



**CAMBRIDGESHIRE
POLICE AUTHORITY
STATEMENT OF
ACCOUNTS
2008/09**

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Explanatory Foreword by the Treasurer

Introduction

This Statement of Accounts sets out the financial position of Cambridgeshire Police Authority for the year ended 31st March 2009.

The Statement of Accounts has been produced in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2008: 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 2009 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 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 £120.7m; this necessitated a 5% increase in the council tax.

Net operating expenditure for the year was £166.1m and after adjusting for appropriations to and from reserves and the credit of government grants and local taxation in the year, net expenditure was on budget at £120.7m. Underspends on police officer and police staff pay during the year have been used to finance capital spending (thus reducing borrowing and future borrowing costs) and to support front line policing with other staffing resourcing. The Constabulary is now up to full establishment so these underspends will not continue into the current year.

Capital expenditure on buildings, vehicles and information and communications technology amounted to £11.6m. This was financed by grant and capital receipts (£1.9m), revenue contributions (£0.9m) with the balance from borrowing (£8.8m). Three quarters of the budgeted capital programme was achieved, a much better performance than in previous years.

Reserves

Total (useable) reserves at the 31st March 2009 are £11.8m of which £7.2m are earmarked for specific purposes. The remainder, the General Fund Balance, held as a working balance and general contingency, is £4.6m (about 3.9% of the Net Budget Requirement for 2009/10 and within the 2% to 4% range approved by the Authority).

Further Information

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

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:

Cambridgeshire Police Authority
Cambridgeshire Constabulary Headquarters
Hinchingsbrooke Park
Huntingdon
Cambridgeshire PE29 6NP
Tel: 0300 333 3456; Fax: 01480 425748;
Email: police.authority@cambs.pnn.police.uk

Thanks

I am extremely grateful to the Constabulary's Director of Resources, 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 increasingly complex Statement of Accounts to a very tight timescale.

John Hummersone CPFA

Treasurer to Cambridgeshire Police Authority

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 2008: 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. 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.

Revenue expenditure funded from capital under statute

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

Financial Assets

Financial assets are divided into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market; and
- available-for-sale assets – assets that have a quoted market price and / or do not have fixed or determinable payments.

Loans and Receivables

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

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

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

Available-for-Sale Assets

The Authority does not hold any available-for-sale assets.

Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability multiplied by the effective rate of interest for the instrument. For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and the interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

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

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

Government Grants and Contributions

Government grants and contributions are accounted for on an accruals basis and charged to 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) and bring benefits to the Authority for more than one financial year, are capitalised in the first year of the project. 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.

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 2008 (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 – current bid price;
- 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; and
- other insurance policies – a method giving the best approximation of fair value given the circumstances of the scheme.

Under the 2008 SORP the Authority has adopted the amendment to FRS 17, Retirement Benefits. As a result, quoted securities held as assets in the Local Government Scheme are

now valued at bid price rather than mid-market value. The effect of this change is detailed in Note 22.

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; and
- 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. Actuarial gains and losses are recognised in 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.

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 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 Revaluation Reserve, the Capital Adjustment Account and the Usable Capital Receipts 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) if market evidence of EUV is not available.
- 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. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains are credited to the Income and Expenditure Account to the extent they represent the reversal of an impairment loss previously charged to a service revenue account. 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 2008/09 have been carried out by Valuer Ms A Briggs BA MRICS, Bidwells, Cambridge.

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. Identified impairments are accounted for as follows:

- impairments arising from a clear consumption of economic benefits are charged to the relevant service account;
- other impairments are first matched to any revaluation gains attributable to the relevant asset with any excess being charged to the relevant service 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. 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 credit or charge against council tax, and is appropriated to the Capital Adjustment Account and the Usable Capital Receipts Reserve 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 10f. Depreciation Methodologies).

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 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 Adjustment Account for the difference between the two.

Value Added Tax (VAT)

VAT is included in the Income and Expenditure Account 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 2009 and its income and expenditure for the year then ended.

John Hummersone CPFA

Treasurer to Cambridgeshire Police Authority

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 29 June 2009.

Ruth Rogers

Chair of Cambridgeshire Police Authority

28th September 2009

Income and Expenditure Account

For the year ended 31 March 2009

2007/08 Net Expenditure £000		Notes	2008/09 Gross Expenditure £000	2008/09 Gross Income £000	2008/09 Net Expenditure £000
Continuing Operations					
118,841	Police Services	1	141,884	(18,001)	123,883
	Central Services				
1,374	The Corporate and Democratic Core		1,334	-	1,334
2,038	Non Distributed Costs		997	-	997
<u>3,412</u>			<u>2,331</u>	<u>-</u>	<u>2,331</u>
122,253	Net Cost of Services	2	144,215	(18,001)	126,214
	(91) Net (gain) / loss on sale of fixed assets		1,244	-	1,244
	(871) Interest & Investment Income		-	(432)	(432)
	400 Interest payable and similar charges		389	-	389
	Pensions interest cost and expected return	22			
34,560	on Pension assets		42,812	(4,149)	38,663
<u>156,251</u>	Net Operating Expenditure		<u>188,660</u>	<u>(22,582)</u>	<u>166,078</u>
	(39,536) Precepts				(41,960)
	General Government Grants:				
	(4,404) Revenue Support Grant				(3,875)
	(45,851) Police Grant				(46,983)
	(26,241) Non Domestic Rates Redistribution				(27,833)
<u>40,219</u>	Deficit for the year				<u>45,427</u>

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.

	2008/09	2007/08
	Net	Net
	Expenditure	Expenditure
	£000	£000
Deficit on Income & Expenditure Account	45,427	40,219
Net additional amount required by Statute and Non-Statutory proper practices to be debited or credited to the General Fund Balance for the year.	<u>(43,490)</u>	<u>(40,199)</u>
Decrease / (Increase) in General Fund Balance in the year	1,937	20
General Fund Balance brought forward	<u>(6,536)</u>	<u>(6,556)</u>
General Fund Balance carried forward	<u><u>(4,599)</u></u>	<u><u>(6,536)</u></u>

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

	2008/09 Net Expenditure £000	2007/08 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	(205)	(166)
Depreciation / Impairment of Fixed Assets	(13,573)	(7,532)
Government Grants Deferred amortisation	2,361	2,356
Net (gain) / loss on sale of fixed assets	(1,244)	91
Net charges for retirement benefits under FRS 17	<u>(58,316)</u>	<u>(60,589)</u>
	<u>(70,977)</u>	<u>(65,840)</u>
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	687	526
Capital Expenditure charged to General Fund Balance	894	1,154
Employer's contributions to Pension Fund & Direct Pension Payments	<u>23,966</u>	<u>19,896</u>
	<u>25,547</u>	<u>21,576</u>
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	3,778	4,578
Net transfer from Earmarked Reserves	<u>(1,838)</u>	<u>(513)</u>
	<u>1,940</u>	<u>4,065</u>
Net additional amount required to be credited to the General Fund Balance for the year		
	<u>(43,490)</u>	<u>(40,199)</u>

Statement of Recognised Gains and Losses

	2008/09 Net Expenditure £000	2007/08 Net Expenditure £000
(Surplus) / Deficit on Income & Expenditure Account	45,427	40,219
(Surplus) / Deficit on revaluation and disposal of Fixed Assets	271	(193)
Actuarial (Gains) / Losses on Pension Fund Assets & Liabilities	(15,742)	(147,067)
Amortisation of Government Grants Deferred relating to prior years (notes 17 & 19)	(414)	(1,366)
		-
Total Recognised (Gains) / Losses in the year	<u>29,542</u>	<u>(108,407)</u>

Balance Sheet

31 March 2008			31 March 2009
£000		Notes	£000
	Fixed Assets		
682	Intangible Fixed Assets		477
	Tangible Fixed Assets		
	Operational assets:		
41,762	Land & Buildings		29,530
	Vehicles, Plant, Furniture and Equipment		
3,542	IT & Comms		2,917
1,148	Plant & Equipment		1,601
3,064	Vehicles		3,419
3,500	Helicopter		3,320
	Non-operational assets:		
3,532	Assets Under Construction		9,772
<u>57,230</u>	Total Fixed Assets	10	<u>51,036</u>
	Current Assets		
220	Stocks and Work in Progress		228
9,326	Debtors	11	6,789
5,393	Investments	12	4,000
			<u>11,017</u>
<u>72,169</u>	Total Assets		<u>62,053</u>
	Current Liabilities		
(6,394)	Creditors	13	(8,532)
	Government Grants Deferred and Contributions		
-	Unapplied Account	14	-
(2,780)	Cash and Bank Overdrawn		(2,831)
			<u>(11,363)</u>
<u>62,995</u>	Total Assets less current liabilities		<u>50,690</u>
(8,400)	Long-term Borrowing	15	(8,162)
(1,930)	Provisions	16	(1,870)
(5,062)	Government Grants Deferred and Contributions Account	17	(3,989)
(549,637)	Liability related to Defined Benefit Pension Schemes	22	(568,245)
<u>(502,034)</u>	Total Assets Less Liabilities		<u>(531,576)</u>
	Financed by:		
179	Revaluation Reserve	18	11
35,621	Capital Adjustment Account	19	22,545
-	Usable Capital Receipts Account	20	2,307
(549,637)	Pensions Reserve	22	(568,245)
6,536	General Fund Reserve Balances		4,599
5,267	Earmarked Reserves	21	7,207
<u>(502,034)</u>	Total Net Worth		<u>(531,576)</u>

John Hummersone CPFA

Treasurer to the Cambridgeshire Police Authority

28th September 2009

Cash Flow Statement

	Notes	2008/09 £000	2007/08 £000
<u>Revenue Activities</u>			
Cash outflows:			
Cash paid to and on behalf of employees		(107,388)	(106,700)
Other operating cash payments		(26,759)	(22,194)
		<u>(134,147)</u>	<u>(128,894)</u>
Cash inflows:			
Rents		151	178
Precepts on District Councils		41,960	39,536
National non-domestic rate income		27,833	26,241
Revenue Support Grant		3,875	4,404
Police Grant		46,983	45,851
Other government grants	23	12,627	11,196
Cash received for goods and services		4,774	2,004
Other operating cash receipts		1,300	1,120
		<u>139,503</u>	<u>130,530</u>
Net Cash Flow from Revenue Activities	24	<u>5,356</u>	<u>1,636</u>
<u>Servicing of Finance</u>			
Cash outflows			
Interest Paid		(391)	(400)
Cash inflows			
Interest received		508	871
Net Cash Flow from Finance Servicing		<u>117</u>	<u>471</u>
<u>Capital Activities</u>			
Cash outflows			
Purchase of fixed assets		(10,845)	(8,285)
Cash inflows:			
Sale of fixed assets		2,567	415
Capital grants received		1,702	2,128
		<u>4,269</u>	<u>2,543</u>
Net Cash Flow from Capital Activities		<u>(6,576)</u>	<u>(5,742)</u>
Net cash inflow/(outflow) before financing		<u>(1,103)</u>	<u>(3,635)</u>
Management of liquid Resources			
Net decrease/(increase) in short-term investments	25	1,310	4,404
Financing			
Cash outflows			
Repayments of amounts borrowed Long-Term		(258)	(382)
Increase/(Decrease) in cash	26	<u>(51)</u>	<u>387</u>

Notes to the Core Financial Statements

1. Police Services 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 2.

2007/08 Net Expenditure		2008/09 Gross Expenditure	2008/09 Gross Income	2008/09 Net Expenditure
47,724	Crime	77,367	(9,816)	67,551
71,117	Community	64,517	(8,185)	56,332
<u>118,841</u>		<u>141,884</u>	<u>(18,001)</u>	<u>123,883</u>

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.

2. Subjective Analysis of Net Cost of Services

	2008/09	2007/08
	£'000	£'000
Police Pay and Allowances	58,576	56,195
Police Staff Pay and Allowances	33,976	33,042
Other Pay and Allowances	1,357	439
Other Employee Expenses	1,880	1,236
Police Pensions	9,784	18,655
Premises	4,173	3,924
Transport	322	874
Supplies and Services	18,081	14,969
Agency and Contracted Services	2,288	1,327
Depreciation and Impairment of Fixed Assets	13,778	7,698
Gross Operating Expenditure	144,215	138,359
 Government Grants	 (11,689)	 (11,799)
Income from Fees and Charges	(6,312)	(4,307)
Gross Operating Income	(18,001)	(16,106)
 Net Cost of Services	 126,214	 122,253

3. Publicity Expenditure

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

	2008/09	2007/08
	£'000	£'000
Staff Recruitment Advertising	324	221
Other Advertising	35	17
	359	238

4. 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 2008/09 was £205,265 (2007/08 £219,037)

5. Operating Leases

Payments in respect of operating leases were:

	2008/09	2008/09	2007/08	2007/08
	Property	Equipment	Property	Equipment
	£'000	£'000	£'000	£'000
Leases expiring:				
In 1 year	-	-	-	51
Between 1 and 2 years	123	-	21	-
Between 2 and 5 years	74	40	160	-
More than 5 years	86	-	66	-
Total	283	40	247	51

The Authority is committed to the following expenditure in 2009/10 in respect of Operating Leases

	Property	Equipment
	£'000	£'000
Leases expiring:		
In 1 year	123	-
Between 1 and 2 years	44	-
Between 2 and 5 years	30	40
More than 5 years	86	-
Total	283	40

6. Members' Allowances

The total amount of members allowances paid during the 2008/09 financial year was £210,312 (2007/08 £188,218). Details of members' allowances are published by Cambridgeshire Police Authority and are available upon request.

7. Officers' Emoluments

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

	2008/09	2007/08*
£50,000 to £59,999	132	30
£60,000 to £69,999	11	16
£70,000 to £79,999	14	7
£80,000 to £89,999	7	3
£100,000 to £109,999	1	1
£120,000 to £129,999	1	-
£130,000 to £139,999	-	1
£140,000 to £149,999	1	-

*The disclosures for 2008/09 and 2007/08 are not comparable because employee pension contributions have been included in 2008/09 but excluded in 2007/08. 2007/08 has not been restated because of the prohibitive cost of reconstituting the relevant data.

8. 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:

One Officer, through a controlling interest in their respective businesses, had dealings with the Authority to the value of £50,000 (2007/08 £62,350).

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

In the year to 31 March 2009, the Authority had dealings with the Trust amounting to £40,000 grant contribution (2007/08 £40,000).

9. 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.

	2008/09	2007/08
	£'000	£'000
Fees payable with regard to external audit services carried out by the appointed auditor	90	80
Fees payable in respect of other services provided by the appointed auditor.	16	-

10a. Fixed Assets Movement Summary

	Intangible Fixed Assets	Tangible Fixed Assets					Non- Operational Assets	Total
		Operational Assets						
	Software Licenses	Land and Buildings	IT and Comms	Plant and Equipment	Vehicles	Helicopter	Assets Under Construction	
Certified Valuation at 31 Mar 2008	1,023	46,423	14,508	4,314	6,984	3,500	3,532	80,284
Accumulated Depreciation and Impairment at 31 Mar 2008	341	4,661	10,966	3,166	3,920	-	-	23,054
Net Book Value at 31 Mar 2008	682	41,762	3,542	1,148	3,064	3,500	3,532	57,230
Movements in 2008/09:								
Additions	-	911	297	643	1,702	-	8,117	11,670
Disposals	-	(4,756)	(5)	(34)	(1,281)	-	-	(6,076)
Transfers	-	893	657	327	-	-	(1,877)	-
Revaluations	-	32	-	-	-	-	-	32
Impairments	-	(13,793)	-	-	-	-	-	(13,793)
	-	(16,713)	949	936	421	-	6,240	(8,167)
Depreciation:								
In year	205	1,885	1,574	506	1,092	180	-	5,442
On Disposals	-	(994)	-	(23)	(1,026)	-	-	(2,043)
Revaluations	-	(98)	-	-	-	-	-	(98)
Impairments	-	(5,274)	-	-	-	-	-	(5,274)
	205	(4,481)	1,574	483	66	180	-	(1,973)
Net Book Value At 31 Mar 2009	477	29,530	2,917	1,601	3,419	3,320	9,772	51,036
Net Book Value At 31 Mar 2009	477	29,530	2,917	1,601	3,419	3,320	9,772	51,036
Accumulated Depreciation and Impairment at 31 Mar 2009	546	180	12,540	3,649	3,986	180	-	21,081
Gross Book Value 31 Mar 2009	1,023	29,710	15,457	5,250	7,405	3,500	9,772	72,117

10b. 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. Valuations for 2008/09 have been carried out by Valuer Ms A Briggs BA MRICS, Bidwells, Cambridge.

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

	Intangible Fixed Assets	Tangible Fixed Assets					Total
	Software Licenses	Land and Buildings	IT and Comms	Plant and Equipment	Vehicles	Helicopter	
Assets valued at Historical cost:	1,023	-	15,457	5,250	7,405	-	29,135
Valued at current Value in:							
2008/09	-	29,710	-	-	-	-	29,710
2007/08	-	-	-	-	-	3,500	3,500
	<u>1,023</u>	<u>29,710</u>	<u>15,457</u>	<u>5,250</u>	<u>7,405</u>	<u>3,500</u>	<u>62,345</u>

10c. Capital Expenditure and Financing

	2008/09 £'000	2007/08 £'000
Borrowing		
Supported	834	834
Unsupported	7,166	3,677
Government Grants and Contributions		
Home Office Capital Grants	1,702	1,591
Home Office Project - Cost Recovery	-	88
Other contributions	-	449
Capital Receipts	260	429
Revenue	894	1,154
Creditors	814	128
	11,670	8,350

10d. Assets Information

	31 March 2009 Number	31 March 2008 Number
Buildings		
-Police Headquarters and Stations	27	29
-Police Houses	1	24
-Radio Masts	3	3
Motor Vehicles	565	541
Helicopter	1	1
IT and Communication Systems	166	152
Plant and Equipment Assets	156	116

10e. Assets Held Under Leases

In the previous year the Authority had capitalised, within the Balance Sheet, one building acquired under a finance lease agreement. The asset was disposed of during the previous year:

	2008/09 £000	2007/08 £000
Gross Book Value		
Value at 1 April	-	567
Revaluation on disposal	-	(567)
Value at 31 March	-	-
Depreciation		
Balance at 1 April	-	264
Depreciation in year	-	113
Revaluation on disposal	-	(377)
Balance at 31 March	-	-
Net Book Value at 31 March	-	-

Aggregate charges under finance leases were:

	2008/09 £'000	2007/08 £'000
Leases expiring:		
In 1 year	-	21
Between 2 and 5 years	-	-
Total	-	21

10f. 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

10g. Future Capital Commitments

No significant (i.e. in excess of £0.5m) capital contracts had been entered into by the Authority at 31 March 2009 (31 March 2008 Office Building £3.5m).

11. Debtors

	31 March	31 March
	2009	2008
	£'000	£'000
Government Departments	2,942	5,100
Service Debtors	999	1,982
Employees Pre-payments	1,752	1,646
Other Payments in Advance	1,098	600
	<u>6,791</u>	<u>9,328</u>
Less: Provisions for Doubtful Debts	(2)	(2)
	<u>6,789</u>	<u>9,326</u>

12. Investments

Investments fall into the following category:

	31 March	31 March
	2009	2008
	£'000	£'000
Loans and receivables	<u>4,000</u>	<u>5,393</u>

13. Creditors

	31 March	31 March
	2009	2008
	£'000	£'000
Borrowing repayable within one year	(267)	(258)
Employees	(1,893)	(943)
Government Departments	-	(3)
Service Creditors	(6,218)	(4,989)
Receipts in Advance	(154)	(201)
	<u>(8,532)</u>	<u>(6,394)</u>

14. Government Grants Deferred and Contributions Unapplied Account

	2008/09 £000	2007/08 £000
Balance at 1 April	-	104
Add: Capital Grants and Contributions in the year	1,702	2,128
Less: Amount used for Capital Financing	<u>(1,702)</u>	<u>(2,232)</u>
Balance at 31 March	<u>-</u>	<u>-</u>

15. Long Term Borrowing

	31 March 2009 £'000	31 March 2008 £'000
Analysis Of Loans by Type		
Public Works Loan Board	<u>8,162</u>	<u>8,400</u>
Analysis of Loans by Maturity		
Between 1 and 2 years	249	238
Between 2 and 5 years	818	782
Between 5 and 10 years	1,635	1,563
Between 10 and 15 years	2,050	1,959
More than 15 years	<u>3,410</u>	<u>3,858</u>
	<u>8,162</u>	<u>8,400</u>

16. Provisions

The balance at 31 March 2009 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.

	2008/09 £'000	2007/08 £'000
Balance at 1 April	1,930	1,951
Applied	(60)	(297)
Revenue Contribution	0	276
Balance at 31 March	<u>1,870</u>	<u>1,930</u>

17. Government Grants Deferred and Contributions Account

	2008/09	2007/08
	£000	£000
Balance at 1 April	(5,062)	(6,552)
Capital Financing	(1,702)	(2,232)
Amortised (written down) to Service Revenue Accounts	2,361	2,356
Additional amortisation relating to prior years	414	1,366
Balance at 31 March	<u>(3,989)</u>	<u>(5,062)</u>

18. Revaluation Reserve

	2008/09	2007/08
	£000	£000
Balance at 1 April	179	-
Unrealised gains from revaluation of fixed assets	130	193
Release of revaluation gains on disposal	(113)	-
Release of revaluation gains on impairment	(179)	-
Revaluation gains written down in the year	(6)	(14)
Balance at 31 March	<u>11</u>	<u>179</u>

19. Capital Adjustment Account

	2008/09	2007/08
	£000	£000
Balance at 1 April	35,621	37,798
Disposal of fixed assets in the year	(3,920)	(324)
Financing of Capital Expenditure		
from Capital Receipts	260	429
from revenue	894	1,154
Excess of Depreciation and Impairment over		
Minimum Revenue Provision	(13,091)	(7,172)
Amortisation (write down)		
of Government Grants Deferred	2,361	2,356
Additional amortisation relating to prior years	414	1,366
Revaluation gains written down in the year	6	14
Balance at 31 March	<u>22,545</u>	<u>35,621</u>

20. Useable Capital Receipts Account

	2008/09	2007/08
	£000	£000
Balance at 1 April	-	14
Add: Capital Receipts in the year	2,567	415
Less: Amount used for Capital Financing	(260)	(429)
Balance at 31 March	<u>2,307</u>	<u>-</u>

21. Earmarked Reserves

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

	Balance 31 March 2007	2007/08		Balance 31 March 2008	2008/09		Balance 31 March 2009
		Added to Reserve	Applied		Added to Reserve	Applied	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Innovation Reserve	640	-	-	640	-	-	640
Carry Forward Underspending Reserve	513	1,165	(513)	1,165	1,175	(1,165)	1,175
Insurance Reserve	49	657	-	706	60	-	766
Ill-Health Retirement Reserve	-	500	-	500	-	-	500
Major Capital Reserve	-	406	-	406	2,436	-	2,842
Operational Maintenance Reserve	-	500	-	500	-	-	500
Custody Suites Reserve	-	500	-	500	-	(500)	-
Workforce Development Reserve	-	300	-	300	-	(173)	127
Recruitment Reserve	-	550	-	550	-	-	550
Drug Forfeiture (Operational) Reserve	-	-	-	-	107	-	107
	<u>1,202</u>	<u>4,578</u>	<u>(513)</u>	<u>5,267</u>	<u>3,778</u>	<u>(1,838)</u>	<u>7,207</u>

Innovation

This reserve is maintained to pump schemes which may achieve savings in the medium term.

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.

Ill-Health Retirement

This reserve is maintained to meet exceptional costs of ill-health retirements.

Major Capital

This reserve has been established to provide the Authority with future flexibility in capital financing.

Operational Maintenance

This reserve has been established to provide flexibility in financing urgent replacement of critical operational equipment.

Custody Suites

This reserve has been established to meet the costs of improvements to the Authority's custody facilities in the medium term.

Workforce Development

This reserve is required to finance the costs of organisational change.

Recruitment

This reserve has been established to finance short-term over recruitment of Police Officers in order to maximise resources to the front line.

Drug Forfeiture (Operational)

Funds transferred to the Drug Forfeiture Reserve are amounts received from the courts earmarked to fight drug crime.

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:

	2008/09			2007/08		
	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	15,900	2,756	18,656	19,900	4,091	23,991
Contribution from Central Government	(6,116)	-	(6,116)	(3,245)	-	(3,245)
Past service costs	-	997	997	2,000	38	2,038
	<u>9,784</u>	<u>3,753</u>	<u>13,537</u>	<u>18,655</u>	<u>4,129</u>	<u>22,784</u>
<i>Net Operating Expenditure:</i>						
Expected return on assets in the scheme	-	(4,149)	(4,149)	-	(4,155)	(4,155)
Interest costs	38,200	4,612	42,812	34,800	3,915	38,715
Pensions interest costs and expected return on Pension	<u>38,200</u>	<u>463</u>	<u>38,663</u>	<u>34,800</u>	<u>(240)</u>	<u>34,560</u>
<i>Net Charge to the Income and Expenditure Account</i>	<u>47,984</u>	<u>4,216</u>	<u>52,200</u>	<u>53,455</u>	<u>3,889</u>	<u>57,344</u>
Statement of Movement in the General Fund Balance						
Reversal of net charges made for retirement benefits in accordance with FRS 17	<u>(54,100)</u>	<u>(4,216)</u>	<u>(58,316)</u>	<u>(56,700)</u>	<u>(3,889)</u>	<u>(60,589)</u>
Actual amount charged against the General Fund Employer's contributions payable to the schemes	<u>19,968</u>	<u>3,998</u>	<u>23,966</u>	<u>16,564</u>	<u>3,332</u>	<u>19,896</u>

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains and losses of £15,742,000 (2007/08 £147,067,000) were included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses is £245,006,000.

Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities:

	2008/09			2007/08		
	Unfunded Liabilities PPS £000	Funded Liabilities LGPS £000	Total Liabilities £000	Unfunded Liabilities PPS £000	Funded Liabilities LGPS £000	Total Liabilities £000
Balance at 1 April	(541,951)	(64,897)	(606,848)	(641,815)	(70,417)	(712,232)
Current service cost	(15,900)	(2,756)	(18,656)	(19,900)	(4,091)	(23,991)
Past service costs	-	(997)	(997)	(2,000)	(38)	(2,038)
Interest cost	(38,200)	(4,612)	(42,812)	(34,800)	(3,915)	(38,715)
Contributions by scheme participants	(5,400)	(1,644)	(7,044)	(4,900)	(1,451)	(6,351)
Actuarial gains and (losses)	23,783	7,625	31,408	139,964	13,636	153,600
Benefits paid	25,368	1,446	26,814	21,200	1,379	22,579
Net pensions transfers	-	-	-	300	-	300
Balance at 31 March	<u>(552,300)</u>	<u>(65,835)</u>	<u>(618,135)</u>	<u>(541,951)</u>	<u>(64,897)</u>	<u>(606,848)</u>

Reconciliation of fair value of the scheme assets:

	2008/09 PPS £000	2008/09 LGPS* £000	Total Assets £000	2007/08 PPPS £000	2007/08 LGPS £000	Total Assets £000
Balance at 1 April	-	57,211	57,211	-	56,221	56,221
Expected Rate of return	-	4,149	4,149	-	4,155	4,155
Actuarial gains and (losses)	-	(15,666)	(15,666)	-	(6,569)	(6,569)
Employer contributions	19,968	3,998	23,966	16,600	3,332	19,932
Contributions by scheme participants	5,100	1,644	6,744	4,900	1,451	6,351
Benefits paid	(25,368)	(1,446)	(26,814)	(21,200)	(1,379)	(22,579)
Net pensions transfers	300	-	300	(300)	-	(300)
	<u>-</u>	<u>49,890</u>	<u>49,890</u>	<u>-</u>	<u>57,211</u>	<u>57,211</u>

**Equity investments in prior years have been restated to reflect bid prices rather than mid-market values.*

The effect has been to reduce asset valuations by £286,000.

The Police Pension Scheme has no assets to cover its liabilities. The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £11,265,000 (2007/08 £2,777,000).

Scheme history

	2004/05 £'000	2005/06 £'000	2006/07 £'000	2007/08 £'000	2008/09 £'000
Present value of liabilities					
Local Government Pension Scheme	(52,092)	(67,167)	(70,417)	(64,897)	(65,835)
Police Pension Scheme	(558,800)	(648,000)	(641,815)	(541,951)	(552,300)
Fair value of assets in the Local Government Pension Scheme	36,726	48,827	56,221	57,211	49,890
Surplus/(deficit) in the scheme:					
Local Government Pension Scheme	(15,366)	(18,340)	(14,196)	(7,686)	(15,945)
Police Pension Scheme	(558,800)	(648,000)	(641,815)	(541,951)	(552,300)
Total	<u>(574,166)</u>	<u>(666,340)</u>	<u>(656,011)</u>	<u>(549,637)</u>	<u>(568,245)</u>

The liabilities are the underlying commitments that the Authority has to pay retirement benefits in the long-term. The total liability of £568.2m has a significant impact on the net worth of the Authority as presented in the Balance Sheet, giving rise to negative equity of £531.6m. 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.

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2010 is £4.0m. Expected contributions for the Police Pension Scheme in the year to 31 March 2010 are £11.7m.

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 principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Police Pension Scheme	
	2008/09	2007/08	2008/09	2007/08
Long-term expected rate of return on assets in the scheme:				
Equity Investments	7.0%	7.7%	-	-
Bonds	5.6%	5.7%	-	-
Property	4.9%	5.7%	-	-
Cash	4.0%	4.8%	-	-
Mortality assumptions:				
Longevity for current pensioners:				
Men	19.6	-	27.6	-
Women	22.5	-	31.0	-
Longevity for future pensioners:				
Men	20.7	-	29.2	-
Women	23.6	-	32.7	-
Rate of inflation	3.1%	3.6%	3.1%	3.6%
Rate of increase in salaries	4.6%	5.1%	4.6%	5.1%
Rate of increase in pensions	3.1%	3.6%	3.1%	3.6%
Rate for discounting scheme liabilities	6.9%	6.9%	6.9%	6.9%
Take up option to convert annual pension into retirement lump sum	25.0%	25.0%	90.0%	90.0%

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

	2008/09	2007/08
Equity Investments	64.0%	69.6%
Bonds	17.0%	12.8%
Property	10.0%	12.0%
Cash	9.0%	5.6%
	100.0%	100.0%

History of experience gains and losses

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

	2004/05 %	2005/06 %	PPS 2006/07 %	2007/08 %	2008/09 %
Differences between the expected and actual return on assets	N/A	N/A	N/A	N/A	N/A
Experience gains and losses on liabilities	0.54%	1.22%	0.51%	1.22%	1.97%

	2004/05 %	2005/06 %	LGPS 2006/07 %	2007/08 %	2008/09 %
Differences between the expected and actual return on assets	4.67%	13.84%	0.93%	-12.20%	-30.08%
Experience gains and losses on liabilities	0.26%	-0.08%	0.25%	-0.90%	0.62%

23. Government Grants

	2008/09 £'000	2007/08 £'000
Community Support Officers	4,326	2,533
Rule 2 Grant	2,771	-
Crime Fighting Fund	2,394	2,394
Mobile Technology	780	-
National Extremism Tactical Coordination Unit	723	823
Basic Command Unit Fund	502	689
Counter Terrorism	299	270
Drug Testing on Charge	225	252
Cambridgeshire Criminal Justice Board	186	243
Other Government Grants	177	531
Initial Police Learning and Development Programme	171	27
Strategic Lead Fund	56	69
Special Constabulary Initiative	30	61
Recovered Assets Funds	(13)	105
Rural Police Grant	-	1,113
Police Reform Act	-	769
Safety Camera Partnership	-	662
DNA Expansion Grant	-	655
	12,627	11,196

24. Cash Flow Reconciliation to Income and Expenditure Account

	2008/09	2007/08
	£000	£000
Deficit for the year	(45,427)	(40,219)
Non-Cash Transactions		
Depreciation and impairment	13,778	7,698
Government Grants Deferred Amortisation	(2,361)	(2,356)
Loss on disposal of fixed assets	1,244	(91)
FRS17 adjustments	34,350	40,693
Movement in provisions	(60)	(21)
Other Adjustments		
Interest & investment income	(432)	(871)
Interest payable and similar charges	389	400
Cash Movements		
Movement in revenue debtors	2,544	(4,393)
Movement in stocks and work in progress	(8)	58
Movement in revenue creditors	1,386	610
Movement in receipts in advance	(47)	128
Net Cash Flow from Revenue Activities	<u>5,356</u>	<u>1,636</u>

25. Liquid Resources

Liquid Resources comprise funds invested either overnight or on a short-term basis of up to one year.

26. Cash Movements

	2008/09	2007/08
	£000	£000
Cash Balance at 1 April	(2,780)	(3,167)
Cash Balance at 31 March	<u>(2,831)</u>	<u>(2,780)</u>
	<u>51</u>	<u>(387)</u>

Cash is defined as cash in hand and deposits repayable on demand less overdrafts.

27. Reconciliation of net cash flow to movement in net debt

	2008/09	2007/08*
	£000	£000
Net Debt at 1 April	(6,128)	(2,410)
Change in cash	(51)	387
Change in debt	258	382
Change in Investments	<u>(1,310)</u>	<u>(4,487)</u>
Net Debt at 31 March	<u>(7,231)</u>	<u>(6,128)</u>

*Net debt at 31 March 2008 has been restated to exclude accrued interest previously added to the principle.

28. Analysis of changes in net debt

	1 April 2008 £000	Cashflow £000	31 March 2009 £000
Cash overdrawn	(2,780)	(51)	(2,831)
Long-Term Loans	(8,400)	238	(8,162)
Loans repayable within 12 months	(258)	20	(238)
Investments	5,310	(1,310)	4,000
	<u>(6,128)</u>	<u>(1,103)</u>	<u>(7,231)</u>

29. 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 2009, was £194,873 (31st March 2008: £244,620).

30. Financial Instruments Balances

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

	Long Term		Current	
	31 March 2009 £000	31 March 2008 £000	31 March 2009 £000	31 March 2008 £000
Financial liabilities at amortised cost				
Public Works Loan Board loans	8,162	8,400	267	258
Other liabilities	-	-	8,296	6,120
Cash Overdrawn	-	-	2,831	2,780
Total borrowings	<u>8,162</u>	<u>8,400</u>	<u>11,394</u>	<u>9,158</u>
Loans and receivables				
Investments	-	-	4,000	5,393
Loans and receivables	-	-	3,848	9,619
Total investments	<u>-</u>	<u>-</u>	<u>7,848</u>	<u>15,012</u>

There are no financial instruments disclosed in the Balance Sheet which would be categorised as financial liabilities at fair value through income and expenditure.

31. Financial Instruments gains and losses

The gains and losses recognised in the Income and Expenditure Account and Statement of Total Recognised Gains and Losses in respect of holdings of financial instruments are as follows:

	Financial Liabilities	Financial Assets	
	Liabilities measured at amortised cost	Loans and Receivables	Total
	£'000	£'000	£'000
2007/08			
Interest and Investment Income	-	(871)	(871)
Interest Payable and Similar Charges	400	-	400
Net (loss) for the year	400	(871)	(471)
2008/09			
Interest and Investment Income	-	(432)	(432)
Interest Payable and Similar Charges	389	-	389
Net (loss) for the year	389	(432)	(43)

32. Fair value of assets and liabilities carried at amortised cost

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments using the following assumptions:

- the fair value of Public Works Loan Board loans as at 31 March 2009 has been calculated by reference to the premature payment set of interest rates in force on that day;
- the fair value of Public Works Loan Board loans as at 31 March 2008 has been calculated by reference to the premature payment set of interest rates in force on 30 March 2008;
- no early repayment or impairment is recognised;
- the carrying amount of an instrument maturing within 12 months is assumed to approximate to its fair value; and
- the fair value of trade and other receivables is taken to be the invoiced or billed amount after making an allowance for impairment as set out in note 33.

The carrying and fair values of financial liabilities carried at amortised cost and of loans and receivables are as follows:

	<u>31 March 2009</u>		<u>31 March 2008</u>	
	Carrying		Carrying	
	Amount	Fair Value	Amount	Fair Value
	£'000	£'000	£'000	£'000
Financial liabilities at amortised cost:				
Public Works Loan Board loans	<u>(8,429)</u>	<u>(9,407)</u>	<u>(8,658)</u>	<u>(8,733)</u>

The fair value on borrowing is greater than the carrying amount due to the Authority's portfolio of loans consisting of a number of fixed rate loans, where the interest payable is higher than the rates available for similar loans at the balance sheet date. All other financial liabilities and loans and receivables mature within 12 months and therefore their carrying values are assumed to approximate to their fair values.

33. Nature and disclosure of risks arising from Financial Instruments

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

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

The Authority's risk strategy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on resources available to fund services.

Risk management is carried out by a central treasury team under policies approved by the Authority in the annual treasury management strategy and which cover specific areas such as interest rate risk, credit risk and the investment of surplus cash.

Credit Risk

Credit risk arises from deposits with banks and financial institutions as well as credit exposures to the Authority's customers. Deposits are only made for a period of up to 364 days with institutions having a credit rating of F1 (or equivalent) according to the Fitch IBCA credit rating service to a limit of the lower of £10m or 25% of available funds on the day of dealing.

With respect to amounts owed by the Authority's customers and contractual debtors, the Authority makes prudent provision for bad debts based on an assessment of the risks for each type of debt and the age and size of the balance outstanding. The majority of the Authority's dealings are with public sector partners and the risks of default and uncollectability are considered to be lower than those associated with commercial debtors.

The following analysis summarises the Authority's assessment of its potential maximum exposure to credit risk in relation to debtors:

	£'000
Commercial Debtors	<u>2</u>

The Authority has never experienced a loss from non-performance by any of its counterparties in relation to deposits and does not expect any such loss to arise.

The Authority does not generally extend credit to its public sector partners or customers beyond 30 days such that £0.5m of the £1.4m balance is past its due date for payment. The past due amount can be analysed by age and category of debtor as follows:

	31 March 2009			31 March 2008		
	Public Sector Debtors £'000	Commercial Debtors £'000	Total £'000	Public Sector Debtors £'000	Commercial Debtors £'000	Total £'000
Less than three months	172	31	203	82	27	109
Three to six months		4	4	-	7	7
Over six months	13	8	21	323	16	339
	<u>185</u>	<u>43</u>	<u>228</u>	<u>405</u>	<u>50</u>	<u>455</u>

Liquidity Risk

As the Authority has ready access to borrowings from the Public Works Loan Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

A maturity analysis of Public Works Loan Board loans is set out at note 15. All trade and other payables are due to be paid in less than one year.

Market Risk

Interest rate risk

The authority is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. The extent of that risk is limited by the scale of borrowing and investment activities undertaken. In 2008/09 the Authority's investments were limited to overnight deposits, which therefore fall to be treated as investments at variable rates, and its borrowings were fixed rate Public Works Loan Board loans. By way of example, a rise in interest rates would have the following effects:

- borrowings at fixed rates – the fair value of the liabilities borrowings will fall; and
- investments at variable rates – the interest income credited to the Income and Expenditure account will rise.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account or Statement of Recognised Gains and Losses. However, changes in interest receivable on variable rate investments will be credited to the Income and Expenditure Account and affect the General Fund Balance £ for £.

The Authority has a number of strategies for managing interest rate risk. During periods of falling interest rates, and where economic circumstances make it favorable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is mitigated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Authority's cost of borrowing and provide compensation for a proportion of any higher costs.

The scale of the Authority's investment activities is such that the consequences of any adverse changes in interest rates on service delivery are unlikely to be significant in terms of a shortfall in resources, particularly as budgets are regularly reviewed and updated during the year. However, if interest rates had been one percentage point higher, with all other variables held constant, the financial effect for the 2008/09 year of account would be:

	2008/09	2007/08
	£'000	£'000
Increase in interest receivable on variable rate investments	46	92
Increase in Government grant receivable for financing costs	156	142
Impact on Income and Expenditure Account	<u>202</u>	<u>234</u>

Price Risk

The Authority does not invest in equity shares and has no exposure to losses arising from movements in the prices of shares.

Foreign Exchange Risk

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

Accompanying Statements

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Pension Account

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 The Police Pension Fund Regulations 2007.

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. These rates are set by the Home Office and are subject to triennial revaluation by the Government's Actuary Department.

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 2009, 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

	2008/09 £'000	2007/08 £'000
Contributions receivable:		
From employer:		
Normal	(11,435)	(11,346)
Early retirements	(429)	(246)
From members	(5,143)	(4,987)
Transfers in	(481)	(151)
	(17,488)	(16,730)
Benefits payable:		
Pensions	17,783	16,637
Commutations and lump sum retirement benefits	5,614	3,189
	23,397	19,826
Payments to and on account of leavers:		
Refunds of contributions	7	40
Individual transfers out to other schemes	200	417
	207	457
Sub-total for the year before transfer from the Police Authority of the amount equal to the deficit	6,116	3,553
Additional funding payable by the Police Authority to meet the deficit	(6,116)	(3,553)
Net amount payable / receivable for the year	-	-

Net Assets Statement

	2008/09 £'000	2007/08 £'000
Net current assets and liabilities		
Amounts owed from General Fund	1,266	308
Commutations and lump sum retirement benefits payable	(688)	(308)
Remaining top-up grant due from the Home Office	(578)	-
Net current assets / (liabilities) at 31 March 2009	-	-

The Police Pension Fund Account does not hold any investment assets.

Audit Report

Independent auditor's report to the Members of Cambridgeshire Police Authority

Opinion on the financial statements

We have audited the financial statements, of Cambridgeshire Police Authority for the year ended 31 March 2009 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 Balance Sheet, the Statement of Total Recognised Gains and Losses, 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 auditor

The Treasurer's responsibilities for preparing the financial statements, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

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

This report, including the opinion, has been prepared for and only for the members of Cambridgeshire Police Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies 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 relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008:

- the financial position of the Authority as at 31 March 2009 and its income and expenditure and cashflows for the year; and
- the financial transactions of the pension fund during the year ended 31 March 2009, and the amount and disposition at that date of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

We review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. We report if it does not comply with proper practices specified by CIPFA/SOLACE 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, nor have we considered, whether the governance statement 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 other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword. 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, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements and related notes, 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 and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and related notes.

Opinion

In our opinion:

In our opinion, the financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom:

- the financial position of the Authority as at 31 March 2009 and its income and expenditure and cash flows for the year then ended; and
- the financial transactions of the pension fund during the year ended 31 March 2009, and the amount and disposition at that date of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

PricewaterhouseCoopers LLP
Abacus House
Castle Park
Cambridgeshire
CB3 0AN

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

Authority's Responsibilities

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

Auditor's Responsibilities

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.

Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice and having regard to the criteria for police authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, and the supporting guidance, we are satisfied that, in all significant respects, Cambridgeshire Police Authority made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

Certificate

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

PricewaterhouseCoopers LLP

Abacus House
Castle Park
Cambridgeshire
CB3 0AN

The maintenance and integrity of the Cambridgeshire Police Authority website is the responsibility of the Authority; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Annual Governance Statement

1. SCOPE OF RESPONSIBILITIES

- 1.1 The Cambridgeshire Police Authority (“the Authority”) is responsible for ensuring its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, the Authority is also responsible for putting in place proper arrangements for the governance of its affairs and facilitating the exercise of its functions, which includes ensuring a sound system of internal control is maintained through the year and that arrangements are in place for the management of risk.
- 1.3 The Authority has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework: Delivering Good Governance in Local Government. This statement explains how the Authority has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

- 2.1 The governance framework comprises the systems and processes, and culture and values by which the Authority is directed and controlled and the activities through which it accounts to and engages with the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services, including achieving value for money.
- 2.2 The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable and foreseeable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority’s policies, aims and objectives to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them effectively, efficiently and economically.
- 2.3 The governance framework has been in place at the Authority for the year ended 31st March 2009 and up to the date of the approval of the Statement of Accounts 2008/09.

3. THE GOVERNANCE FRAMEWORK

Key Responsibilities

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

Planning

- 3.2 The Authority's vision and purpose are set out in the Policing Plan, which is issued before the 31st March each year but continues to be updated with later information until the 30th June when it is published. This Plan, jointly produced by the Authority and the Force, sets out the service priorities to be delivered and how they will be measured and evaluated. The Plan includes both local priorities and those determined nationally by government. The Annual Reports of the Authority and the Force provide an assessment of the success (or otherwise) of delivering the Plan.

Performance

- 3.3 The targets set in the Plan for Force performance are based on an analysis of various factors including peer comparisons, national indicator(s) for Community Safety and, importantly, public consultation across the county. The Plan is also informed by a number of national and local drivers including the National Community Safety Plan, the Strategic Assessment, the National Crime Strategy, and Cambridgeshire and Peterborough Local Area Agreements.
- 3.4 A robust corporate performance framework (which has been accredited by external inspection agencies) ensures that the Chief Constable and Police Authority are kept informed of achievement against corporate targets for both crime, the management of resources and financial performance. A corporate performance pack is presented monthly at key executive meetings chaired by the Chief Constable. The Police Authority review and assess achievement via quarterly meetings of the Performance Panel and the Scrutiny and Audit Committee. The performance result for crime is additionally available via external media such as local news agencies and the Force website.

Audit and Inspection

- 3.5 The Authority's Scrutiny and Audit Committee undertakes the core functions of an audit committee in accordance with the guidance set out in CIPFA's Audit Committees – Practical Guidance for Local Authorities.
- 3.6 The Force is subject to regular external scrutiny of the quality of service by Her Majesty's Inspectorate of Constabulary (HMIC), the Audit Commission and internal and external auditors. Inspection reports are presented to the Scrutiny and Audit Committee of the Authority. The results of this activity are made available publicly and to Neighbourhood Policing Panels in all areas of the county. In addition, the Force

Quality Assurance Team which reports directly to the chief officer group is responsible for providing reassurance that the processes and systems utilised to provide service delivery have integrity, are fit for purpose and contribute the maximum possible to the objectives of the Force.

Risk Management

- 3.7 The Constabulary maintains a corporate Risk Register, and the risk management process is managed by the Force Risk Manager. Formal accountability for the process lies with the Deputy Chief Constable and governance is ensured through monthly monitoring reports presented to the Force Executive Board and the Chief Constable. Risk management is a key component of project and operational service planning. All staff receive training in basic risk management, while risk owners and senior managers receive an enhanced level of training. The Police Authority has appointed a 'Lead Member' for Risk Management, who scrutinises the Constabulary's risk process monthly. Following the scrutiny a report is prepared for the Authority's Performance Panel. The Authority has a parallel risk management process managed by the Policy and Research Manager. The Authority's Risk Management Strategy is reviewed annually and the latest review (May 2009) found that, subject to two minor amendments, it remains fit for purpose.

Delegation

- 3.8 In April 2007 the Authority approved a Scheme of Delegation, which sets out the responsibilities and reporting lines of Committees and Panels and the Chief Officers of the Authority and Force. In addition there is a signed protocol between the Authority Treasurer and the Force Director of Finance which sets out their respective duties.
- 3.9 Following approval of the Scheme of Delegation, a new set of Financial Regulations and an Anti Fraud and Anti Corruption Strategy were prepared for business managers and budget holders. During this year a Whistleblowing Policy has also been finalised and widely publicised within the Force (see para 3.11). The Authority maintains a set of Contract Standing Orders and a report is presented each year to the Scrutiny and Audit Committee detailing exemptions to the standing orders. The Terms of Reference of the Authority's Committees and Panels are also kept under continuous review.

Codes of Conduct

- 3.10 The Authority adopted a new Members' Code of Conduct in July 2007. The Code is based on the model code published by the Standards Board for England. All Members sign an acknowledgement that they are bound by the provisions of the Code and each is provided with a copy of the Code and a summary document. The Constabulary takes the view that conduct issues are not just the domain of the Professional Standards Department. New codes of conduct and a radical review of the way police officers are subject to misconduct inquiries were introduced in October 2008. Resulting from the 'Taylor Report' the new codes and procedures make interventions more timely and less bureaucratic. A main purpose of the reforms is a move from misconduct to learning and development where appropriate. The Constabulary has a 'Standards of Behaviour' code and a Behavioural Strategy, both of which are the responsibility of the Force Executive Board and these are under revision in light of the 'Taylor Report' findings. All members of staff are expected to adhere to these codes.

- 3.11 The Constabulary has recently developed a policy to deal with all disclosures of inappropriate behaviour or malpractice, including fraud and misappropriation (commonly known as ‘whistleblowing’). This includes the areas catered for under the Public Interest Disclosure Act of 1998. Policy is developed using ‘impact assessment’. This ensures that compliance with legislation and the interest of stakeholders is considered prior to producing policy. Policy is managed by a corporate process and individual policies are the responsibility of Heads of Business.

The Monitoring Officer and the Treasurer

- 3.12 The Police Authority’s Chief Executive is the ‘Monitoring Officer’ who has responsibility for ensuring that the Authority’s business is conducted in compliance with statute, policies, procedures and regulations. The Police Authority Treasurer has responsibility under Section 112 of the Local Government Finance Act 1988 to ensure that there are arrangements in place for the proper administration of the Authority’s financial affairs. The Treasurer also has certain statutory obligations under Section 114 of the Act which cannot be delegated, namely, reporting any potentially unlawful decisions by the Authority or the Force on expenditure and where a loss or deficiency may arise. The Treasurer must also report in the event that spending in the year is likely to exceed available resources. The finance function is governed by the Police Authority’s Financial Regulations which are framed under the Home Office Code of Financial Management. The Chief Constable is responsible for adherence to Police Regulations and the Force monitored for additional compliance by HMIC and HM Revenue and Customs.

Conditions of Employment

- 3.13 The determination of conditions of employment and remuneration of officers and staff, in large part, falls to the relevant national negotiating bodies. However for police staff and management grade staff, this is subject to local flexibilities that increase with the seniority of the postholder. The use of local flexibility is overseen by the Force Executive Board, and where this directly affects members of the Board themselves, by the Chief Officer Group. Decisions are informed by reference to pay research undertaken on the Constabulary’s behalf by a firm of Management Consultants, and for the most part are negotiated with recognised trade union/staff association representatives. Changes in Senior Managers’ pay and terms and conditions of service occur through recommendations made by the Constabulary’s Director of People to the Chief Constable.
- 3.14 The Authority maintains a training and development needs matrix for all Members. Training and development opportunities are then sought to satisfy those needs. There is a development programme in place for the senior officers of the Force, along with maintenance of membership of professional bodies, who will require continuing professional development. The Force Executive Board has regular mentoring and facilitation and individuals have mentoring programmes.

Community Partnerships

- 3.15 The Constabulary has in place a ‘Key Individuals’ Network (KIN)’ which is a network of local community members, usually managed by a single officer. While in most cases a KIN group will be based around a geographical community, networks can also be based on membership of organisations or interest groups. These networks are used for a broad range of consultation across the organisation. The network is managed by a

single database which is accessible to all staff but will be incorporated into a single solution for customer relationship management (CRM) which is currently being scoped. Neighbourhood Panels are held across the Force area where the public can address areas of concern with local officers. Each Panel is attended by a nominated Member of the Police Authority who feeds back local community concerns and issues to the Authority. The Force is extending the contract for the British Crime Survey 'Swift' surveys beyond that which is required; this includes anti-social behaviour, as identified as a priority via consultation and market research. The results of Swift are presented and scrutinised by the Force Performance Challenge Group chaired by the Chief Constable.

- 3.16 The Constabulary manages key partnership arrangements through the Strategic Development Directorate with engagement by ACPO and Chief Officers for the strategic and executive boards. All have terms of reference to ensure governance. There are six Crime and Disorder Partnerships in the Authority's area and both the Force and Authority are represented on each of these.

4. REVIEW OF EFFECTIVENESS

- 4.1 The Authority has responsibility for conducting at least annually, a review of the effectiveness of the governance framework, including:
- the system of internal audit
 - the system of internal control
- 4.2 These reviews have been informed by the work of the Chief Executive, the Treasurer, internal auditors, and also managers within the Authority who have the responsibility for the development and maintenance of the governance environment. In addition comments made by the external auditors and other review agencies and inspectorates have informed this review.
- 4.3 The Authority's role in maintaining the effectiveness of the governance framework extends to ensuring that there is an approved Code of Corporate Governance and that the Code includes the arrangements for review thereof. The Authority's Scrutiny and Audit Committee approves the Annual Governance Statement (which is jointly prepared by the Authority and the Force) and reviews the systems of internal audit and internal control.
- 4.4 The Chief Constable manages the Force through a series of Boards. The Force Executive Board (FEB) which is responsible for governance and strategic direction is chaired by the Chief Constable. All Heads of Business are members of the FEB, which meets monthly. The Board has responsibility for financial management, corporate governance and the risk management process and also oversees areas of business such as Professional Standards, Human Resources, Citizen Focus and the Change Programme. Performance is monitored and managed through the monthly Force Performance Challenge Group. The Authority and the Force are subjected to an annual audit of corporate governance – the last of which (in 2008/09) provided substantial assurance.

- 4.5 The Scrutiny and Audit Committee (and the Performance Panel working to it) specifically carries out the scrutiny and challenge of Force performance. However all committees and panels have a challenge and 'call to account' role in the normal business of receiving update reports from the Force.
- 4.6 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 auditor. 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. In addition, the Committee monitors progress on Risk Management and related issues.
- 4.7 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. It also reviews proposed changes to Financial Regulations and Standing Orders Relating to Contracts and monitors compliance within the Force.
- 4.8 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 helps members to observe the Members' Code of Conduct. The Committee includes one independent (non-Police Authority) member.
- 4.9 The Head of Internal Audit's Annual Report is presented annually to the Scrutiny and Audit Committee and will include an opinion on the internal financial control framework. Any significant issues arising, together with proposed management actions, are set out in this Assurance Statement.
- 4.10 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; and
 - the work of HMIC 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.

5. SIGNIFICANT GOVERNANCE ISSUES

- 5.1 In 2008/09 the single internal audit report which received a 'Limited' assurance was 'Partnerships'. This level of assurance arose from the following:-
- (i) There is currently no overarching Partnership Policy / Strategy in place at the Authority.
 - (ii) The Partnership appraisal process is in need of further improvement to ensure it is updated in line with current recognised good practice
 - (iii) Once the list of Partnerships is put in place (which is currently being set up, as highlighted in the recent Governance review) arrangements will need to be established to ensure it is kept up to date.

- 5.2 The Authority is aware of this shortcoming and more work is required in this area. A Partnership Policy has already been drafted in cooperation with the Force and this will be considered by the Police Authority on 29th June 2009.
- 5.3 The Authority is pleased that the Internal Auditor's levels of assurance have again improved but will continue to identify enhancements to its arrangements for corporate governance. The implementation of audit recommendations will continue to be monitored by the Scrutiny and Audit Committee.

Ruth Rogers
Chairman
Cambridgeshire Police Authority

Julie Spence OBE
Chief Constable
Cambridgeshire Constabulary

Dorothy Gregson
Chief Executive
Cambridgeshire Police Authority

Date 28th September 2009

On behalf of the Members and Senior Officers of the Cambridgeshire Police Authority and Cambridgeshire Constabulary.

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 Adjustment Account	An account that reflects the difference between the cost of fixed assets and the capital financing set aside to pay for them.
Capital Expenditure	Expenditure on new assets or on the enhancement of existing assets.
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.
Effective Rate of Interest	The rate of interest that will discount the estimated cash flows over the life of a financial instrument to the amount in the balance sheet at initial measurement.
Equity Instrument	A contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.
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).
Fair Value	The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arms length transaction.
Financial Asset	A right to future economic benefits controlled by the Authority.
Financial Liability	An obligation to transfer economic benefits controlled by the Authority.
Financial Instrument	Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.
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.

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).
Impairment	The term used where the estimated recoverable amount from an asset is less than the amortised cost at which the asset is being carried on the balance sheet.
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 Accounting Practice (SSAPs)	Standards developed by the Accounting Standards Board and its predecessor bodies to regulate the preparation and presentation of financial statements. 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).