

Hampshire Police Authority

Statement of Accounts 2007/08

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Treasurer's Explanatory Foreword

Introduction

This foreword provides an introduction to Hampshire Police Authority's Statement of Accounts for 2007/08. It includes summaries of:

- * the role of the Police Authority and the content of the Statement of Accounts;
- * achievements and developments and the financial position relating to both revenue and capital expenditure over the course of the year.

The Role of the Police Authority

Hampshire Police Authority covers the whole of Hampshire and the Isle of Wight. In policing terms Hampshire Constabulary is one of the largest non-metropolitan forces in England and Wales. The combined population of Hampshire and the Isle of Wight is approximately 1.8m. The aims of the Authority are to:

- * secure an efficient and effective police service for everyone in Hampshire and the Isle of Wight
- * be a leading Police Authority that is recognised and respected at local, national and regional level.

The strategic objectives are set out in the Local Policing Plan which is on the Authority and Constabulary websites. Further updates on achievements and developments can also be found on the websites:

www.hampshirepoliceauthority.org

www.hampshire.police.uk

Statement of Accounts

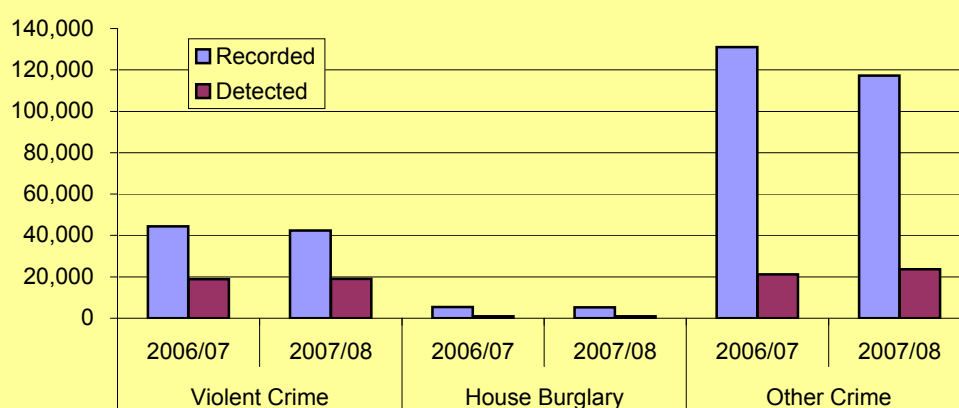
The Police Authority's Statement of Accounts for 2007/08 consist of the:

- * Statement of accounting policies
- * Statement of Responsibilities for the Statement of Accounts
- * Income and Expenditure Account, presented in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy's Best Value Accounting Code of Practice;
- * Statement of Movement on the General Fund Balance;
- * Statement of Total Recognised Gains and Losses;
- * Balance Sheet as at 31 March 2008;
- * Cash Flow Statement, which summarises the inflows and outflows of cash.
- * Police Pension Fund Account and Net Assets Statement
- * Notes to the accounts

Achievements and Developments

Establishing Safer Neighbourhood Teams across the Force was a key priority for the Force in the year and 154 teams now cover the two counties. Other strategic priorities were to strengthen public protection and reduce and detect crime. Overall crime reduced by 8.8% (almost 16,000 fewer offences) and detection rates improved from 21.6% to 26.5%. The Force was 3rd nationally in the British Crime Survey, which measures public satisfaction.

Crimes	Violent Crime		House Burglary		Other Crime	
	2006/07	2007/08	2006/07	2007/08	2006/07	2007/08
Recorded	44,429	42,422	5,451	5,300	131,014	117,218
Detected	18,803	19,015	985	1,003	21,121	23,740
Percentage	42%	45%	18%	19%	16%	20%



Numbers of:	31 March 2007	31 March 2008
Employees (headcount)	6,828	6,963
Operational buildings	67	69
Vehicles	1,013	1,054
Dwellings	50	40

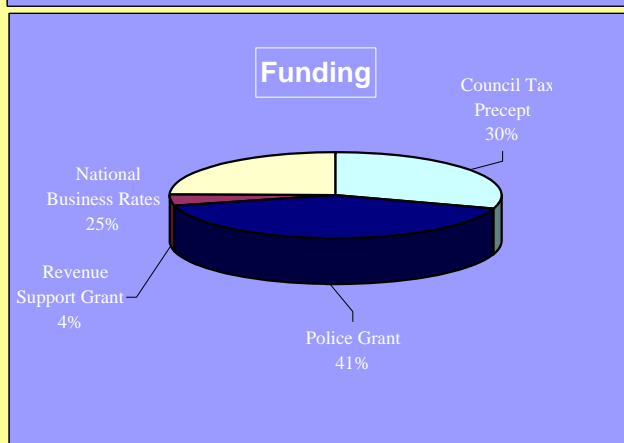
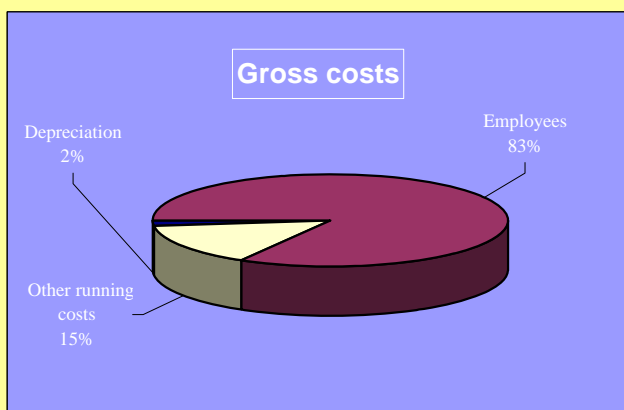
In 2007/08, the Authority spent £284.3m against a net expenditure budget of £280.8m on policing services. £1.9m of the overspend was on devolved budgets spent by Operational Command Units and will be the subject of recovery plans in 2008/09. The balance of £1.6m was mainly attributable to less income and is planned to be recovered by efficiency and other savings in 2008/09. The overspend was funded through a transfer from the general fund balance.

The entries required to comply with Financial Reporting Standard 17 (FRS17) Retirement Benefits, results in a -£1,681m FRS17 pension reserve and a net worth of -£1,533m. The large negative FRS17 pension reserve is due to the police pension scheme being an unfunded scheme i.e. with no fund assets to offset future liabilities when existing police officers have all retired. The statutory arrangements for funding the liability mean that the Authority's financial position remains sound.

The Force has again exceeded the 3% efficiency target of £8.5m in 2007/08 and carries forward a surplus of £2.44m to 2008/09.

Summary of Revenue and Capital Expenditure and Income

Revenue expenditure and income reflects the amount spent and received in respect of providing police services in the financial year.



Summary Income and Expenditure

	£m	£m
Gross cost of services		
Employees	323.1	
Other running costs	57.8	
Depreciation	7.3	
Total police services	<u>388.2</u>	
Income		
Service income	-14.4	
Additional grants	-33.6	
Govt Grant Deferred	-5.1	
Net Cost of Services		<u>335.1</u>
Other		
Levies	0.8	
Financing	-2.5	
Pensions related	-44.7	
Transfer from reserves	-1.0	
Decrease in General Fund	-5.8	
Amount met from Government grants and local taxpayers		<u><u>281.9</u></u>
Council Tax Precept	-84.6	
Police Grant	-115.7	
Revenue Support Grant	-11.7	
National Business Rates	-69.9	
		<u><u>-281.9</u></u>

Note that the decrease in the general fund of £5.8m includes £3.5m required to meet the overspend in the year which was transferred at the year end.

Capital expenditure is incurred in the acquisition and enhancement of the Authority's assets which have a life of more than one year. Total expenditure in 2007/08 was £6.1m. The Home Office provided a general capital grant of £3.9m and a small specific grant of £12,170.

Capital receipts are the proceeds from the sale of capital assets. In 2007/08, £2.9m of receipts were received from the disposal of police houses, where all proceeds may be reinvested in policing, and £0.1m from the sale of vehicles.

Capital Income and Expenditure

	£m
Expenditure	
Land and buildings	3.0
Vehicles	2.3
Keyworker housing	0.4
IT & operational equipment	0.4
	<u>6.1</u>
Funded by	
Government grant	-3.9
Capital receipts	-2.2
	<u><u>-6.1</u></u>

The Prudential Code allows the Authority to borrow money as long as it is prudent, affordable and sustainable. No new loans were taken in 2007/08.

Statement of Accounting Policies

General Principles	The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (2007). This code is recognised by statute as representing proper accounting practices. Any significant non-compliance is explained in the following notes. The accounts have been compiled by applying the most appropriate policies and estimation techniques, taking into account the accounting concepts of qualitative characteristics of financial information (i.e. relevance, reliability, comparability and understandability), materiality and the pervasive accounting concepts (i.e. accruals, going concern and primacy of legislative requirements). All income and expenditure including receipts, grants and employee costs have been accrued to the financial year to which they relate.
Service Expenditure Analysis	The Best Value Accounting Code of Practice specifies the headings to present the statutory income and expenditure accounts and defines those headings. The requirement for 2007/08 is to present most of the gross expenditure and gross income under the description 'Police services'. The 2006/07 comparators have been consolidated on this basis.
Central Support	The costs of support services are apportioned over all recipient services on a relevant basis e.g. premises costs based on floor areas, personnel costs based on staff numbers and finance costs based on budget.
VAT	VAT is not included as income or expenditure of the Authority in accordance with Statement of Standard Accounting Practice (SSAP) 5.
Precept Income	Precept income is included at the figure precepted on the collection funds of billing authorities in Hampshire and the Isle of Wight and is not subject to revision.
Specific Grants	Specific grants are included in the accounts on the basis of notification from the Government. Capital grants are credited to the Government grants deferred account and will be released over the life of the assets.
Investments	Surplus cash is invested in short term deposits to earn interest. Investments on deposit are valued at their nominal value. Investment income is recognised on receipt.
Interest	Interest payable on borrowings is accounted for in the year to which it relates, on a basis that reflects the overall effect of the loan or investment. Interest receivable is accounted for on the same basis.
Debtors and Creditors	The accounts are maintained on an income and expenditure basis in accordance with the Code of Practice. That is, sums due to or from the Authority during the year are included, whether or not the cash has actually been received or paid in the year. As their value is not material, debtors and creditors of less than £1,000 are dealt with on a cash basis.

Statement of Accounting Policies

Pensions Pension costs included in the income and expenditure account and balance sheet have been determined in accordance with FRS17 Retirement Benefits as required by the Code of Practice. The main impact of FRS17 is to include within the net cost of services the cost of actual retirement benefits earned in the financial year, as opposed to the amount paid. For the purpose of showing the impact on the General Fund, the value of benefits earned is replaced by the value of contributions in the Statement of Movement on the General Fund Balance. The net liability is shown in the balance sheet.

Police Pension Scheme (for Police Officers only)

There are currently two police pension schemes in operation, known as the Police Pension Scheme (PPS) and the New Police Pension Scheme (NPPS) which offer different terms and benefits. Both are unfunded schemes. The Authority and officers make contributions to the pensions account based on pensionable pay. This amount is included within employees costs. Pensions and lump sums are paid out of the pensions account. The difference between pension account incomings and outgoings each year is paid to or from the Home Office. The Authority is responsible for the costs of injury pensions. Ill-health pensions costs are met by a capital equivalent transfer from the Income and Expenditure Account to the Police Pension account when the officer retires.

Local Government Pension Scheme

Police staff are eligible to join the Local Government Pension Scheme administered by Hampshire County Council. This is a funded scheme. In 2007/08 the Authority paid an employer's contribution representing 17.7% of pensionable pay. The contribution rate is determined by the Fund's actuary based on valuations every three years. At the 31 March 2007 valuation the actuary recommended a phased increase in employer contribution rates over the next three years. The rate for 2008/09 will be 18.1% of pensionable pay. Additional contributions are payable to cover the cost of any early retirements except those due to ill-health. In addition the Authority is responsible for all pension payments relating to added years' benefits, together with the related increases.

The values for each scheme are shown separately in the notes. Assets are measured at fair value. Liabilities are measured using the projected unit method. Liabilities are discounted at appropriate rates.

Further details are in the notes to the accounts, the valuation report and the Hampshire Pension Fund Annual Report.

Trading Account The Authority has one trading account in respect of venue hire and functions at its Training and Support Headquarters. The income and expenditure is now included within the net cost of services to give clearer reconciliations between the financial ledger and the statement of accounts, with any net surplus or deficit being credited or debited to an earmarked reserve at the year end.

Statement of Accounting Policies

Assets	<p>Assets yield benefits to the Authority for a period of more than one year. Assets are shown in the balance sheet at their written-down value after taking account of depreciation. All expenditure above the de minimis limit of £10,000 (£6,000 for vehicles) on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis.</p> <p>Assets are valued on the basis recommended by the Chartered Institute of Public Finance and Accountancy in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors. All assets are initially valued at the depreciated historic cost until formally revalued. Intangible assets are valued at depreciated historical cost. Operational land and buildings are revalued at depreciated replacement cost. Houses and dwellings are revalued at their existing use value. Non-operational assets are shown at their historic cost. Assets are revalued if their use changes.</p> <p>Beat houses and police houses were revalued in 2004/05 in order to comply fully with the requirements of Financial Reporting Standard (FRS) 15. All other operational assets were revalued during 2006/07. All valuations were undertaken by Hampshire Constabulary Property Services Staff.</p> <p>Where assets are revalued, increases in the valuation over the current value on the Balance Sheet are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where there has previously been an impairment loss charged to the cost of services. The Revaluation Reserve contains revaluation gains recognised since 1 April 2007. Gains arising before that date have been consolidated into the opening balance on the Capital Adjustment Account.</p>
Depreciation	<p>Depreciation is defined as the measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset. Depreciation is charged on all assets, except land, on a straight line basis. Buildings have a half year depreciation in the year of acquisition and sale and are depreciated according to the valuer's estimate of useful economic life. Vehicles have a full year of depreciation in the year of purchase but are not depreciated in the year of sale. Typically, vehicles are depreciated over five years, but this varies depending upon the vehicle and its use. Variable depreciation rates reflect the relative speed of depreciation of each type of asset.</p>
Leases	<p>Leases are accounted for in accordance with SSAP 21 and FRS 5 where issues of substance over form need to be considered. A finance lease transfers substantially all the risks and rewards of ownership of an asset to the lessee. All other leases are operating leases.</p>

Statement of Accounting Policies

Basis of Redemption of Debt The Authority makes a 'minimum revenue provision' for the repayment of debt, at 4% of the Authority's capital financing requirement less the 'relevant amount', which is a statutory measure of the Authority's net indebtedness to fund capital expenditure.

Stocks Stock accounts are maintained for uniforms, vehicle spares, fuel, vending provision, computer consumables, computer equipment and stationery and these are valued at latest buying price. This is a departure from SSAP 9, but the differences are not material to the accounts.

Reserves and Provisions The general reserve represents the surplus of revenue income over expenditure. It can be used to supplement council taxes and grant income in future years, or to meet unforeseen items during the year.

The introduction of the new police pension fund account obviated the need for a pension reserve and the balance on that reserve was transferred into the general reserve. An FRS17 pension reserve is still required to display the pension liability calculated in accordance with FRS17.

The FRS17 pension liability is a significant figure which represents the amount that the Authority would have to find if all officers and staff were able to claim their pension as at 31 March 2008. The figure is high for police officers as police pensions are unfunded. The new police pension scheme introduced by the Home Office for all new officers from April 2006 was designed to help address this issue.

The Capital Adjustment Account and the Revaluation Reserve replaced the Fixed Asset Restatement Account and the Capital Financing Account on 31 March 2007. The Capital Adjustment Account is a credit balance which reflects the net surplus of resources set aside to finance capital expenditure and the depreciation, impairment and write-off of the historical cost of fixed assets. The Revaluation Reserve records the accumulated gains on assets held by the authority arising from increases in value, netted off for disposals and certain depreciation adjustments

A Financial Instruments Adjustment Account and an Available-for-sale Financial Instruments Reserve was set up in 2007/08 for the various entries required to account for financial instruments. Financial instruments should be shown at fair value or amortised cost and where the fair value is different to the carrying (i.e. book) value, the difference on initial recognition is charged to the Income and Expenditure Account and reversed out to ensure that the general fund balance is not affected. Subsequent to this entries are required in the accounts to write the asset or liability back up to the actual sum due or to be repaid at the end of its expected life.

Unapplied grants and contributions holds capital grants that have been received, usually for a specific purpose, but have not been applied to finance capital expenditure yet.

Statement of Accounting Policies

Capital receipts are the proceeds of the sale of capital assets such as the disposal of police houses and the sale of vehicles. Individual receipts of less than £6,000 have been credited to revenue income.

Capital (Revenue Contributions) Reserve holds amounts of money that have been taken from revenue to fund future capital expenditure.

Earmarked reserves have been established to enable budget holders under the devolved financial management scheme to carry forward over/underspendings, thereby promoting strategic management of budgets within the Constabulary.

Fair Value For financial assets and financial liabilities carried in the statements at fair value, this has been assessed by using discounted cash flow analysis, using the most appropriate Public Works Loans Board (PWLB) rate at the time the transaction was entered into or recognised and measured.

Bad debt The provision for bad and doubtful debts remains at £45,000.

European Currency There was no impact on the Police Authority as a result of the European Single Currency, the Euro. This will continue to be reviewed.

Statement of Responsibilities for the Statement of Accounts

The Police Authority's Responsibilities

The Police 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 economic, efficient, and effective use of resources and safeguard its assets;
- * 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 the terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code of Practice or SORP).

In preparing this Statement of Accounts, the Treasurer has:

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

The Treasurer has also :

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

The Chairman of Governance Committee's Statement:

I certify that the Statement of Accounts for 2007/08 was considered and approved by the Hampshire Police Authority's Governance Committee on 20 June 2008.

Signed:

Date:

The Treasurer's Certificate:

I certify that the Statement of Accounts for the year ended 31 March 2008 required by the Accounts and Audit Regulations are set out on the following pages. I further certify that the Statement of Accounts presents fairly the financial position of Hampshire Police Authority as at 31 March 2008 and its income and expenditure for the year then ended.

Signed:

Date:

1 Scope of responsibilities

- 1.1 Hampshire Police Authority is responsible for ensuring that 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*. A copy is on its website at hampshirepoliceauthority.org or can be obtained from Hampshire Police Authority, Westgate Chambers, Staple Gardens, Winchester SO23 8AW. 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 its activities through which it accounts to and engages with the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services, including achieving value for money.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable and foreseeable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risk 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 efficiently, effectively and economically.

2.3 The governance framework has been in place at the Authority for the year ended 31 March 2008 and up to the date of approval of the Annual Statement of Accounts.

3 The governance framework

3.1 The Police Authority's objectives are set by the Authority annually. These objectives take into account objectives set nationally by the Home Office and inform objectives set locally at Force and Command Unit/Department level. The achievement of Authority objectives is monitored through the relevant Authority committees. The achievement of Force objectives is monitored by the Chief Officers Group (ACPO Group), the relevant Force Boards and Committees.

3.2 The Authority has various plans and policies which are approved by the Authority. In addition there are formal terms of reference, codes of conduct, Financial Regulations and Standing Orders to enhance the control framework.

3.3 The Force has supplemented these with policies and procedures. Each policy and procedure has a designated owner. There is a standard format for all Force policies and procedures. All policies and procedures are subject to consultation and must state how they are to be monitored and reviewed to ensure that they remain up to date. All policies are published on the Force intranet.

3.4 Compliance with Financial Regulations, Standing Orders, policies, procedures, laws and regulations is ensured through a variety of internal and external mechanisms using controls such as mandatory data entry, validation, clear forms, training, supervision, segregation of duties and inspection through self inspection, Professional Standards Department, Her Majesty's Inspector of Constabulary, Surveillance Commissioner, Home Office, internal audit, external audit, Her Majesty's Revenue and Customs and other professional and government bodies. In addition, monitoring reports are made to ensure compliance.

3.5 A strategic risk register has been established to identify, monitor and manage significant risks. More detailed risks are identified in each policy and procedure, and in each operation order. It is each individual's responsibility to identify, assess and manage risk. Employees are trained in risk assessment. However, it is acknowledged that significant further work is required to improve risk management such as testing of continuity plans and risk management training to embed risk management within the organisation.

- 3.6 The Governance Committee has responsibility for developing the corporate governance framework, reviewing internal audit and external audit plans, monitoring the implementation of audit recommendations and for upholding the principles of good governance, making recommendations to the Authority as appropriate.
- 3.7 The Treasurer has overall responsibility for the administration of the Police Authority's financial affairs. The Finance Committee receives financial management reports and approves or recommends courses of action to take to ensure probity, stewardship and best value. The Director of Finance and Resources is responsible to the Chief Constable for financial activities undertaken within the Force. The Force's Resource Management Board also receives financial management reports for information, comment and recommendations.
- 3.8 Performance is rigorously measured and managed at all levels of the Authority. The Performance Committee is a key contributor to monitoring the achievement of the Authority's objectives and challenging Force performance in the context of the Annual policing plan. Financial monitoring and financial planning is provided by the Finance Committee. The Efficiency Strategy Group is charged with reviewing and monitoring the strategy for the achievement of efficiency targets. The Chief Constable reviews performance through the Force Performance Review Group. The internal audit arrangements provide assurances regarding the effective, efficient and economic achievement of the Authority's objectives.
- 3.9 The Authority has utilised the CIPFA *'Rough Guide to the Annual Governance Statement'* to compile the necessary assurances and evidence to support this statement. Corporate governance and the production of this statement is overseen by the Governance Committee.

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 and the system of internal control. These reviews have been informed by the work of the internal auditors and the executive managers within the Authority who have responsibility for the development and maintenance of the governance environment, and also by comments made by the external auditors and other review agencies and inspectorates in their annual audit letter and other reports.

- 4.2 The effectiveness of the system of internal control is reviewed through the submission of reports to the Police Authority and its committees. Reports are submitted by the Force, internal audit, external audit and other external agencies. Authority members scrutinise reports submitted and are able to question report owners. Members of the Authority have access to all information and may ask for additional work to be undertaken where they feel it is necessary. The Governance Committee monitors corporate governance and the effectiveness of the system of internal control. In particular, assurance is gained from the Treasurer's Annual Audit Opinion report based on the work undertaken by internal audit during the course of the year.
- 4.3 Action plans are produced to address significant control issues and progress against delivery is monitored by the Governance Committee.

5 Significant governance issues

- 5.1 The Statement of Internal Control which was approved in June 2007 identified two areas which, whilst not being significant control issues, were areas where further improvements were required to strengthen the control framework. These were risk management and the future funding shortfall.
- 5.2 Preparatory work for this Statement identified that risk management was an area which had improved over the course of the last year with a risk strategy now in place and currently being reviewed, levels of awareness raised, training of key staff being provided and business continuity plans being in place and tested across the force. As such, whilst still an area where ongoing improvements are required, risk management is not a significant risk from a governance perspective.
- 5.3 The future funding shortfall is an issue which is still relevant and the Authority and Force continues to support the work of the Association of Police Authorities and Association of Chief Police Officers that aims to ensure that future funding of police authorities is sufficient enough to enable authorities to maintain existing levels of service and deliver policing improvements.

- 5.4 In planning its work for the coming financial year, the Audit Commission has identified a number of areas which could pose significant risks to the Authority achieving its objectives if they are not managed appropriately or developed from the existing baseline position. These are:-
- * Developing effective partnerships to influence the setting of strategic priorities and allocation of resources
 - * Ensuring that neighbourhood policing and customer focus delivers the desired community outcomes
 - * Embedding improvements in data quality arrangements
 - * Continuing budgetary pressures
 - * Construction of Southampton OCU HQ
- 5.5 The Audit Commission will direct its work accordingly to reviewing the Authority's progress on the above issues and will address most of these as part of its work in the Use of Resources assessment (PURE) and other reviews such as the Data Quality assessment. The Authority has in place a number of governance arrangements which mitigate the risks identified by the Audit Commission. These include the appointment of a Partnership Development Manager to provide dedicated and ongoing support to partnership activity across the Force, sustained and continuing investment in neighbourhood policing to achieve local and national objectives, the establishment of an Efficiency Strategy Group to deliver required savings over the next three years and the management of the Southampton OCU HQ project in line with established project management principles and procured under the South East Centre of Excellence Framework.
- 5.6 Internal audit review has identified some areas where internal controls are incomplete and may present risks to the Authority. These are covered in the annual internal audit opinion. The internal audit opinion also reviews where, although the framework of control is appropriate, controls are not always operating in practice.
- 5.7 In 2007/08 an internal audit opinion of an incomplete framework of control was given in respect of pensions arrangements and seized assets. The pensions contract was subsequently confirmed to have been signed, which mitigated the risks which internal audit felt the Authority was potentially exposed to and a review of the strategy for the storage of seized assets has been agreed and will take place in 2008/09. With regard to areas where controls are not always operating in practice, the annual audit opinion highlighted some aspects of personnel management and administration, procurement compliance, seized assets storage and budgetary control. Appropriate management actions have been introduced or will be put in place and progress on audit recommendations and management actions which are not dealt with are reviewed by the Governance Committee.

Annual Governance Statement for Hampshire Police Authority 2007/08

5.8 In reaching its conclusions in the formulation of this Statement, the Authority has taken account of the observations of internal and external audit and its own review using the CIPFA recommended methodology. Whilst there are some areas which need to be monitored to ensure that these do not become significant risks in the future, those areas which are being developed or are most in need of development during the course of 2008/09 are:-

- * Partnership governance
- * Partnership risk registers
- * Data quality
- * Budgetary control and management

5.9 Partnerships are a growing area in local authorities and the police is no exception to this. The appointment of a Partnership Development Manager is part of the Constabulary's response to the need to record, manage and quality assure all significant partnerships which the Force enters into, whether through statutory obligation or through choice. The PURE assessment and the review of governance against the core principles has focussed attention on the need to speed up the work in relation to partnerships. In addition, the Internal Audit Strategy 2008-2013 will include an emphasis on partnership governance.

5.10 Data quality is a cornerstone of performance management and will be a key focus of the Audit Commission's work in the coming year. The need to improve data quality in some areas is acknowledged by the Authority and is being addressed through a data quality improvement plan which is being managed as a project by a Chief Inspector in the Corporate Services Department.

5.11 Budgetary control issues which came to light at the end of 2007/08 have resulted in improvements in budgetary control, including the preparation and monitoring of recovery plans, more regular scrutiny by the Police Authority and changes to key budget management processes. These will be kept under review in 2008/09.

Signed by:



Chair of Hampshire Police Authority



Chief Constable of Hampshire Constabulary



Chief Executive of Hampshire Police Authority

On behalf of the members and senior officers of the Hampshire Police Authority and Hampshire Constabulary

Opinion on the financial statements

I have audited the accounting statements, the police pension fund accounting statements and related notes of Hampshire Police Authority for the year ended 31 March 2008 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, Balance Sheet, Statement of Total Recognised Gains and Losses, Cash Flow Statement, and the related notes. The police pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. The Authority's accounting statements and police pension fund accounts have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Hampshire Police Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Treasurer and auditor

The Treasurer's responsibilities for preparing the financial statements, including the police pension fund accounting statements, in accordance with relevant legal and statutory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities for the Statement of Accounts.

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

I report to you my opinion as to whether the accounting statements and the police pension fund accounts present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007:

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

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

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

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

Basis of audit opinion

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

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

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

Opinion

In my 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 2007, the financial position of the Authority as at 31 March 2008 and its income and expenditure for the year then ended;
- the police pension fund accounts present fairly, in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial transactions of the police pension fund during the year ended 31 March 2008, and the amount and disposition of the fund's assets and liabilities as at 31 March 2008 other than liabilities to pay pensions and other benefits after the end of the scheme year.

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

Authority's Responsibilities

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

Auditor's Responsibilities

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

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for police authorities specified by the Audit Commission and published in December 2006, I am satisfied that, in all significant respects, Hampshire Police Authority made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2008.

Certificate

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

Kate Handy, District Auditor
Audit Commission, Collins House, Bishopstoke Road, Eastleigh, Hampshire. SO50 6AD.

Income and Expenditure Account - Best Value Accounting Code of Practice

This statement summarises the revenue transactions of the Authority. It shows the day-to-day running costs of all services which are paid for by precepts, government grants and other revenue income. The service analysis of expenditure and income is based on guidance given by CIPFA in its Best Value Accounting Code of Practice.

Net Expenditure 2006/07 £'000	Service Expenditure Analysis	Gross Expenditure 2007/08 £'000	Gross Income 2007/08 £'000	Net Expenditure 2007/08 £'000
289,215	Police services	347,797	-50,882	296,915
95	National police services undertaken locally	2,051	-1,944	107
1,193	Corporate & Democratic Core	1,451	-247	1,204
0	Non-distributed costs	36,820	0	36,820
290,503	Net Cost of Services	388,119	-53,073	335,046
0	Net (gain)/loss on the disposal of fixed assets			-691
705	Levies to National Police Services			777
10,490	Payment to Police Pension Fund to meet deficit			12,701
279	Interest payable and similar charges			337
0	Investment losses			0
-1,584	Interest and investment income			-1,313
88,360	Pensions interest cost and expected return on pension assets			99,230
388,753	Net Operating Expenditure			446,087
-79,323	Council Tax Precept			-84,633
-112,620	Police Grant			-115,702
-10,490	Home Office Police Pension Fund Top-up Grant			-12,701
-12,985	Revenue Support Grant			-11,725
-64,802	Share of National Business Rates			-69,865
108,533	(Surplus)/Deficit for the year			151,461

Statement of Movement on the General Fund Balance

2006/07		2007/08
£'000		£'000
108,533	Deficit for the year on Income and Expenditure Account	151,461
-108,555	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	-145,672
-22	(Increase)/Decrease in General Fund Balance for the Year	5,789
-5,369	General Fund Balance brought forward	-9,944
-4,553	Closure of Pension Reserve	
-9,944	General Fund Balance carried forward	-4,155

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 fixed assets are consumed.
- 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.

Breakdown of reconciling items in the Statement of Movement on the General Fund Balance

2006/07		2007/08
£'000		£'000
	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year	
0	Amortisation of intangible fixed assets	-9
-7,125	Depreciation and impairment of fixed assets	-7,287
4,640	Government Grants Deferred Amortisation	5,056
0	Net gain on disposal of fixed assets	691
0	Differences between statutory debits/credits recognised as income and expenditure in relation to financial instruments	-64
-149,890	Net charges made for retirement benefits in accordance with FRS17	-197,460
-152,375		-199,073
	Amounts not included in the Income and Expenditure Account but required by statute when determining the Movement on the General Fund Balance for the year	
377	Minimum revenue provision	362
153	Capital expenditure charged to the General Fund Balance	354
47,160	Employer's contribution payable to the Pension Fund and retirement benefits payable direct to pensioners	53,705
47,690		54,421
	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	
-3,870	Net transfer to/(from) reserves	-1,020
-3,870		-1,020
-108,555	Net additional amount required to be credited to the General Fund balance for the year	-145,672

Statement of Total Recognised Gains and Losses

2006/07		2007/08
£'000		£'000
108,533	Deficit for the year on the Income and Expenditure Account	151,461
0	Adjustment to opening balance on recognition of financial instruments	150
-45,892	(Surplus)/Deficit arising on revaluation of fixed assets	-273
	De minimis capital disposals	293
-29,040	Actuarial (gains)/losses on pension fund assets and liabilities	-360,289
<u>33,601</u>	Total recognised (gains)/losses for the year	<u>-208,658</u>
<u>33,601</u>	Movement on balance sheet	<u>-208,658</u>

Balance Sheet

The balance sheet shows the Authority's net financial position at 31 March 2008

	31 March 2007	31 March 2008	Note
	£'000	£'000	
Intangible fixed assets	20	11	
Tangible fixed assets			
Operational land and buildings	143,652	141,633	
Operational vehicles and plant	9,149	8,617	
Other operational assets	6,842	4,466	
Non-operational assets	668	1,720	
Total fixed assets	160,331	156,447	[13]
Long-term debtors	440	645	[17]
Total long-term assets	160,771	157,092	
Current assets			
Stocks	889	720	
Debtors etc.	15,886	18,709	
Short-term investments	17,168	8,000	
Cash	1,351	4,133	
Total current assets	35,294	31,562	[17]
Total assets	196,065	188,654	
Current liabilities			
Deposits	-1,167	-1,428	
Bank overdrawn	-4,215	-320	
Creditors	-18,953	-24,425	
Total current liabilities	-24,335	-26,173	[17]
Total assets less current liabilities	171,730	162,481	
Long-term liabilities			
Long-term borrowing	-3,200	-3,230	[17]
Government Grants Deferred	-9,882	-8,693	[20]
Deferred liabilities	-2,762	-2,548	
Liability related to pension schemes	-1,897,714	-1,681,180	[2]
Total assets less liabilities	-1,741,828	-1,533,170	
Financed by			
Capital Adjustment Account	138,267	136,095	[19]
Revaluation Reserve	0	280	[19]
Financial Instruments Adjustment Account		-214	[19]
Available for sale Financial Instruments Reserve	0	0	
Unapplied Grants and Contributions	0	0	[19]
Capital Receipt Reserve	1,924	2,628	[19]
Capital (Revenue Contributions) Reserve	4,096	4,448	[19]
General Reserve	9,944	4,155	[19]
Insurance Reserve	394	394	[19]
Spend to Save Reserve	48	0	[19]
Earmarked Reserves	1,213	224	[19]
FRS17 Pensions Reserve	-1,897,714	-1,681,180	[19]
Total Equity	-1,741,828	-1,533,170	

Cash Flow Statement

This statement shows the movement in cash during the year. It is consolidated and therefore, excludes significant internal transfers between accounts that do not involve transactions with third parties and excludes non-cash transactions.

	£'000	£'000
Revenue Activities:		
Cash Outflows:		
Employees	278,558	
Other	52,819	
	331,377	
Cash Inflows:		
Revenue Support Grant	-11,725	
Share of Business Rate	-69,865	
Police Grant	-115,702	
Council Tax	-84,633	
Service Income:	-11,607	
Additional Grant	-33,587	
	-327,119	
Net Revenue Activities:		4,258
Returns on Investments and Servicing of Finance		
Interest Received	-1,313	
Interest Paid	337	
Disposal of Investments	0	
	-976	
Net Cash Inflow From Return on Investment and Servicing of Finance:		-976
Capital Activities		
Cash Outflows:		
Purchase of Fixed Assets	5,676	
Other capital payments	440	
Cash Inflows:		
Sales of Assets	-2,993	
Government Grant	-3,867	
	-744	
Net Cash Outflow/(Inflow) from Capital Activities:		-744
Management of Liquid Resources		
Net Increase/(Decrease) in		
Short-Term Investments	-9,168	
Deposits movement	-261	
		-9,429
Financing Transactions:		
Principal Repayments	214	
New Loans raised	0	
Net outflow from financing transactions:		214
Decrease/(Increase) in Cash (reconciles to note 28):		-6,677

Police Pension Fund Account

Fund Account

Contributions receivable

- from employer
 - normal
 - early retirements
 - ill-health capital equivalent charges
 - other
- from members

Transfers in

- individual transfers in from other schemes
- other

Benefits payable

- pensions
- commutations and lumps sums
- lump sum death benefits
- other

Payments to and on account of leavers

- refunds of contributions
- individual transfers out to other schemes
- other

Net amount receivable for the year before top up grant

Top-up grant receivable

Net amount receivable for year

2006/07	2007/08
£'000	£'000
-28,504	-29,655
0	0
-156	-348
0	0
-13,059	-13,248
-874	-917
0	0
41,236	43,201
10,891	12,777
64	226
0	0
59	24
833	641
0	0
10,490	12,701
-10,490	-12,701
0	0

Net Assets Statement

Net current assets and liabilities

- contributions due from employer
- pension top-up grant receivable
- unpaid pension benefits
- amount due to sponsoring department
- other current assets and liabilities

2006/07	2007/08
£'000	£'000
0	1,531
0	0
0	-1,531
0	0
0	0

Most payments and employer contributions in respect of the police pension schemes are reported in the Police Pension Fund account. Certain other pension costs now fall upon the Income and Expenditure Account. Contributions to pay the ongoing costs and commuted lump sums in respect of officers who are awarded injury pensions cannot be charged to the police pension fund. Instead they are charged to an operating account. Payments for ongoing injury pensions totalled £1.068m in 2007/08. For officers who retire on the grounds of ill-health, the employer is obliged to make a contribution from the Income and Expenditure Account to the Police Pension Fund Account. This charge is the equivalent to two-years' pensionable pay and is a one off credit to the account. All subsequent ongoing payments are met by the Home Office top-up grant as required.

Notes to the Core Financial Statements

[1] This note restates the income and expenditure account transactions on a subjective analysis.

	2006/07	2007/08	Notes
	£'000	£'000	
Gross Expenditure			
Employees (including police pensions)	274,549	323,083	(2)
Premises	10,611	11,393	
Transport	4,594	4,778	
Travel and Subsistence	5,057	5,010	
IT and Communications	15,168	14,108	
Supplies and Services	24,157	18,834	
Grants	1,915	2,295	
Cost of servicing Police Authority	1,295	1,322	
Depreciation and Impairment	7,125	7,296	(11)
Gross cost of services	344,471	388,119	
Service Income			
Service Income	-17,358	-14,430	
Additional Grants	-31,970	-33,587	(10)
Government Grant Deferred	-4,640	-5,056	(20)
Total Service Income	-53,968	-53,073	
Net Cost of Services	290,503	335,046	
Net (gain)/loss on the disposal of fixed assets	0	-691	
Levies to national policing agencies	705	777	(4)
Payment to Police Pension Fund to meet deficit	10,490	12,701	
Interest payable and similar charges	279	337	
Investment losses	0	0	
Interest and investment income	-1,584	-1,313	
Pensions interest cost and expected return on pension assets	88,360	99,230	(2)
Net Operating expenditure	388,753	446,087	
Council Tax Precept	-79,323	-84,633	
Police Grant	-112,620	-115,702	
Home Office Police Pension Fund Top-up Grant	-10,490	-12,701	
Revenue Support Grant	-12,985	-11,725	
Share of National Business Rates	-64,802	-69,865	
(Surplus)/Deficit for the year	108,533	151,461	

Notes to the Core Financial Statements

[2] FRS17 entries

In accordance with FRS17, the cost of police officer and police staff pensions contributions is replaced in the net cost of services by the current service cost and past service cost incurred during the year. The pensions interest cost less the expected return on pension assets is shown within the net operating expenditure. This is a better representation of the financial position of the Authority as it shows the estimated retirement benefits earned during the year rather than simply the contribution payments made.

Retirement benefits

	Police Pension Scheme (PPS)		New Police Pension Scheme		LGPS (police staff)	
	2006/07 £'000	2007/08 £'000	2006/07 £'000	2007/08 £'000	2006/07 £'000	2007/08 £'000
Net Cost of Services						
Current service cost	50,700	47,830	800	2,220	10,030	11,360
Past service cost	0	35,020	0	0	0	1,800
Net Operating Expenditure						
Interest costs	87,400	96,860	0	160	7,020	8,510
Expected return on assets	0	0	0	0	-6,060	-7,490
Net Charge to Income & Expenditure	138,100	179,710	800	2,380	10,990	14,180
Movement of General Fund						
Reversal of above	-138,100	-179,710	-800	-2,380	-10,990	-14,180
Employer's contributions	39,700	43,863	-500	-1,159	7,960	9,933
Charge on General Fund	39,700	43,863	-500	-1,159	7,960	9,933

In addition to the above, the Authority paid £1.07m in ongoing injury pension payments which are a charge upon the operating account but are not a charge to the Police Pension Fund Account. The FRS17 disclosures for this element of retirement benefits are as below:

Retirement benefits

	Injury Pensions (police officers)	
	2006/07 £'000	2007/08 £'000
Net Cost of Services		
Current service cost	0	0
Past service cost	0	0
Net Operating Expenditure		
Interest costs	0	1,190
Expected return on assets	0	0
Net Charge to Income & Expenditure	0	1,190
Movement of General Fund		
Reversal of above	0	-1,190
Employer's contributions	0	1,068
	0	1,068

There are no comparative figures for this element as prior to 2007/08 this was included in the Pension Fund Account

Notes to the Core Financial Statements

[2] FRS17 assets and liabilities

The nature of the schemes is explained in the accounting policies and further information is also given in the police pension fund account. Under the projected unit method the current service cost will increase as the members of the scheme approach retirement.

There are no material prepaid or accrued pensions contributions at 31 March 2008.

The nature of the two police pension schemes in operation is explained in the accounting policies. In addition to the police pension schemes the costs of injury pensions falls upon the income and expenditure account. The actuary has valued the liabilities and has assessed a comparative figure as at the end of March 2007. The total assets and liabilities for retirement benefits attributable to the Authority were as follows:

	Police Pension Scheme (PPS)		New Police Pension Scheme (NPPS)		Local Govt Pension Scheme	
	31 Mar 07	31 Mar 08	31 Mar 07	31 Mar 08	31 Mar 07	31 Mar 08
	£m	£m	£m	£m	£m	£m
Estimated liabilities	-1,825.58	-1,622.68	-1.30	-3.28	-154.30	-142.64
Estimated assets	0.00	0.00	0.00	0.00	106.19	107.86
Net asset/(liability)	-1,825.58	-1,622.68	-1.30	-3.28	-48.11	-34.78

	Injury Pensions (police officers)		Total	
	31 Mar 07	31 Mar 08	31 Mar 07	31 Mar 08
	£m	£m	£m	£m
Estimated liabilities	-23.12	-20.44	-2,004.30	-1,789.04
Estimated assets	0.00	0.00	106.19	107.86
Net asset/(liability)	-23.12	-20.44	-1,898.11	-1,681.18

The liabilities show the commitments that the Authority has in the long-term to pay retirement benefits. The net liability has a substantial impact on the net worth of the Authority as recorded in the balance sheet, resulting in a negative overall balance. However, the deficit on schemes will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary. **Therefore, the statutory arrangements for funding the deficit mean that the financial position of the Authority remains sound.**

Notes to the Core Financial Statements

[2] FRS17 assets and liabilities

The estimates are provided by the Authority's actuary, Hewitt Associates Limited. The most recent full valuation of the police pension scheme was carried out as at 31 March 2005 and the most recent full valuation of the police staff (LGPS) scheme was as at 31 March 2007. The actuary has updated the estimates for FRS17 purposes as at 31 March 2008. Liabilities are valued on an actuarial basis using the projected unit method which assesses the future liabilities discounted to their present value. The actuarial valuation is based on estimated figures provided to the actuary before the year ended. The valuation is based upon the following assumptions for all schemes:

Rate	31 March 2007	31 March 2008
Discount rate	5.3%pa	6.8%pa
Rate of increase in salaries	4.7%pa	5.2%pa
Rate of increase in pensions	3.2%pa	3.7%pa
Rate of increase in deferred pensions	3.2%pa	3.7%pa
Rate of inflation	3.2%pa	3.7%pa

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

Category	Long term return	31 March 2007	31 March 2008
Equities	7.6% pa	67%	62%
Government bonds	4.6% pa	21%	26%
Corporate bonds	6.8% pa	3%	0%
Property	6.6% pa	4%	6%
Other Assets	6.0% pa	5%	6%
		100%	100%

It has been assumed that 50% of LGPS members retiring after April 2006 will take an increased lump sum payment on retirement in exchange for a reduction in their future annual pension. This reduces the value of the LGPS liability.

Notes to the Core Financial Statements

[2] FRS17 actuarial gains and losses

The actuarial gains identified as movements on the Pension Reserve in 2007/08 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2008:

		Difference between expected and actual returns on assets		Difference between actuarial assumptions and actuals		Changes in the demographic and financial assumptions used to estimate liabilities	
		(£m)	%	(£m)	%	(£m)	%
2002/03	PPS	0.00	0.0	4.48	0.4	-0.33	0.0
	LGPS	-12.23	34.0	0.12	0.2	-0.09	0.1
2003/04	PPS	0.00	0.0	-0.89	-0.1	0.72	0.1
	LGPS	4.74	9.9	-0.01	0.0	0.17	0.2
2004/05	PPS	0.00	0.0	-0.60	0.0	-269.80	-16.9
	LGPS	3.20	4.7	9.06	8.0	-21.55	-19.1
2005/06	PPS	0.00	0.0	90.10	5.1	-172.50	-9.7
	LGPS	11.67	12.8	0.02	0.0	-10.43	-7.6
2006/07	PPS	0.00	0.0	-4.30	-0.2	31.80	1.7
	NPPS	0.00	0.0	0.00	0.0	0.00	0.0
	LGPS	-0.14	-0.1	-0.13	-0.1	1.81	1.2
2007/08	PPS	0.00	0.0	-4.68	-0.3	343.45	21.2
	NPPS	0.00	0.0	0.00	0.0	1.56	47.6
	Injury	0.00	0.0	-0.21	-1.0	3.03	14.8
	LGPS	-16.75	-15.5	3.37	2.4	30.94	21.7

[3] Corporate and Democratic Core

Corporate and Democratic Core (as defined by the Accounting Code of Practice) covers governance structures of authorities and the infrastructure that enables information required for public accountability purposes to be provided. For the Authority, Corporate and Democratic Core represents Police Authority costs excluding grants paid out and internal audit costs which are reapportioned as a support service cost over the net cost of service. Corporate and Democratic Core also includes an element of the costs of the senior management of the Constabulary for time spent supporting and reporting to the Police Authority.

[4] Agency Income and Expenditure

The Authority paid the following levies:

Police National Computer
National Public Order Information Unit
Firearms Code

	2006/07 £'000	2007/08 £'000
	621	707
	68	70
	16	0
	705	777

Notes to the Core Financial Statements

[5] Trading Operations

The Netley Business Plan is the only trading operation. Surplus capacity at the Netley site is utilised to generate income. Any surplus is re-invested into the facilities at Netley. The turnover for 2007/08 was £136,000 (£125,000 in 2006/07), resulting in a net surplus of £15,000 (£27,000 in 2006/07). The surplus was transferred to the Netley Business Plan reserve. Contributions from the reserve of £94,000 (£10,000 in 2006/07) were made in 2007/08 resulting in a balance of £225,000 as at 31 March 2008 (£304,000 at 31 March 2007) included within earmarked reserves.

[6] Officer and Staff Emoluments

Salary Bands	Number in Band	
	2006/07	2007/08
£		
50,000 - 59,999	226	292
60,000 - 69,999	40	29
70,000 - 79,999	20	24
80,000 - 89,999	6	7
90,000 - 99,999	4	2
100,000 - 109,999	3	2
110,000 - 119,999	0	1
120,000 - 129,999	1	1
130,000 - 139,999	0	0
140,000 - 149,999	1	0
150,000 - 159,999	0	1
Totals	301	359

The Code requires the Authority to report on the number of employees who received taxable pay and benefits totalling more than £50,000 in the year. This is shown in the table above. The bandings are determined by the Code. The numbers also include people seconded to national roles whose costs are reimbursed.

Employee costs include pay and taxable allowances paid to officers and staff. It does not include employer pension contributions. The 2007 SORP states that emoluments should not be shown net of employees' pension contributions. As a consequence, the comparative figures for 2006/07 have been restated. This restatement means that more officers and staff now fall into the lowest banding, with 118 having been shown in this banding (out of 174 overall) in the 2006/07 accounts.

[7] Expenditure on publicity

Section 5 of the Local Government Act 1986 requires the Authority to declare its third party expenditure on publicity. This amounted to £545,658 (£882,609 in 2006/07) of which £270,856 (£625,356 in 2006/07) related to recruitment advertising.

[8] Members allowances and expenses

In accordance with the Code of Practice, the amount spent on members allowances and expenses in 2007/08 was £264,238 (£253,872 in 2006/07).

Notes to the Core Financial Statements

[9] Related Parties

The Authority is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. Central government has some control as it is responsible for providing the statutory framework and provides the majority of the funding. The value of grants received is shown in the income and expenditure account and further details are given in note 10.

The SORP also requires members of the Authority and certain senior officers to declare if there were any related party (i.e. close family or business associates) transactions due to their ability to influence spending decisions. There was one related party transaction disclosure in 2007/08. One member of the Authority reported that they were a director of a company which had a contract to provide physiotherapy services to the Authority. The financial value of the transactions with this third party in 2007/08 is not considered material and no further disclosure is required.

[10] Additional Grants

In 2007/08 the following additional grants were received:

	2006/07	2007/08	
	£'000	£'000	
Crime Fighting Fund	7,309	7,309	*
Chemical, Biological, Radiological and Nuclear (CBRN) - see note	5,604	5,800	
Neighbourhood Policing Fund	4,502	7,218	
Dedicated Security Posts grant	3,254	3,136	
Single Non Emergency Number	1,995	1,561	
Special priority payments	1,988	1,988	*
South East Allowance	1,280	1,280	*
DNA database cost recovery	1,142	1,142	*
Training	768	615	
Basic Command Unit grant	1,210	1,231	
Airwave	600	0	
Procurement Excellence in the Police Service (PEPS)	358	120	
DNA and Fingerprint Recognition Project	334	0	
ACPO Criminal Records Office	240	900	
Rural Fund	219	219	
Counter terrorism grant	217	224	
Local Criminal Justice Board	204	158	
Local Public Services Agreement (LPSAS)	0	111	
UK Central Authority	0	120	
Terrorism & Allied Matters Grant	159	0	
Miscellaneous grants	587	455	
Totals:	31,970	33,587	

Hampshire Police Authority acts as a conduit for the Home Office's CBRN centre and the ACPO Criminal Records Office. These two centres use Hampshire Police Authority's facilities, services and contractual arrangements. Grant is received from the Home Office and ACPO to cover the costs of operation. Items marked with an asterisk are now cash limited grants with no future annual increases.

Notes to the Core Financial Statements

[11] Summary of Capital Expenditure and Fixed Asset Disposals

The value of assets, capital expenditure on them, financing of capital expenditure and sales of assets are shown below. The accounting policies are on pages 5 to 9.

	Intangible Assets £'000	Land and Buildings £'000	Vehicles and Plant £'000	Furniture and Equipment £'000	Non- Op Assets £'000	Total Fixed Assets £'000
Cost or valuation balance as at 31 March 2007	42	149,982	23,594	31,916	668	206,202
Accumulated depreciation & impairment	-22	-6,330	-14,445	-25,074	0	-45,871
Net book value as at 31 March 2007	20	143,652	9,149	6,842	668	160,331
<i>Movement in 2007/08</i>						
Additions	0	1,335	2,288	470	1,583	5,676
Disposals	0	-2,062	-489	0	0	-2,551
Reclassifications	0	531	0	0	-531	0
Revaluations	0	287	0	0	0	287
Depreciation	-9	-1,943	-2,331	-2,846	0	-7,129
Impairment	0	-167	0	0	0	-167
Balance as at 31 March 2008	11	141,633	8,617	4,466	1,720	156,447

Note that the impairment and revaluation figures in 2007/08 exclude those assets which were sold, whether a gain or loss was realised on disposal. Assets sold are not formally revalued at the point of disposal. The net gain on disposals is shown separately in the Income and Expenditure Account.

This statement summarises capital expenditure incurred on fixed assets which will be of use to the Authority in future financial years. Future, as well as current, taxpayers will benefit from these assets and such costs are therefore not necessarily charged to the revenue account in the year that the asset is acquired. All non-operational assets are assets under construction. When these are completed and brought into use the asset is reclassified.

The updated capital programme presented to the Authority's Finance Committee on 18th June 2008 has a value of £17.4m for 2008/09. As at 31 March 2008 the Authority had committed capital expenditure of £1.1m to vehicles, £0.2m to premises and £0.1m to IT and communications (£1.4m in total).

Notes to the Core Financial Statements

[11] Summary of Capital Expenditure and Fixed Asset Disposals continued

Capital financing and expenditure

	2006/07 £'000	2007/08 £'000
<i>Opening Capital Financing Requirement</i>	12,999	12,622
<i>Capital investment</i>		
Operational assets	6,797	4,093
Non-operational assets	147	1,583
Keyworker housing	180	440
<i>Sources of finance</i>		
Capital receipts	-2,758	-2,249
Government grants and contributions	-4,366	-3,867
Sums from revenue (MRP, RCCO)	-377	-362
<i>Closing Capital Financing Requirement</i>	12,622	12,260
<i>Explanation of movements in year</i>		
Increase in underlying need to borrow (supported)	0	0
Increase in underlying need to borrow (unsupported)	-377	-362
<i>Increase/(decrease) in Capital Financing</i>	-377	-362

£5.7m of capital expenditure was on fixed assets as shown above. The remaining £440,000 is advances for keyworker housing, treated as a long term debtor. Under the Prudential Code arrangements, the Authority is permitted to borrow money to finance capital expenditure as long as the borrowing is prudent, affordable and sustainable. No borrowing was entered into in 2007/08.

[12] Leases

The Authority does not lease out any of its assets. The Authority has no finance leases but does have operating leases for several buildings. In 2007/08 payments totalling £861,000 for 19 premises (£798,000 for 16 premises in 2006/07) were made. As at 31 March 2008, the Authority was committed to making operating lease payments, all for land and buildings, of £1.15m in 2008/09. The commitments in 2008/09 include £289,000 in respect of 2 separate leases which will be recharged to the ACPO Criminal Records Office.

Commitments in 2008/09 - split by expiry dates	£'000
Leases expiring in 2008/09	185
Leases expiring between 2009/10 and 2013/14	676
Leases expiring after 2013/14	289
Total	1,150

Notes to the Core Financial Statements

[13] Valuation Information

The statement below shows the progress of the Authority's rolling programme for the revaluation of fixed assets. The majority of the Force's fixed assets were revalued in 2006/07 by the Force's Property Services Manager who is a qualified chartered surveyor, as required by the SORP. The Property Services Manager carried out all necessary valuations in 2007/08. The basis for valuation is set out in the statement of accounting policies.

	Intangible Assets	Land and Buildings	Vehicles and Plant	Furniture and Equipment	Non-Op Assets	Total Fixed Assets
Valued:	£'000	£'000	£'000	£'000	£'000	£'000
at historical cost	11	1,460	8,617	4,466	1,720	16,274
at current value in:						0
2004/05		8,608				8,608
2005/06		480				480
2006/07		130,741				130,741
2007/08		344				344
Total	11	141,633	8,617	4,466	1,720	156,447

[14] Depreciation Methodologies

Depreciation is charged on all assets, except land, on a straight line basis. Buildings have a half year depreciation in the year of acquisition and sale. Vehicles have a full year of depreciation in the year of purchase but are not depreciated in the year of sale. This reflects the relative speed of depreciation of buildings and vehicles. The useful lives of land and buildings are advised by a qualified valuer for each asset. Useful lives of vehicles are advised by the Force's Transport Department for each individual vehicle. Useful lives of other assets are advised by a suitably qualified individual. There are no changes to the methodology.

[15] Intangible Fixed Assets

The intangible assets entry relates to software licenses purchased in 2004/05. The asset is depreciated on a straight line basis over the 5 year life of the asset.

[16] Insurance Provisions

The Police Authority does not have an insurance provision but does hold a reserve of £394,000 (£394,000 at 31 March 2007). The Authority self insures lower amounts but externally insures against larger risks such as loss/damage to assets and other potential liabilities.

Notes to the Core Financial Statements

[17] Financial Instruments

Financial Reporting Standards 25, 26 and 29 introduced requirements regarding the recognition, measurement and reporting of financial instruments. A financial instrument is defined as "any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another". This is a broad spectrum and ranges from cash deposits at one end to derivatives and forward contracts at the other.

In accordance with these standards, financial assets and financial liabilities should be measured initially at fair value less transaction costs. Fair value is the amount for which an asset could be exchanged or a liability settled. The best evidence for fair value on initial recognition is the transaction price. This fair value may be affected by a number of factors and the 2007 SORP indicates the relevant treatment where the fair value is different to the transaction price. The financial assets of the Authority, principally cash, long-term debtors, debtors and temporary lending, are classified as loans and receivable financial instruments. The financial liabilities of the Authority, principally creditors and temporary and long-term borrowing, are classified as financial liabilities at amortised cost.

[a] Long-Term Debtors

The long-term debtors shown on the balance sheet consist of car loans and housing assistance loans.

Car loans are relatively short-term advances to staff and total approximately £19,000 at 31 March 2008. Market rates of interest are charged on these loans and the fair value is considered to be the value of the loans outstanding at the balance sheet date.

Housing assistance loans were offered to police officers and operational police staff between 2004/05 and 2007/08. Interest free loans of up to £20,000 were made. A charge was placed on the property purchased and this becomes repayable at the end of 15 years or earlier in the case of a sale. In accordance with the SORP, transactions of this nature are termed 'soft loans' where the fair value of such loans is less than the amount of the cash lent. The sum by which the amount lent exceeds the fair value of the loan must be charged to the Income and Expenditure Account.

Between 2004/05 and 2007/08 £920,000 was advanced and at the end of March 2008 the outstanding sum was £840,000. In accordance with the SORP these loans have been written-down to their fair value which reflects the interest foregone by making interest free loans. This interest foregone forms a charge on the income and expenditure account on initial recognition, although it does not impact upon the general fund balance. Using a technique called the equivalent interest rate, the interest presumed to have been foregone is written back to the balance sheet through the income and expenditure account, over the expected life of the loan. On the basis that these loans are for an individual's first property purchase and have a maximum life of 15 years, with some already having been repaid, an expected life of 8 years has been assumed.

Notes to the Core Financial Statements

[17] Financial Instruments continued

On the basis of the above, the written down value of housing assistance loans, net of any adjustments for assumed interest written back in 2007/08 and earlier periods, is £626,000. Following the SORP, the opening balance in the balance sheet at 1 April 2007 has been restated to £290,000, a reduction of £150,000. The adjustment to the net worth of the Authority created by the adjustment to the opening balance on the housing assistance loans is recognised in the Statement of Recognised Gains and Losses. The new Financial Instruments Adjustment Account is the balance sheet account which records all of these adjustments to the value of the soft loans.

[b] Debtors

Debtors, classified as receivable financial instruments, are due within one year with no interest being payable. As such, the fair value of these receivables is the same as the original invoice amount.

Debtors includes £7.4m Pension fund account debtor (£3.2M as at 31 March 2007) and a VAT refund debtor of £1.4m at 31 March (£NIL in 2006/07). Payments in advance have reduced due to the timing of pensions payments at the year-end. The provision for bad debt remains at £45,000.

Debtors
Payments in advance
Less bad debt provision

31 March 2007	31 March 2008
£'000	£'000
11,176	17,179
4,755	1,575
-45	-45
15,886	18,709

The 2007 SORP contains detailed requirements concerning the impairment of financial assets. A financial asset or a group of financial assets are impaired if there is objective evidence of impairment as a result of a past event that occurred subsequent to the initial recognition of the asset. Debtors to the Authority are treated collectively and relevant risks of non-payment have been assessed at the balance sheet date through a review of the constituent elements of the outstanding debt.

Outstanding debt is pursued as a matter of course and historically low levels of debt have been written off each year. In 2007/08 the debt written off totalled £20,182. The majority of aged debt relates to other central and local government bodies and thus has a lower risk of becoming unrecoverable. Collectively, therefore, it is felt that the current policy of maintaining a provision meets the needs of the Authority and there is no requirement to recognise any separate impairment in the Income and Expenditure Account for 2007/08.

Notes to the Core Financial Statements

[17] Financial Instruments continued

[c] Payments in advance

The balance on payments in advance reflects payments which are made towards the end of the year where the goods and services will be provided in the following financial year, such as IT service and maintenance agreements. Where material, the value of payments made at the end of the year, the proportion which relates to the next year are moved forward. As this is simply a question of timing, the fair value is deemed to be the invoice value.

[d] Short-term investments

Short-term investments are essentially the temporary lending and borrowing of money to and from Hampshire County Council as part of the normal cash flow management of resources to cover the timing of expenditure or to loan surplus resources to a third party. The balance of funds available for short-term investment reflects the impact of financing the overall spending position of the Authority, the amount of money held in the pensions account to pay for pensions due at the beginning of April 2008 and the outstanding debtor from the Home Office in respect of the top-up grant for the pension fund account.

Given the short-term nature of these transactions, the fair value of short-term investments is deemed to be equivalent to the cash invested or borrowed. The book value of short-term investments at 31 March 2008 was £8m.

[e] Deposits

Deposits are held from various sources, mainly seized and forfeited monies which may become repayable or may be forfeited depending upon the outcome of court cases. In 2007/08 there was an additional deposit of £500,000 received from ACRO as a surety for rental payments on the property which has been leased on their behalf. This indemnifies the Authority against any potential future liabilities.

Other deposits held in the accounts are credited with interest on the basis of market rates. As such, the fair value of the sums held is deemed to be the same as the actual value. The book value of deposits at 31 March 2008 was £1.43m.

[f] Creditors

Creditors, classified as financial liabilities, are paid within 30 days of the date shown on the invoice. As such, the fair value of these liabilities is the same as the original invoice amount. A temporary loan from Hampshire County Council of £2.1m is included herein.

Scheduled creditors have increased as a result of additional commuted lump sums payable (£1.5m).

Receipts in advance includes the receipt of a number of specific grants for initiatives that will be completed in 2008/09, such as CBRN (£2.3m) and a grant for dedicated security posts (£0.3m).

Creditors
Receipts in advance

31 March 2007	31 March 2008
£'000	£'000
14,795	20,311
4,158	4,114
18,953	24,425

Notes to the Core Financial Statements

[17] Financial Instruments continued

[g] Receipts in advance

Receipts in advance is income which is received towards the end of the year where relevant expenditure will be made or the service provided in the following financial year, such as grants. Where material, the value of receipts received at the end of the year, the proportion which relates to the next year is moved forward. As this is simply a question of timing, the amortised cost in the balance sheet is deemed to be the fair value.

[h] Long-term borrowing

The Authority has 4 fixed long-term loans from the Public Works Loans Board (PWLB). These are for varying periods and at varying interest rates as below:-

Interest Rate Payable	Source of Loan	Outstanding at 31 March 2008	Maturity Date
		£'000	
8.50%	PWLB	519	October 2015
6.00%	PWLB	351	September 2023
4.875%	PWLB	350	March 2025
3.85%	PWLB	2010	February 2036
Total:		3,230	

Changes to the SORP in 2007 have determined that interest accrued (i.e. due but not yet paid) at the end of March 2008 is added to the book value of the loan. Thus, £30,000 is included in the amounts above.

The SORP changes in respect of accounting for financial instruments apply to long-term borrowing. There is a requirement to show the fair value of the Authority's fixed rate loans. This effectively shows the fair value of each loan in the context of rates applicable for similar loans at the balance sheet date. The PWLB loans had a fair value of £3.292M at 31 March 2008.

[i] Financial Guarantee Contracts

When a financial guarantee is given by a local authority where the liabilities of a third party are guaranteed in the event of a default, the SORP requires that this is recognised in the accounts of the local authority at fair value. The fair value is assessed in relation to the level of the financial guarantee and the probability of this being called.

Notes to the Core Financial Statements

[17] Financial Instruments continued

By being the signatory to property leases, the Authority has effectively guaranteed the leasing payments for premises occupied by the Safer Roads Partnership (SRP) and the ACPO Criminal Records Office (ACRO). In terms of disclosure under the SORP, the agreement in respect of the SRP was entered into before the relevant date under the SORP and is a long-standing partnership where there is a low probability of the leasing costs being defaulted upon. As regards the ACRO premises, a surety has been received and is held as a deposit in the event that the service is discontinued. The sum held represents the maximum liability to pay outstanding leasing payments under the lease. As such, this sum is not a premium paid to the Authority for bearing a potential risk. Rather, it is a deposit held to pay all sums due in the event of the ACRO arrangements ceasing with insufficient notice. Consequently, there is no recognition of this arrangement as a financial guarantee in the statement of accounts.

[j] Risks

Credit risk arises from deposits with banks and financial instruments. As any surplus cash is temporarily invested with Hampshire County Council the Authority is therefore exposed to minimal risk.

The Authority has ready access to borrowing through the PWLB and the financial markets or through temporary borrowing from the County Council's cash surpluses. This means that there is no significant risk of not being able to raise finance. The risk is that when long-term borrowings need to be replaced this will be at a period when interest rates are historically unfavourable. This risk is mitigated by planning long-term borrowings required to support investment through the Treasury Management Strategy.

The Authority does not have any financial assets or liabilities denominated in foreign currencies. There is thus no exposure to losses arising from movements in exchange rates.

[18] Provisions

The Authority maintains a provision for bad debt of £45,000 (£45,000 as at 31 March 2007). Bad debts totalling £20,182 were written off during the year. The provision was restored to the former level through contributions from the relevant services whose income had proved to be unrecoverable.

Notes to the Core Financial Statements

[19] Reserves

The Authority maintains a number of reserves in the balance sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice and others have been set up voluntarily to earmark resources for future spending purposes. An explanation of each reserve is given in the accounting policies.

The Balance Sheet figures for 31 March 2007 have been adjusted from those included in the Statement of Accounts for 2006/07 to accommodate the implementation of the Revaluation Reserve and the Capital Adjustment Account. Closing balances of £107.983m and £30.284m on the Fixed Asset Restatement Account and the Capital Financing Account, respectively, have been written down and now form the balance on the new Capital Adjustment Account at 31 March 2007. The Revaluation Reserve has been included in the Balance Sheet with a zero balance at 31 March 2007. The closing balance on the Revaluation Reserve at 31 March 2008 only shows revaluation gains accumulated since 1 April 2007. The opening Balance Sheet figure for the General Reserve has been restated as required to reflect the write-down of £150,000 required for financial instruments on the Balance Sheet at 31 March 2007.

Reserve	Balance	Net	Balance
	1 Apr 07	Movement	31 Mar 08
	£'000	£'000	£'000
Capital Adjustment Account	138,267	-2,172	136,095
Revaluation Reserve	0	280	280
Financial Instruments Adjustment Account	0	-214	-214
Available for sale Financial Instruments Reserve	0	0	0
Unapplied Grants and Contributions	0	0	0
Capital Receipt Reserve	1,924	704	2,628
Capital (Revenue Contributions) Reserve	4,096	352	4,448
General Reserve	9,794	-5,639	4,155
Insurance Reserve	394	0	394
Spend to Save Reserve	48	-48	0
Earmarked Reserves	1,213	-989	224
FRS17 Pensions Reserve	-1,897,714	216,534	-1,681,180
Total	-1,741,978	208,808	-1,533,170

[20] Government Grants Deferred

This account contains grants received to finance capital expenditure. Grant is released to offset depreciation charges generated by the relevant assets over the life of those assets.

Opening balance
Grant received
Grant released
Closing balance

31 March	31 March
2007	2008
£'000	£'000
10,156	9,882
4,366	3,867
-4,640	-5,056
9,882	8,693

Notes to the Core Financial Statements

[21] Audit Costs

In accordance with the Code of Practice, the amount spent on external audit and inspection in 2007/08 was £95,100 (£84,900 in 2006/07). This figure relates to instalments paid for the statutory external audit services. No additional services were required in 2007/08 (nil in 2006/07).

[22] Sponsorship

The Police Act 1996 and the Code of Practice on Financial Management allow the Authority to accept gifts of money, or gifts or loans of other property, if they enable the Force to either extend or to enhance the service it would normally be expected to provide. The terms on which gifts or loans are accepted may allow commercial sponsorship of some police activities. A detailed set of procedures govern the circumstances in which such offers may be accepted. Loans or sponsorship received during 2007/08 totalled £283,069 (2006/07 £78,318) an increase which reflects successes in generating sponsorship across the OCUs, some of whom have local champions for targeting sponsorship opportunities. The value of loans or sponsorship received in 2007/08 is within the threshold of 1% of the annual budget beyond which there is a risk of the Authority losing a proportion of its Government grant.

[23] Authorisation Of Issue

The financial statements were approved for issue on 12 June 2008, being the deadline for the despatch of reports for the Governance Committee meeting on 20 June 2008.

Notes to the Core Financial Statements

[24] Contingent liabilities

The Authority has paid out Special Priority Payments to officers to the value of the grant received from Government. However, the Home Office guidelines would require a higher amount to be paid out, if the Home Office insists that the guidelines are fully applied. The matter is still to be concluded but, if the Home Office guidelines are applied, it would cost the Authority an additional £0.5m in respect of 2006/07 and £0.5m in respect of 2007/08.

The police officer pay award for 2007/08 was approved at 2.5%. However, this was not backdated to 1 September as expected. Instead it was paid with effect from 1 December 2007. The Home Office's decision was the subject of an application for a judicial review. This had not been determined at the Balance Sheet date but the application was subsequently refused on 10 June 2008. In the light of this there is no contingent liability in respect of any unsettled police pay award at the Balance Sheet date.

The clarification received regarding the requirement to fund police injury pensions from the Income and Expenditure Account and not from the Police Pension Fund meant that in 2007/08 £1.068m was accounted for in this way. The guidance received is clear that this should have been the case from 1 April 2006, which is the date the new pension arrangements were set up. Consequently, in the 2006/07 audited accounts, the Police Pension Fund Account included £1.079m in respect of injury pensions which should have been charged to the Income and Expenditure Account. However, those accounts - including the Pension Fund Account - have been audited and are now closed. This situation and whether there should be a retrospective repayment will be discussed with the Home Office. If there is a requirement to make a refund to the Home Office, this will be considered as part of the closure of the 2008/09 accounts. Given this uncertainty, a contingent liability of £1.079m is recorded.

[25] Contingent assets

Further to a court case which was settled against the Constabulary, costs and damages were awarded to the plaintiff. The Police Authority did not indemnify the officer involved and has subsequently sought to recover from the officer the costs it has incurred and the costs and damages it has paid to the plaintiff. At the balance sheet date, a sum of approximately £133,500 had been paid by the Constabulary but the final sum, provision for interest, the means of repayment and the period over which repayment will be made has yet to be settled.

Notes to the Core Financial Statements

[26] Local Area Agreements (LAAs) and Local Strategic Partnerships (LSPs)

The Authority is part of the Local Public Service Agreement 2, which has the following objectives:-

- Tackling barriers to recruitment
- Helping people feel safe
- Promoting healthy communities
- Creating an environment to be proud of

The LPSA2 is led by Hampshire County Council and the constituent members include the Hampshire Strategic Partnership, all districts in the County, the Strategic Health Authority and the Environment Agency, as well as the Constabulary. The Agreement ran for three years from April 2005 to March 2008. A new agreement will supersede the LPSA2 in 2008.

The Authority had total LPSA2 income available of £211,000 in 2007/08 and spent £74,000. The balance is the subject of a carry forward request.

[27] Other notes that are required by the SORP but nothing to report

The Authority has no interests that would require the production of Group Accounts.

There were no acquired, discontinued operations or outstanding liabilities.

There were no prior period adjustments or exceptional/extraordinary items.

There are no undischarged obligations arising from long term contracts.

There were no Business Improvement District schemes in operation in 2007/08.

There were no activities entered into under Local Authority (Goods and Services) Act.

There were no discretionary expenditure or pooled funds under the Health Act 1999.

The Authority has no PFI arrangements, interests in companies or capital instruments.

There were no events after the balance sheet date.

The Authority does not administer any trust funds.

Notes to the Core Financial Statements

[28] Notes to the cash flow statement

[i] Analysis of Additional Grants

See note 10 for breakdown of additional grants received

£'000

33,587

[ii] Reconciliation to Income & Expenditure Account

	£'000	£'000
Deficit for the year		151,461
Interest paid		-337
Interest received		1,313
Changes in:		
Increase in debtors	2,823	
Increase in creditors	-5,472	-2,649
Non cash transactions:		
Pensions adjustments		-143,755
Financing transactions		-1,775
Net cash outflow/(Inflow) from revenue activities:		4,258

[iii] Movements in short term investments

	£'000
Short term investments at 31 March 2007:	17,168
Short term investments at 31 March 2008:	8,000
Decrease/(Increase) in short term investments:	9,168
Deposits at 31 March 2007:	1,167
Deposits at 31 March 2008:	1,428
Decrease/(Increase) in deposits:	-261

Note: Deposits comprise of seized and forfeited money and assets.

[iv] Movements in long term borrowing

	£'000
Deemed debt at 31 March 2007:	2,762
Deemed debt at 31 March 2008:	2,548
Decrease/(Increase) in deemed debt:	214

[v] Analysis of cash balances

	£'000	£'000
At 31 March 2007:		
Bank overdrawn	-4,215	
Cash	1,351	-2,864
At 31 March 2008:		
Bank overdrawn	-320	
Cash	4,133	3,813
Decrease/(increase) in cash:		-6,677

Glossary

Agency Services

Services which are performed by or for another authority or public body where the agent is reimbursed for the cost of work done.

Capital Adjustment Account

A Balance Sheet reserve which reflects the net surplus of resources set aside to finance capital expenditure and the depreciation, impairment and write-off of the historical cost of fixed assets. The reserve came into being on 31 March 2007 and the balance was created by transferring the balances on the Capital Financing Account and the Fixed Asset Restatement Account.

Capital Expenditure

Expenditure on the provision and improvement of assets such as land, buildings, vehicles and major items of equipment providing benefit to the Authority over a life of more than one year.

Capital Financing Account

An account which contains amounts set aside from income and expenditure or from capital receipts to finance expenditure on fixed assets or for the repayment of external loans and a number of other capital financing transactions. This Account was closed on 31 March 2007 on the creation of the Capital Adjustment Account and Revaluation Reserve.

Capital Receipts

Money obtained on the sale of a capital asset. Capital receipts can be used to finance new capital expenditure or to repay loan debt within rules set down by the government, but they cannot be used to finance revenue expenditure.

Credit Arrangements

An arrangement other than borrowing where the use of a capital asset is obtained and paid for over a period of more than one year. The main types of credit arrangements are leases of buildings, land and equipment.

Creditors

Individuals or organisations to whom the Authority owes money at the end of the financial year for work done, goods received or services rendered but for which payment has not been made at 31 March.

Debtors

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

Depreciation

Depreciation represents the consumption of an asset due to deterioration. The value is included within the income and expenditure account as a cost of providing services but as there is no cashflow impact on the general reserve, it is taken out in the movement on general fund balance reconciliation.

Glossary

Financial Instruments Adjustment Account

A Balance Sheet account which records the adjustments made to the value of assets and liabilities as a result of showing these at fair value or amortised cost on initial recognition and the subsequent accounting entries required to write the value of these assets and liabilities back up to the actual sum due or payable at the end of its expected life.

Financial Year

The annual period of accounting (for police authorities 1 April to 31 March).

Fixed Assets

Assets of significant value that yield benefits to the Authority for a period of more than one year.

Fixed Asset Restatement Account

A capital reserve designed to reflect the valuation surplus arising from the difference between the book value of fixed assets prior to the implementation of the capital Accounting Code of Practice at 1 April 1994 and revalued amounts, adjusted for subsequent revaluations and disposals. This Account was closed on 31 March 2007 on the creation of the Capital Adjustment Account and Revaluation Reserve.

Government Grants

Part of the cost of the service is paid for by central government. General grants can be spent at the discretion of the Authority. Specific grants (included within additional grants) are also paid to the Authority, but are ring-fenced for spending in specific areas.

Government Grants Deferred Account

The amount of money given to the Authority to spend on assets that have a lasting value, for example vehicles, land and buildings. The amount is reduced each year as the value of the asset reduces due to depreciation.

Minimum Revenue Provision (MRP)

An amount required by statute to be charged to the movement on the general fund balance. It ensures that authorities put aside funds for the repayment of loans.

OCU

Operational Command Units (OCUs) were formerly known as BCUs. Six OCUs provide geographically based policing focused on the community they serve. There are also a Crime OCU and Operations OCU.

Precept

The levying of a council tax rate by one authority which is collected by another. The Authority precepts upon the district/unitary councils' collection funds for its council tax income.

Glossary

Revaluation Reserve

A Balance Sheet reserve which records the accumulated gains on assets held by the Authority arising from increases in value, netted off for disposals and certain depreciation adjustments. The reserve came into being on 31 March 2007.

Revenue Contributions to Capital Outlay (RCCO)

Amounts paid from revenue funds (charged to the Income and Expenditure Account) to purchase capital assets

Revenue Expenditure

Expenditure to meet the day to day running costs of services including wages and salaries, purchase of materials and services and capital financing charges. This is shown in the income and expenditure account.

Reserves

Accumulated sums which are maintained either to be earmarked for specific liabilities (e.g. pensions, insurance) or generally held to meet unforeseen or emergency expenditure (e.g. General Reserve).