raised to cover police pensions as and when they are actually paid.

Basis of Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependant on assumptions made about mortality rates, salary levels, etc. The Police Pension Scheme, the New Police Pension Scheme and the Local Government Pension Scheme liabilities have been assessed by Messrs. Hymans Robertson, an independent firm of actuaries, estimates for the Local Government Pension Scheme being based on the latest full valuation of the scheme as at 31st March 2006.

The main assumptions underlying their calculations are:

	PPS		LGPS	
	31 March	31 March	31 March	31 March
	2007	2006	2007	2006
Rate of inflation	3.2%	3.1%	3.2%	3.1%
Rate of increase in salaries	4.7%	4.6%	4.7%	4.6%
Rate of increase in pensions	3.2%	3.1%	3.2%	3.1%
Rate for discounting scheme (based on 2.1% real)	5.4%	4.9%	5.4%	4.9%

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

	Long Term	31 March	31 March
	Return	2007	2006
Equity Investments	7.8%	74.2%	75.3%
Bonds	4.9%	11.3%	12.7%
Property	5.9%	12.4%	9.3%
Cash	4.9%	2.1%	2.7%
Total	7.2%	100.0%	100.0%

Actuarial Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2006/07 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities as at 31 March 2007:

Cambridgeshire Police Authority
Statement of Accounts 2006/07

Police Pension Schemes										
	2006/07		2005/06		2004/05		2003/04		2002/03	
	£000	%	£000	%	£000	%	£000	%	£000	%
Differences between the expected and actual return on assets	N/A		N/A		N/A		N/A		N/A	
Differences between actuarial assumptions about liabilities and actual experience	3,300	0.5%	7,900	1.2%	3,000	0.5%	(723)	-0.2%	8,737	2.1%
Changes in the demographic and financial assumptions used to estimate liabilities	40,800	6.3%	(62,800)	-9.7%	(86,915)	-15.6%	-	0.0%	-	0.0%
Actuarial Gain / (Loss) on Pension Plan	44,100		(54,900)		(83,915)		(723)		8,737	
Present Value of Assets	-		-		-		-		-	
Present Value of Liabilities	644,576		648,000		558,800		446,700		420,100	
Net Assets / (Liabilities)	(644,576)		(648,000)		(558,800)		(446,700)		(420,100)	
Local Government Pension Scheme										
	2006/07		2005/06		2004/05		2003/04		2002/03	
	£000	%	£000	%	£000	%	£000	%	£000	%
Differences between the expected and actual return on assets	521	0.9%	6,757	13.8%	1,715	4.7%	4,110	13.5%	(7,940)	-35.3%
Differences between actuarial assumptions about liabilities and actual experience	178	0.3%	(55)	-0.1%	136	0.3%	(30)	-0.1%	70	0.2%
Changes in the demographic and financial assumptions used to estimate liabilities	4,994	7.1%	(8,936)	-13.3%	7,629	14.6%	(8,160)	-22.8%	15,740	50.2%
Actuarial Gain / (Loss) on Pension Plan	5,693		(2,234)		(9,480)		4,080		(7,870)	
Present Value of Assets	56,221		48,827		36,726		30,390		22,510	
Present Value of Liabilities	70,417		67,167		52,092		35,740		31,370	
Net Assets / (Liabilities)	(14,196)		(18,340)		(15,366)		(5,350)		(8,860)	

The movements on the Pension Reserve in 2006/07 were as follows:

	31 March 2007			31 March 2006		
	PPS	LGPS	Total	PPS	LGPS	Total
	£000	£000	£000	£000	£000	£000
Balance at 1 April	(648,000)	(18,340)	(666,340)	(558,800)	(15,366)	(574,166)
Differences between the expected and actual return on assets	-	521	521	-	6,757	6,757
Differences between actuarial assumptions about liabilities and actual experience	3,300	178	3,478	7,900	(55)	7,845
Changes in assumptions underlying the present value of the scheme liabilities	40,800	4,994	45,794	(62,800)	(8,936)	(71,736)
Net pensions transfers	(200)		(200)	(300)	-	(300)
Actuarial (Gains) / Losses on Pension Fund Assets & Liabilities	43,900	5,693	49,593	(55,200)	(2,234)	(57,434)
Appropriations from revenue	(40,476)	(1,549)	(42,025)	(34,000)	(740)	(34,740)
Balance at 31 March	(644,576)	(14,196)	(658,772)	(648,000)	(18,340)	(666,340)

23. Government Grants

	2006/07	2005/06
	£'000	£'000
Community Support Officers	2,572	1,696
Crime Fighting Fund	2,394	2,394
Rural Police Grant	1,113	1,113
Police Reform Act	769	919
DNA Expansion Grant	655	642
Basic Command Unit Fund	719	566
Other Government Grants	267	724
National Extremism Tactical Coordination Unit	136	-
Security Funding	250	-
Drug Testing on Charge	229	232
Counter Terrorism	216	-
Amending Reports	168	-
Cambridgeshire Criminal Justice Board	163	243
Recovered Assets Funds	155	411
Initial Police Learning and Development Programme	273	-
No Witness - No Justice	73	87
Special Constabulary Initiative	70	77
Strategic Lead Fund	33	-
Safety Camera Partnership	790	632
Criminal Justice Intervention Program	-56	194
Occupational Health Initiatives	0	96
Invest to Save Round	0	88
Huntingdon Life Sciences	0	85
Financial Investigators	0	65
ACPO Funding	0	62
Airwave Radio System	0	57
National Intelligence Model	0	52
	10,989	10,435

24. Cash Flow Reconciliation to Income and Expenditure Account

	2006/07	2005/06
	£000	£000
Deficit for the year	(48,884)	(39,749)
Net additional amount required by Statute and Non-Statutory proper practices to be debited or credited to the General Fund Balance for the year	47,714	43,021
Contributions to capital	369	3,362
Movement in Reserves / Provisions	(567)	(6,074)
Movement in Revenue Debtors	487	350
Movement in stocks and works in progress	25	(105)
Movement in Revenue Creditors	762	454
Movement in Receipts in Advance	(323)	(312)
Interest paid	(960)	243
Interest Received	442	(816)
Net Cash Flow from Revenue Activities	(935)	374

25. Cash Movements

	2006/07	2005/06
	£000	£000
Cash Balance at 1 April	(3,175)	(3,150)
Cash Balance at 31 March	(3,167)	(3,175)
	(8)	25

26. Third Party Funds

Third Party Funds are monies administered, but not owned by the Authority. The Code of Practice requires that these funds are treated separately from the Authority's accounts and are excluded from the main Income and Expenditure Account and Balance Sheet.

Police Property Act

Under section 43 of the Powers of Criminal Courts Act 1973, the Authority is empowered to seize monies or property used, or intended for use, for the purpose of crime. These seized monies are held by the Authority, pending a decision by the Courts.

Misuse of Drugs Act

Section 27 of the Misuse of Drugs Act 1971 empowers Police Authorities to retain monies seized during investigations. The Courts may release property or monies to the Authority so that it is used to tackle drug related crime and drug abuse.

The amount held under the two Acts, as at 31st March 2007, was £400,052 (31st March 2006: £310,038).

Accompanying Statements

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Pension Account

With effect from 1st April 2006, the Authority is required to maintain a Pensions Account in order to discharge its responsibility for paying the pensions of retired officers and their survivors and to account to the Home Office as sponsoring department for police pensions funding. The Pensions Account has the legal status of a fund for the purposes of the Local Government Finance Act and the accounting entries to be recorded and the administration are governed by regulations which are in draft at the date of the approval of the Authority's 2006/07 Statement of Accounts.

Credits to the Pension Account include contributions from both the Authority and serving police officers who are members of either the Police Pension Scheme (PPS) or the New Police Pension Scheme (NPPS) at a rate of 24.6%, 11% and 9% of pensionable salary respectively.

Charges to the Pension Account include pensions to retired police officers and their survivors and commutations and lump sum retirement benefits.

The Pension Account is balanced to £nil each year by the receipt of pension top-up grant from, or by paying over any surplus to, the sponsoring department. The effect of this funding mechanism is that the employer's contribution of 24.6% of serving police officers' pensionable salary, together with injury pensions and a capital charge for ill-health retirements, falls to be charged to the Authority's Income and Expenditure Account.

The Pension Account is designed to discharge liabilities to pay pensions as they fall due and no account is taken of pensions and other liabilities after the period end.

A statement of account for the Pension Account, together with its net current assets and liabilities at 31st March 2007, is set out below. All Fund transactions are treated in accordance with the Authority's accounting policies as set out on page 4, where applicable.

Fund Account

	2006/07 £'000
Contributions receivable:	
From employer:	
Normal	(11,254)
Early retirements	(407)
From members	(5,042)
Transfers in	(468)
	<u>(17,171)</u>
Benefits payable:	
Pensions	15,323
Commutations and lump sum retirement benefits	4,294
	<u>19,617</u>
Payments to and on account of leavers:	
Refunds of contributions	22
Individual transfers out to other schemes	291
	<u>313</u>
Net amount payable / receivable for the year before top-up grant payable to sponsoring department	2,759
Top-up grant received	(3,376)
Amount payable to sponsoring department	617
Balance on Fund at 31 March 2007	<u><u>-</u></u>

Net Assets Statement

	2006/07 £'000
Net current assets and liabilities	
Members contributions received in advance	(14)
Amount due to sponsoring department	(617)
Net current liabilities at 31 March 2007	<u><u>(631)</u></u>

Audit Report

Independent Auditors' Report to the members of Cambridgeshire Police Authority

We have audited the financial statements of Cambridgeshire Police Authority for the year ended 31 March 2007 under the Audit Commission Act 1998. The financial statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement, the Pension Fund Account and Net Assets Statement, and the related notes. The financial statements have been prepared under the accounting policies set out within them.

Respective Responsibilities of the Treasurer and Auditors

The Treasurer's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006 are set out in the Statement of Responsibilities for the Financial Statements.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (United Kingdom and Ireland).

This report, including the opinion, has been prepared for and only for Cambridgeshire Police Authority's members as a body in accordance with the Audit Commission Act 1998 and for no other purpose as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial position of the Authority and its income and expenditure for the year.

We review whether the Statement on Internal Control reflects the Authority's compliance with CIPFA's guidance "The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003" published on 2 April 2004. We report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider whether the Statement on Internal Control covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

We read the other information published with the financial statements and consider whether it is consistent with the audited financial statements. This other information comprises only the Foreword by the Treasurer. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

- We conducted our audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with International Standards on Auditing (United Kingdom and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we evaluated the overall adequacy of the presentation of the information in the financial statements.

Opinion

In our opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial position of Cambridgeshire Police Authority as at 31 March 2007 and its income and expenditure and cash flows for the year then ended.

PricewaterhouseCoopers LLP
Abacus House
Castle Park
Cambridgeshire, CB3 0AN

Date:

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

Authority's Responsibilities

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

Under the Local Government Act 1999, the Authority is required to prepare and publish a best value performance plan summarising the Authority's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

Auditor's Responsibilities

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

We are required by section 7 of the Local Government Act 1999 to carry out an audit of the Authority's best value performance plan and issue a report:

- certifying that we have done so;
- stating whether we believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

Qualified Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice and we are satisfied that, having regard to the criteria for police authorities specified by the Audit Commission and published in December 2006, in all significant respects, Cambridgeshire Police Authority and Constabulary made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2007 except that they did not put in place:

- arrangements for managing performance against budgets; and
- arrangements to maintain a sound system of internal control.

Best Value Performance Plan

We issued our statutory report on the audit of the Authority's best value performance plan for the financial year 2006/07 on 21 December 2006. We did not identify any matters to be reported to the Authority and did not make any recommendations on procedures in relation to the plan.

Certificate

We certify that we have completed the audit of the financial statements in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

PricewaterhouseCoopers LLP
Abacus House
Castle Park
Cambridgeshire, CB3 0AN

Date:

A Statement on Internal Control

Scope of Responsibility

The Police and Magistrates' Courts Act 1994, as amended, instituted a tripartite structure to govern the Police Service in England and Wales. The parties and their respective responsibilities are, broadly:

- The Home Secretary, who has overall responsibility for policing including the national allocation of resources, the setting of national objectives and the monitoring of outcomes;
- The Police Authority, which is charged with a duty to secure and maintain an efficient and effective Force and to publish an annual plan setting out the Authority's objectives and performance targets. In addition, the Police Authority is responsible for setting the police element of the Council Tax; and
- The Chief Constable, who has powers of direction and control over the Force. In discharging his/her powers the Chief Constable must have regard to the plan issued by the Police Authority.

Within this structure, responsibilities for proper corporate governance are shared by the Force and the Authority. These responsibilities are to ensure that the Authority's business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for and used economically and effectively. The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Authority is also responsible for ensuring that there is a sound system of internal control that facilitates the effective exercise of the Authority's functions and includes arrangements for the management of risk.

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood and impact of those risks being realised, and then to manage them efficiently, effectively and economically.

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

The Internal Control Environment

The system of internal control is based on a framework comprising systems, policies, procedures and operations designed to:

- Establish and monitor the achievement of the Authority's objectives;
- Facilitate policy and decision making;
- ensure compliance with the established framework; and
- manage and report on the performance of the Authority.

The overall framework consists of a number of strands covering:

- planning;
- financial management;
- performance management;
- risk management; and
- governance.

The Planning Framework

Three Year Policing Strategy and the Local Policing Plan

The objectives of the Police Authority are set out in the Police Authority's Strategic Plan, which is produced on a triennial basis. The Cambridgeshire Policing Plan is produced by the Authority on an annual basis and it contains the objectives of the Authority for that year, the performance targets it has set, an explanation as to how the annual Efficiency Plan will be achieved and an explanation of how resources will be deployed to deliver the service to the standards required. These plans are developed by the Force on behalf of the Police Authority and underpin the Force's own Delivery Plans, which set out what will be delivered by individual Basic Command Units, Directorates and Departments during the year. It is against Delivery Plans that Heads of Department are held to account by the Chief Constable and from which personal objectives for all who work in the organisation are derived.

The Efficiency Plan is endorsed by the Scrutiny and Audit Committee and approved by the Police Authority. The process adopted requires verification by the Director of Finance and the Police Authority Treasurer before insertion in the Policing Plan. The Plan is subject to inspection and audit by Her Majesty's Inspectorate of Constabulary.

Community Engagement

The Police Authority has a duty to consult with the public in relation to policing issues. The Authority and the Force achieve this through a variety of formal and informal mechanisms such as:

- Surveys;
- Police Community Consultation Groups;
- Independent Advisory Group;
- Business Community Consultation; and
- Dialogue with partner agencies.

Financial Management Framework

The overall objective of financial control is to ensure that all resources are used as effectively and efficiently as possible to attain the Authority's objectives and targets. The objectives of financial control systems are to minimise the risk of loss, unlawful expenditure or poor value for money and to maximise the use of the Authority's assets and limited resources.

The key elements of the Authority's financial management framework are set out below.

Medium Term Financial Planning and the annual Revenue Budget

The Police Authority is responsible, in consultation with the Chief Constable, for determining an annual budget within the context of the Medium Term Financial Plan. The Medium Term Financial Plan covers both revenue and capital expenditure. In approving the Plan and Budget, formal consultation with the community takes place, overseen by the Police Authority Citizen Focus Panel. The budget setting process adopted involves discussions not only with the Officers, but also members of the Authority, through the Finance and Resources Committee and a Budget Seminar for the Full Police Authority.

Treasurer to the Police Authority and the Director of Finance

The Treasurer to the Authority has overall responsibility for the financial affairs of the Police Authority under statute. The Force Director of Finance holds Chief Officer rank, reports directly to the Chief Constable and is responsible for all financial activities undertaken within the Force.

The Treasurer and the Director of Finance work closely together to ensure that the Authority's financial plans and arrangements are delivered in the most effective way.

Financial Regulations

The Police Authority issues Financial Regulations and Standing Orders Relating to Contracts, which govern the conduct of its financial affairs. Under these regulations, the day-to-day management of the budget is delegated to the Chief Constable. Within the Force, the Chief Constable has adopted a scheme of financial delegation whereby the budget is allocated and devolved to officers charged with service delivery and business support. Under this scheme, budget holders are accountable to the Chief Constable for the management of their devolved budgets and the Chief Constable reports quarterly to the Police Authority Finance and Resources Committee on the state of the Authority's finances. Within the Force, the Force Executive Board receives monthly budget monitoring reports.

Treasury Management

The Police Authority has adopted the CIPFA Code on Treasury Management which requires the approval of an annual treasury management strategy including an annual investment strategy.

Internal Audit

Internal Audit is an assurance function that, working within recognised codes of practice, provides independent assurance to the Treasurer as to:

- the soundness, adequacy and application of financial and other management controls;
- the extent of compliance with, and the relevance and financial effect of, established policies, plans and procedures;
- the extent to which the Authority's assets and interests are accounted for and safeguarded from losses of all kinds; and
- the suitability and reliability of financial and other management data developed within the Force and Authority.

In addition, on request, Internal Audit undertakes special investigations into alleged or suspected irregularities the results of which are notified to the Treasurer and, where criminality is alleged, the Chief Constable.

Performance Management Framework

The Authority's performance objectives are contained within the annual Cambridgeshire Policing Plan, which is endorsed by the Police Authority Finance and Resources Committee in consultation with the Chief Constable. The Scrutiny and Audit Committee receives regular reports on the performance of the Force in meeting the targets contained within the Cambridgeshire Policing Plan and monitors the progress of the Efficiency Plan and associated performance.

Within the Force, a monthly performance challenge process is undertaken, led personally by the Chief Constable where Commanders, Directors and Heads of Department are called to account for service delivery against the targets set in the Authority's plan.

Risk Management Framework

The Force's Risk Manager maintains a corporate risk register and ensures that all aspects of the Force's work receive a risk assessment. Similarly the Authority maintains a risk register which records the more strategic risks of the Authority. Formal accountability and responsibility for Force risk management lies with the Chief Constable and the Force Executive Board. The Chief Executive is responsible for the Authority's risk management. Risk management is a discrete but integral part of all project, programme, performance and formal decision making processes, as well as a key component in the management of operational services. Staff are trained in risk management and it is a core component of the training of first line managers.

Governance Framework

Police Authority

The Police Authority Professional Standards Committee exists to, inter alia, record, consider and act upon complaints against the Force. In addition, the Police Authority Ethical Standards Committee promotes and maintains high standards of conduct by Members of the Authority and assists members to observe the Members' Code of Conduct. The Committee includes one independent (non-Police Authority) member. The Executive Director of the Police Authority is responsible for ensuring that the Authority's business is conducted in compliance with statute, policies, procedures and regulations.

Force

Within the Force, the Professional Standards Department is charged with ensuring compliance with policies, procedures, laws and regulations.

Review of Effectiveness

The Police Authority has the responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The processes that have been applied in monitoring and maintaining the effectiveness of the system of internal control are described below.

Police Authority

The Police Authority approves the Medium Term Financial Plan, the Asset Management Plan and Capital Strategy, the annual Revenue Budget, and the Local Policing Plan. Monitoring of progress and performance against these plans and strategies is carried out by appropriate committees. At the end of the financial year the Authority and the Chief Constable produce a

joint Annual Report on performance issues and the Authority receives and approves the annual Statement of Accounts.

The Scrutiny and Audit Committee plays a pivotal role in the system of internal control through its oversight of audit arrangements. The Committee approves the external audit plans and receives the annual audit letter from the external auditors. The committee also approves the annual internal audit plan, receives regular internal audit reports and monitors management performance against agreed action plans to address weaknesses identified. The committee also receives and reviews the annual report of the Chief Internal Auditor.

The Scrutiny and Audit Committee also monitors the performance against the targets set out in the Cambridgeshire Policing Plan together with progress against the Efficiency Plan. In addition, the Committee monitors the progress on risk management and related issues.

The Finance and Resources Committee approves the Medium Term Financial Plan for both Revenue and Capital, recommends the annual budget to the Police Authority and monitors performance against the approved budget on a quarterly basis. The Committee also reviews proposed changes to Financial Regulations and Standing Orders Relating to Contracts and monitors compliance within the Force.

Two further Police Authority Committees fulfil specific responsibilities with regard to governance: the Ethical Standards Committee considers questions of probity relating to the conduct of Police Authority Members and the Professional Standards Committee considers and acts upon complaints against the Force.

Force

The Force Executive Board, chaired by the Chief Constable, is ultimately responsible for Force performance, strategy and key policy decisions. It identifies the service improvement programmes necessary to deliver the three year policing strategy and oversees the change management programme required to deliver the necessary improvements in service.

Force Executive Board also receives and reviews monthly budget monitoring reports, oversees the corporate risk management process and monitors the Force's Code of Corporate Governance which provides the framework for its governance arrangements to promote the delivery of policing services to the communities it serves.

The Chief Constable

The Chief Constable takes a personal role in leading the Performance Challenge process.

Internal Audit

The Head of Internal Audit's Annual Report will be presented to Scrutiny and Audit Committee on 15th August 2007 and will include his opinion on the internal financial control framework. Significant issues arising, together with proposed management actions, are set out below.

Other review / assurance mechanisms

Further assurance as to the effectiveness of the system of internal control is provided by:

- the work of the external auditors as evidenced by their annual audit letter and other reports;

- the work of Her Majesty's Inspectorate of Constabulary which carries out and reports to the Secretary of State and the Police Authority on inspections designed to assess the efficiency and effectiveness of police forces; and
- the work of the Police Standards Unit which operates within the Home Office with the aim of supporting police forces to achieve good and consistent standards of performance.

Significant Control Issues

During the financial year 2006/07, the key issues were identified as set out below. The actions taken to address them are also noted here and will be reported back to the Scrutiny and Audit Committee in due course.-

Force Financial Instructions (FFIs) were last updated in October 2004. Whilst FFIs are available to staff via the Force intranet, a number of staff within Accounting Services appeared to be unaware of their existence. There is an action plan in place to update FFIs following the approval by the Authority in April 2007 of the Scheme of Delegation and a major re-write of Financial Regulations.

Whilst a Scheme of Delegation has been approved covering the financial, legal and administrative responsibilities of the Force and the Authority, there is currently a lack of documented and formalised arrangements for the monitoring and control of budgets within the Force by both budget holders and accountants. During 2006/07 the budget has been significantly overspent. It is therefore very important that all budget holders account for variances within their budgets and that collective decisions on corrective action are taken in a timely fashion. The Force has action plans in place to upgrade its core financial system (Integra) and to improve financial management through improved reports and to produce a Scheme of Budget Delegation.

There were significant delays in loading budgets onto the general ledger. This impacted the ability of budget managers to monitor their budgets in the first quarter of 2006/07.

There are no procedure notes for the Integra finance package and the Force will remedy this with the implementation of the Integra upgrade later in the year.

A number of high priority weaknesses have been reraised by the external auditor in relation to the financial controls report 2006/07, mainly around IT. Furthermore, internal audit reports on income and creditors have given limited assurance in these areas.

Signed agreements were not in place for all partnerships. A full review of this area will take place shortly.

A signatory list or levels of authority have not been developed and therefore, finance is obliged to pay any invoice that has been signed by two individuals. Audit acknowledge that a local scheme of delegation has now been put in place and management have stated that this area of work is to be developed in 2007/08 and interim controls have been put in place.

The Force spends significant sums on IT equipment annually. The arrangements for ordering (including production of business cases and order authorisation) and then for the tracking of those assets were found to be weak and action plans have now been formulated to deal with these matters, including the merging of three separate databases used to manage and track these assets.

Section 15.3 of the Authority's Contract Standing Orders requires a justification report to be produced providing a recommendation for awarding a contract to a specific contractor. Internal audit identified cases where a clear tender award recommendation was not provided.

Whilst the external auditors' PricewaterhouseCoopers LLP, have issued an unqualified "presents fairly" opinion on the Authority's 2006/07 accounts, as stated on page , the external auditors' have issued a qualified conclusion on the Authority arrangements for securing economy, efficiency and effectiveness in its use of resources. The reasons leading to the auditors' qualification in this area relate to:

Arrangements to maintain a sound system of internal control - the external auditor has drawn management's attention to a number of internal controls weaknesses requiring remedial action; and

Arrangements for managing performance against budgets - the external auditor has indicated the need for a number of improvements in budget procedures and processes including the need to compile and approve a formal scheme of delegation and ensure that budgets are updated to the general ledger on a timely basis.

Management have agreed action plans to ensure all weaknesses raised are addressed and reported to the Scrutiny and Audit Committee.

Signature:

P Peaston

Chief Executive and Clark

Cambridgeshire Police Authority

Signature:

J K Walters

Chair of Cambridgeshire Police
Authority

Date: 27th September 2007

Date: 27th September 2007

Signature:

Julie Spence

Chief Constable

Signature

John Hummersone CPFA

Treasurer to Cambridgeshire Police
Authority

Date: 27th September 2007

Date: 27th September 2007

Date: 27th September 2007.

Glossary of Terms

Accrual	The recognition in the correct accounting period of income and expenditure as it is earned or incurred rather than as cash is received or paid.
Accrued Retirement Benefits (Pensions)	The retirement benefits for service up to a given point in time, whether vested rights or not.
Actuarial Gains And Losses (Pensions)	For a defined benefit scheme, the changes in deficits or surpluses that arise because events have not coincided with actuarial assumptions used in the last valuation (experience gains or losses) or because actuarial assumptions have changed.
Agency Services	The provision of services by an Authority (the agent) on behalf of another Authority, which is legally responsible for providing those services. The responsible Authority reimburses the Authority providing the service.
Appropriations	Amounts transferred to or from revenue or capital reserves.
Asset	An item owned by the Authority which has an economic value e.g. land & buildings, debts or cash.
Audit Commission	An independent body established under the Local Government Finance Act 1982. It is the responsibility of the Audit Commission to ensure that Police Authorities make proper arrangements for ensuring economy, efficiency and effectiveness in their use of resources.
Best Value Accounting Code of Practice (BVACOP)	A CIPFA Code that is designed to ensure a consistent and comparable approach to the calculation of the cost of services.
Budget	A financial statement of the Authority's plans for any given year.
Capital Expenditure	Expenditure on new assets or on the enhancement of existing assets.
Capital Financing Account	An account that contains amounts set aside from the Income and Expenditure Account or from capital receipts to finance expenditure on fixed assets or for the repayment of loans.
Capital Grants	Grants received towards capital spending on a particular service or project.
Capital Receipts	Proceeds from the sale of capital assets such as land or buildings. They are available to finance new capital outlay and to repay existing debt.
CIPFA	The Chartered Institute of Public Finance and Accountancy. This is the leading professional accountancy body for public services.
Collection Fund	A Fund administered by District Councils to receive council tax from chargeable persons. The Police Authority precepts on the Fund to finance part of its net revenue expenditure.

Creditors	Amounts owed by the Authority for work done, goods received or services rendered, but for which payment had not been made at the date of the balance sheet.
Curtailment (Pensions)	For a defined benefit scheme, an event that reduces the expected years of future service of current staff or reduces for a number of staff the accrual of defined benefits for some or all of their future service.
Current Service Costs (Pensions)	The increase in the present value of a defined benefit scheme's liabilities expected to arise from pensionable service earned in the current period.
Debtors	Sums of money due to the Authority, but unpaid at the balance sheet date.
Defined Benefit Scheme (Pensions)	A scheme to provide retirement benefits, the value of which are independent of the contributions payable, and that are not directly related to the underlying investments.
Depreciation	The measure of the wearing out, consumption or other reduction in the useful economic life of a fixed asset.
Earmarked Reserves	Funds set aside from the Income and Expenditure Account that can only be used for specific purposes.
Expected Rate of Return on Pension Assets	For a funded, defined benefit scheme, the average rate of return, net of any charges, expected to be earned on assets held by the scheme over the remaining life of the related obligation to pay future retirement benefits.
Financial Reporting Standards (FRSs)	Standards developed by the Accounting Standards Board to regulate the preparation and presentation of financial statements (see Statements of Standard Accounting Practice).
Fixed Assets	Intangible and tangible assets that yield benefits to the Authority and the services it provides for a period of more than one year.
Fixed Asset Restatement Account	All revisions to the value of the Authority's fixed assets are recorded in this account, together with the value of disposals.
Government Grants	Payments by Central Government towards Local Authority spending. They may be specific to a particular service e.g. Police Grant; or general (see Revenue Support Grant).
Income	Amounts that an Authority receives, or expects to receive, from any source. Income includes fees, charges, sales and specific and special grants. The term income implies that the figures concerned relate to amounts due in a financial year irrespective of whether or not they have been received in that period.
Interest Cost (Pensions)	For a defined benefit scheme, the expected increase during the period in the present value of the scheme's liabilities because the benefits payable are one year closer to settlement.

Investments (Pensions)	The Authority's share of pension scheme assets associated with its liability to pay future retirement benefits.
Minimum Revenue Provision (MRP)	The minimum amount the Authority is required by statute to set aside on an annual basis for the repayment of debt.
National Non-Domestic Rates (NNDR)	The business rate in the pound is set annually and centrally by Government. The income arising is collected in a central pool for distribution to Local Authorities on the basis of a formula.
Past Service Cost (Pensions)	For a defined benefit scheme, the increase in the present value of the scheme liabilities related to staff service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits payable.
Precept	The cash sum levied by one Authority which is collected by another (a charging Authority). The Police Authority is the precepting Authority and the District Councils are the charging Authorities.
Projected Unit Method (Pensions)	An actuarial method of valuing a pension scheme's liability to pay future retirement benefits taking into account estimated increases in future earnings.
Provisions	Liabilities that are of uncertain timing or amount to be settled by the transfer of economic benefits.
Reserves	Amounts set aside by the Authority that do not fall within the definition of a provision.
Retirement Benefits (Pensions)	All forms of consideration given by an employer in exchange for services rendered by staff that are payable after completion of the engagement.
Revenue Contributions to Capital Outlay	The financing of capital expenditure directly from Revenue rather than from loans or other sources.
Revenue Expenditure	The day-to-day spending and income of the Authority on such items as staff, goods, services and equipment.
Revenue Fund Balances	The accumulated surplus of income over expenditure held in reserve.
Revenue Support Grant (RSG)	The general grant paid by Central Government to aid Local Authority (including Police Authority) spending generally.
Scheme Liabilities (Pensions)	The liabilities to pay future retirement benefits, measured using the projected unit method, of a defined benefit scheme for outgoings falling due after the valuation date.
Settlement (Pensions)	An irrevocable action that relieves the employer of the primary responsibility for a pension obligation.
Statements of Standard	Standards developed by the Accounting Standards Board and its predecessor bodies to regulate the preparation and presentation of financial statements.

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Accounting Practice (SSAPs)	Any new standards are now referred to as Financial Reporting Standards (FRSs). The CIPFA Code of Practice on Local Authority Accounting requires Local Authorities to comply with SSAPs and FRSs or to disclose the nature and effect of non-compliance (see Financial Reporting Standards).
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