

Hampshire Police Authority

Statement of Accounts 2004/05

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Treasurer's Explanatory Foreword

- 1. Introduction** This foreword provides an introduction to Hampshire Police Authority's Statement of Accounts for 2004/05. It covers three main aspects :
- * a summary of the various statements which make up the Authority's accounts;
 - * a summary of the role of the Police Authority and of the achievements and developments during 2004/05;
 - * a summary of the Authority's financial position relating to both revenue expenditure on services and capital expenditure on new assets over the course of the year.

- 2. Summary of Statement of Accounts** The Police Authority's accounts for 2004/05 consist of the:
- * Summary Revenue Account, which covers income and expenditure on all services and is supplemented by a service expenditure analysis in accordance with the Chartered Institute of Public Finance and Accountancy's Best Value Accounting Code of Practice;
 - * Summary Capital Account which covers expenditure on fixed assets that will be of use to the Authority in future years;
 - * Consolidated Balance Sheet, which sets out the financial position of the Authority on 31 March 2005;
 - * Statement of Total Movements on Reserves;
 - * Cash Flow Statement, which summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

These accounts are supported by the Statement of Accounting Policies, Statement of Responsibilities for the Statement of Accounts, and an assurance Statement on Internal Control.

- 3. The Role of the Police Authority** Hampshire Police Authority is responsible for policing the whole of Hampshire and the Isle of Wight. In policing terms it is one of the largest non-metropolitan forces in England and Wales. This reflects the size of the population and the complexity of the area to be policed.

The combined population of Hampshire and the Isle of Wight is 1.8 million of whom 20% are under 16 years of age. In Hampshire 18% of the population is of a pensionable age. On the Isle of Wight this figure is 26%.

The long term aim of the Authority is to make Hampshire and the Isle of Wight communities safe places in which to live, work, grow up and grow older.

The priorities of the Authority are:

- * to consult effectively with the communities of Hampshire and the Isle of Wight and to challenge the Constabulary on its response to the result of that consultation;
- * to challenge the Constabulary on its performance in providing an efficient and effective policing service and to support it in achieving its local priorities;
- * to work in partnership to improve safety amongst communities across Hampshire and the Isle of Wight

The Police Authority is committed to implementing the following national priorities:

- * Providing a citizen focused service to the public which responds to the needs of individuals and communities and inspires confidence in the police, particularly amongst minority ethnic communities;
- * Tackling anti-social behaviour and disorder;
- * Continuing to reduce burglary, vehicle crime, robbery and drug related crime in line with the Government's Public Service Agreement targets;
- * Combating serious and organised crime operating both across and within force boundaries;
- * Narrowing the justice gap by increasing the number of offences brought to justice
- * Professionalising the Investigative Process (PIP).

Achievements and Developments

In 2004/05, the Authority spent £260m against a net expenditure budget of £262m on policing services for the 1.8 million people of Hampshire and the Isle of Wight. This allowed the Authority to transfer a further £2.5m to the general reserve to bring it up to 2.5% of the net cost of services. The Authority's pension reserve has increased from £5.5m to £5.8m. However, the entries required to comply with Financial Reporting Standard 17 (FRS17) Retirement Benefits results in a -£1,644m FRS17 pension reserve in the balance sheet and a net worth of -£1,514m. Further notes on FRS17 are included in the notes to the revenue account and balance sheet.

The large negative FRS17 pension reserve is due to the police pension scheme being an unfunded scheme i.e. with no fund investments or other assets to offset future liabilities when existing police officers have all retired. The Home Office has advanced plans to change the funding arrangements for police pensions and to introduce a new police pension scheme for new recruits from 1 April 2006. Although these measures should assist to improve the position, forecasts indicate that the recovery of deficits is likely to be a long term target.

The Force has again exceeded its target for achieving efficiency savings. In 2004/05, £8.4m worth of efficiency savings were achieved against a target of £5.2m

The ongoing policy of disposing surplus property, including beat houses and other police houses, generated capital receipts of £1.4m in 2004/05.

Crimes	Year	Recorded	Detected	%
Violent	2003/04	38,222	18,891	49%
	2004/05	41,779	20,544	49%
Burglaries	2003/04	18,014	2,619	15%
	2004/05	15,552	2,633	17%
Other	2003/04	122,307	26,475	22%
	2004/05	115,741	25,404	22%

Numbers of:	31 March 2004	31 March 2005
Employees	5,866	6,097
Operational Buildings	70	72
Vehicles	892	963
Dwellings	78	72

There has been significant achievement in reducing the amount of house burglary and vehicle crime. House burglary fell to levels last seen in 1974 and vehicle crime fell to levels last seen in 1981.

The Force has gone live with the new Airwave national digital communication system. In addition, significant work has been undertaken to develop a new record management system that will deliver better operational management information. It is envisaged that this should improve operational performance and offer future efficiency savings.

The Authority has invested approximately £1.6m in the provision of personal issue body armour for police officers and staff performing frontline duties.

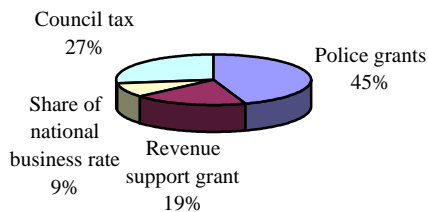
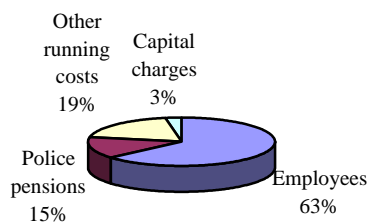
The Force is in the process of undertaking a review of its organisational structure. The review has already established that the Force will reorganise from 10 geographical Basic Command Units to 6 Operational Command Units with effect from 1 April 2006.

Further updates on achievements and developments can be found on the Authority and Constabulary websites:

www.hampshirepoliceauthority.org
www.hampshire.police.uk

Summary of Revenue and Capital Expenditure and Income

Revenue expenditure and income reflects the amount spent and received in respect of providing police services. General policing services in 2004/05 were carried out in 10 BCUs - 9 in Hampshire and one on the Isle of Wight. There are also a number of specialist departments and the Roads Policing Unit BCU that provide a service to the whole Constabulary, and departments that provide support services



Summary Revenue Income and Expenditure

	£m	£m
Expenditure		
Employees	202.2	
Police pensions	46.6	
Other running costs	60.9	
Capital charges	8.6	
Total police services		318.3
Financing transactions	-7.3	
Pensions related	-14.9	
Contribution to reserves	5.6	-16.6
		<u>301.7</u>
Income		
Service income	-20.7	
Additional grants	-17.9	
Interest	-1.6	-40.2
		<u>-40.2</u>
Amount to be met from Government grants and local taxpayers		
		<u><u>261.5</u></u>
Police grants		-117.2
Revenue support grant		-48.9
Share of national business rate		-24.4
Council tax		-71.0
		<u><u>-261.5</u></u>

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 2004/05 was £12m. The Home Office provided a general capital grant of £2.9m and specific capital grants in support of particular projects totalled £4.8m.

Capital receipts are the proceeds of the sale of capital assets. The proportion of total receipts that can be spent on the acquisition of new assets is determined by Statutory Instrument. In 2004/05, £1.395m of receipts were received from the disposal of police houses, where 100% of the proceeds may be reinvested in policing and £25,500 from the sale of vehicles. Individual receipts of less than £6,000 have been credited to revenue income.

Summary Capital Income and Expenditure

	£m
Expenditure	
Land and buildings	4.8
Vehicles	2.5
Keyworker housing	0.1
IT & operational equipment	4.6
	<u>12.0</u>
Funded by	
Government grant	-7.7
Capital receipts	-4.1
Revenue contributions to capital	-0.2
	<u><u>-12.0</u></u>

The Prudential Code allows the Authority to borrow money in order to support capital or revenue expenditure as long as the Authority is satisfied that the revenue payments incurred from entering into the loan are prudent, affordable and sustainable. The Authority has not entered into any further borrowing since the introduction of the Prudential Code.

Statement of Accounting Policies

General Principles	<p>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 (2004). 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).</p>
Pensions	<p>Pension costs included in the accounts 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 net pension liability rather than the value of contributions made. For the purpose of showing the amount to be met from grant and local taxpayers, the net liability is replaced by the value of contributions. The net liability is shown in the balance sheet.</p> <p><i>Police Pension Scheme (for Police Officers only)</i> This is an unfunded scheme. In 2004/05 the net cost of pensions and other benefits amounted to £33.4m (£28.5m in 2003/04).</p> <p><i>Local Government Pension Scheme</i> Police staff, subject to certain qualifying criteria, are eligible to join the Local Government Pension Scheme. In 2004/05 the Authority paid an employer's contribution of £4.7m (£4.0m in 2003/04) into the Hampshire Pension Fund, representing 13.5% of pensionable pay. The contribution rate is determined by the Fund's actuary based on valuations every three years. At the 31 March 2004 valuation the actuary recommended a phased increase in employer contribution rates. The contribution rate for 2004/05 was 225% of employees' contributions. This rate will rise to 250% in 2005/06, 270% in 2006/07 and 295% in 2007/08.</p> <p>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. In 2004/05 these were £0.03m (£0.03m in 2003/04).</p> <p>Further details can be found in the the notes to the revenue account and balance sheet. There is additional information in the valuation report and the Hampshire Pension Fund Annual Report.</p>
Service Expenditure Analysis	<p>The service expenditure headings within the Best Value Accounting Code of Practice summary revenue account have been changed in accordance with the requirements of the Code of Practice. Amounts for 2003/04 have been restated for year on year comparison.</p>
Central Support	<p>The costs of support services are apportioned over all services on a relevant basis e.g premises costs based on floor areas, personnel costs based on staff and finance costs based on budget.</p>
Precept Income	<p>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.</p>
Specific Government Grants	<p>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 relevant assets.</p>
Interest Charges	<p>The Authority paid interest on its PWLB loans (£81,000) and the deemed debt from Hampshire County Council (£177,000). See notes 7 and 8 to the balance sheet for further details of the debts.</p>

Statement of Accounting Policies

Fixed Assets	<p>These are assets that 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. In 2004/05 a new class of 'intangible assets' has been introduced, to include items such as software licences. All expenditure above the de minimis of £6,000 on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis in the accounts.</p> <p>Fixed assets are valued on the basis recommended by the Chartered Institute of Public Finance and Accountancy and in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS). All assets are initially valued at the depreciated historic cost until formally revalued. 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. Capital expenditure that enhances the useful life of the asset, but does not increase the value of the asset, is charged to the fixed asset restatement account.</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 2001/02. All valuations were undertaken by Hampshire County Council Estates Practice.</p> <p>The asset register was fully reconciled with the estates and transport register.</p>
Capital Charges	<p>Capital charges are made on all assets except land in accordance with the requirements of the Local Authority Accounting Code of Practice. The capital charge consists of a notional interest charge and a depreciation charge for each asset.</p>
Notional Interest	<p>The notional interest charge represents the financing cost of the asset. The notional interest charge is calculated as a percentage of the asset value. The percentage is set nationally by the Office of the Deputy Prime Minister.</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. 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.</p>
Stocks	<p>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 SSAP9, but the differences are not material to the accounts.</p>
Debtors and Creditors	<p>The revenue and capital accounts of the Authority 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. For ease of administration, and because their overall value is not material to the accounts, creditors of less than £1,000 are dealt with on a cash basis.</p>
Investments	<p>Surplus cash is invested in order to earn interest. Amounts in cash-backed reserves, such as the general reserve, pensions reserve, capital receipts reserve and other specific reserves, can be invested until required. In addition, the Authority invests grant which has been received from central government but not yet paid out.</p>
Leases	<p>Leases have been accounted for in accordance with SSAP 21</p>
Basis of Redemption of Debt	<p>The Authority is required by law to make 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.</p>

Statement of Accounting Policies

Substantial Reserves and Provisions	<p>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 balance on this reserve stands at £6.5m at 31 March 2005 (£4.0m as at 31 March 2004).</p> <p>The pensions reserve can be used over years to even out the effect of employer pension contributions and lump sum commutation payments. The pension reserve was increased from £5.5m to £5.8m in 2004/05.</p> <p>The FRS17 pension liability is a significant figure of £1,644m which represents the amount that the Authority would have to find if all employees were able to claim their pension as at 31 March 2005. The figure is high for police officers as police pensions are unfunded. A new nationally funded police pension scheme will be introduced in the near future by the Home Office to help address this issue.</p> <p>The fixed asset restatement account (formerly 'reserve') allows assets to be maintained in the accounts at current value, rather than historic purchase price.</p> <p>The capital financing account (formerly 'reserve') contains the amounts which are required by statute to be set aside from capital receipts for the repayment of external loans and the amount of capital expenditure financed from revenue and capital receipts. It also contains the difference between amounts provided for depreciation and that required to be charged to revenue to repay the principal element of external loans.</p> <p>Government grants deferred reserve holds amounts of government grant that will be used to offset the annual capital charges relating to assets purchased using government grant</p> <p>Capital receipts are the proceeds of the sale of capital assets. £1.395m of capital receipts in 2004/05 were from the disposal of police houses, where 100% of the proceeds may be reinvested in the police estate. A further £25.5k was received from the sale of vehicles. Individual receipts of less than £6,000 have been credited to revenue income. The balance on this reserve represents the amount of useable capital receipts not spent at the end of the year.</p> <p>Capital (Revenue Contributions) Reserve holds amounts of money that have been taken from revenue to fund future capital expenditure.</p> <p>Earmarked reserves have also been established to enable budget holders under the devolved financial management scheme to carry forward underspendings, thereby promoting strategic management of budgets within the Constabulary.</p> <p>The provision for bad and doubtful debts remains at £45,000 at 31 March 2005.</p>
European Currency	<p>During 2004/05, there was no impact on the Police Authority as a result of the European Single Currency, the Euro. This will continue to be reviewed during 2005/06.</p>
Trust Funds	<p>The Authority administered trust funds for police dogs and a Portswood police station legacy. The balances were used in 2004/05 to leave a balance of nil as at 31 March 2005 (£2,546 at 31 March 2004)</p>
VAT	<p>VAT is separately accounted for in accordance with the Statement of Standard Accounting Practice (SSAP) 5 and is not included as income or expenditure of the Authority except where it is not recoverable.</p>

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 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 local authority 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's Statement:

I certify that the Statement of Accounts for 2004/05 was considered and approved by the Hampshire Police Authority on 19 July 2005

Signed:



M Attenborough-Cox

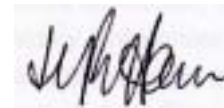
Date:

8 September 2005

The Treasurer's Certificate:

I certify that the Statement of Accounts for the year ended 31 March 2005 required by the Accounts and Audit Regulations 2003 are set out on the following pages.

Signed:



J C Pittam BSc CPFA

I further certify that the Statement of Accounts presents fairly the financial position of the Hampshire Police Authority at 31 March 2005 and its income and expenditure for the year then ended.

Date:

8 September 2005

1 Scope of responsibility

- 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 ensuring that there is a sound system of internal control which facilitates the effective exercise of the Authority's functions and which includes arrangements for the management of risk. In addition, the Chief Constable has a responsibility to ensure internal control within the Constabulary.

2 The purpose of the system of internal control

- 2.1 The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the 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
- 2.2 The system of internal control has been in place at the Authority for the year ended 31 March 2005 and up to the date of approval of the annual report and accounts.

3 The internal control environment

- 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 Basic Command Unit/Department level. The achievement of Authority objectives is monitored through the relevant Authority Committees and Panels. The achievement of Force objectives is monitored by the Chief Officers Group (ACPO Group), the relevant Force Boards and Committees and by the Police Authority Performance Panel.
- 3.2 The Authority has various plans and policies which are approved by the Authority. In addition there are formal financial regulations and standing orders which are complied with throughout the Authority and Force.

Statement on Internal Control for Hampshire Police Authority 2004/05

- 3.3 The Force has supplemented these with policies and procedures which are approved by the relevant policy owner. There is a standard format for all Force policies and procedures. All Force policies and procedures state what consultation has taken place and how they are to be monitored. All policies are published on the Force intranet.
- 3.4 Policies and procedures include a section which states how compliance will be ensured. 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, Inland Revenue, Customs and Excise and other professional and government bodies. In addition, monitoring reports are made to ensure compliance.
- 3.5 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 the further development of a risk register, business continuity plans and risk management training.
- 3.6 The Authority and Force work to ensure economy, efficiency and effectiveness through the use of Best Value reviews. An Authority Performance Panel exists to ensure that reviews are undertaken in accordance with the timetable and that recommendations are appropriately considered and actioned.
- 3.7 The financial management of the Authority is controlled using the processes outlined above. The Financial Affairs Panel receives financial management reports and approves or recommends courses of action to take to ensure probity, stewardship and best value. 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 Panel acts as a key contributor to ensuring that the Authority's objectives are achieved. The Chief Constable reviews performance through the Force Performance Review group.
- 3.9 The Authority has utilised the CIPFA Rough Guide to compile the necessary assurances and evidence to support this statement. Corporate governance and the production of this statement is overseen by the Standards and Governance Committee.

4 Review of effectiveness

- 4.1 The Authority has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates in their annual audit letter and
- 4.2 The effectiveness of the system of internal control is reviewed through the submission of reports to the Police Authority and its panels. Reports are submitted by the Force executive, internal audit, external audit and other external agencies. The Authority and its panels 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 Standards and 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 We have been advised on the implications of the result of the review of the effectiveness of the system of internal control by the Standards and Governance Committee and plan to address weaknesses and ensure continuous improvement of the system is in place.

5 Significant internal control issues

- 5.1 There is one significant control issue, Records Management System (RMS). The first phase of the Authority's new RMS was implemented on 1 April 2005. This system is designed to improve the efficiency and effectiveness of performance through the management of information across the Force. Police officers and staff have experienced some delays and difficulties when processing data on to the system which has resulted in inconsistencies and inaccuracies in the data held on the system and some backlogs of data to be processed on to the system within Command Units. Full performance information in relation to crime has not therefore been produced for the Authority and Home Office since 1 April 2005. The Authority has employed additional staff to cope with the processing backlogs and provided additional training to ensure that similar problems do not recur. Full performance information in relation to crime should be available from 1 October 2005.

Statement on Internal Control for Hampshire Police Authority 2004/05

5.2 There are no other significant internal control issues but a number of actions need to be carried out during the next financial year to strengthen the control framework. Action plans already exist to address the issues identified. Each action plan has a lead stakeholder and target dates. Progress against action plans will be monitored by the Authority's Standards and Governance Committee. The actions to be taken are:

- guidance to be issued by Corporate Services Department on the preparation of service plans
- a strategy to be developed and approved by the Standards and Governance Committee to increase awareness of the Code of Corporate Governance and to provide governance training to key officers and all members
- significant work to continue to be undertaken on risk management. Risk management work will be led by Business and Property Services Department. It has been agreed that risk management issues will now be reported to the ACPO Group or Resource Management Board, rather than have a separate risk management group, to recognise the magnitude and importance of the work to be undertaken. A risk strategy has recently been developed and work continues on the further development of a risk register, business continuity plans and risk management training
- Standing Orders to be placed on the Intranet by Business and Property Services
- systematic attainment of sign-offs for all assurance areas from lead stakeholders along with supporting evidence to justify the conclusions arrived at. The Standards Committee and ACPO Group have approved the methodology for gathering sign-offs and supporting evidence. Satisfactory arrangements are already in place to gather the majority of sign-offs and evidence required but the Deputy Chief Constable and Head of Financial Accounting will develop a programme to ensure that all assurance areas have a clear sign-off and that, as far as possible, supporting evidence will be collated onto a central file

Signed by:



Chairman of the Police Authority
Date: 8 September 2005



Chief Constable
Date: 8 September 2005

Auditors' Report to Hampshire Police Authority

I have audited the statement of accounts on pages 1 to 7, 11 and 14 to 35 which have been prepared in accordance with accounting policies applicable to local authorities as set out on pages 4 to 6

This report is made solely to Hampshire Police Authority in accordance with Part II of the Audit Commission Act 1998 and no further purpose, as set out in paragraph 54 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission.

Respective Responsibilities of the Treasurer and Auditors

As described on page 7 the Treasurer is responsible for the preparation of the statement of accounts in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2004. My responsibilities, as independent auditor, are established by statute, the Code of Audit Practice issued by the Audit Commission and by my profession's ethical guidance.

I report to you my opinion as to whether the statement of accounts present fairly the financial position of the Authority and its income and expenditure for the year,

I review whether the statement on internal control on page 8 reflects compliance with CIPFA's guidance 'The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003' published on 2 April 2004. I report if it does not comply with proper practices specified by CIPFA 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 whether the statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of the authority's corporate governance procedures or its risk and control procedures. My review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

I read the other information published with the statement of accounts and consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the statement of accounts.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires

compliance with relevant auditing standards issued by the Auditing Practices Board.

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

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 statement of accounts are free from misstatement, whether caused by fraud or other irregularity or error. In forming my opinion, I evaluated the overall adequacy of the presentation of the information in the financial statements.

Opinion

In my opinion the statement of accounts present fairly the financial position of Hampshire Police Authority as at 31 March 2005 and its income and expenditure for the year then ended.

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.

Signature:



Date:



Peter Arkell
District Auditor

Audit Commission
North Wing
Southern House
Sparrowgrove
Otterbourne
Winchester
Hampshire
SO21 2RU

Summary Revenue 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		Gross Expenditure	Income	Net Expenditure	Notes
2003/04		2004/05	2004/05	2004/05	
£000	Service Expenditure Analysis	£000	£000	£000	
9,642	Crime - Reducing crime	11,031	-850	10,181	(1)
111,539	Crime - Investigating crime	137,558	-9,435	128,123	(1)
87,741	Policing in the community - Promoting public safety	95,970	-5,859	90,111	(1)
40,035	Policing in the community - Assistance to the public	49,665	-1,230	48,435	(1)
16	National police services undertaken locally	19	0	19	(1)
921	Corporate and Democratic Core	1,095	0	1,095	(3)
10	Non-distributed costs	0	0	0	(2)
249,904	Net Cost of Services	295,338	-17,374	277,964	(4)
609	Levies to National Police Services	628	0	628	(5)
854	Secondments	4,090	-2,923	1,167	
-90	Surplus from Netley Trading Account	0	-67	-67	
0	Movement in Provision of Bad Debts	0	0	0	
-7,097	Asset Management Revenue Account	0	-7,819	-7,819	(6)
-833	Investment Income	0	-1,585	-1,585	
73,110	Pensions interest cost and expected return on pension assets	84,750	-3,460	81,290	(2)
316,457	Net Operating Expenditure	89,468	-15,854	351,578	
6,312	Transfers to Earmarked Reserves			3,292	
147	Revenue Contributions to Capital			314	
-227	Reconciling Amount for Provision of Loan Repayment			64	(7)
-78,408	Contribution from pension reserve			-96,201	(2)
244,281	Amount to be Met From Government Grants and Local Taxation			259,047	
-45,080	Revenue Support Grant			-48,942	
-25,381	Share of National Business Rates			-24,374	
-114,032	Police Grant			-117,214	
-63,130	Council Tax Precept			-70,982	
-3,342	Net Fund (Surplus)/Deficit			-2,465	
-658	General Reserve Balance Brought Forward			-4,000	
-4,000	Balance Carried Forward			-6,465	

Notes to the Summary Revenue Account

- (1) The service expenditure analysis categories reflect those set out for police services in the Best Value Accounting Code of Practice issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The activities costs include apportioned capital charges and support service costs. Employee costs have either been allocated direct to the domain (where the employee is working in a unit the bulk of which costs relate to the domain, for example Major Crime Squad relates to Crime Investigation). Data on which to base the apportionment of costs was obtained from an activity sampling exercise of uniformed, CID and Traffic officers carried out each autumn. The Service Expenditure Analysis categories have been revised by CIPFA since 2003/04 and, therefore, 2003/04 data has been restated.

The income attributed to the activity categories includes specific grants attributed to the most relevant activity categories, fees, charges and recovery of costs of policing events.

- (2) 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. The aim of these entries is to better represent the financial position of the Authority by including the estimated retirement benefits earned during the year rather than simply the contribution payments made.

The appropriation from the pension reserve has the effect of removing these FRS17 entries and replacing them with the cost of contributions made by the Authority during the course of the year so that the amount to be met from grants and taxation is not unduly affected by FRS17.

- (3) 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) Net Cost of Services on page 13 differs from that shown in the subjective analysis note on page 15 as page 13 excludes agency services but includes movement in provision for bad debts and deferred charges written off.

(5) See note 3 on page 16

(6) See note 6 on page 19

(7) See note 8 on page 18

- (8) The Authority has many partnership arrangements but is not required to publish group accounts as the Authority does not have any interests in any other corporate bodies.

Summary Revenue Account - Subjective Analysis

This note restates the revenue transactions on a subjective basis based on guidance given in the CIPFA Best Value Accounting Code of Practice

	2003/04	2004/05	<u>Notes</u>
	<u>£'000</u>	<u>£'000</u>	
Gross Expenditure			
Employees	186,678	202,209	[1]
Pensions	33,200	46,600	[2]
Premises	6,101	7,995	
Transport	4,003	4,105	
Travel and Subsistence	4,120	4,248	
IT and Communications	13,520	15,148	
Supplies and Services	15,342	25,553	
Agency services	609	628	[3]
Grants	1,269	1,983	
Cost of servicing Police Authority	1,042	1,286	[4]
Capital Charges	8,133	8,623	
Gross cost of services	274,017	318,378	
Service Income			
Service Income	-9,278	-20,728	
Additional Grants	-13,375	-17,891	[5]
Total Service Income	-22,653	-38,619	
Net Cost of Services	251,364	279,759	
Appropriation from Trading Account	-90	-67	
Movement in provision for bad debts	0	0	
Asset Management Revenue Account	-7,097	-7,819	[6]
Deferred Charges written off	3	0	
Interest on balances	-833	-1,585	
Pensions interest cost and expected return on pension assets	73,110	81,290	
Net Operating expenditure	316,604	351,578	
Contributions to/(from) reserves	6,312	3,292	[7]
Revenue contributions to capital	147	314	
Provision for repayment of external debt	-227	64	[8]
Contribution from the pension reserve	-78,408	-96,201	
Net expenditure to be met from grants and taxation	244,281	259,047	
Revenue Support Grant	-45,080	-48,942	
Share of National Business Rates	-25,381	-24,374	
Police Grant	-114,032	-117,214	
Council Tax Precept	-63,130	-70,982	
Net Revenue Account deficit/(surplus)	-3,342	-2,465	[7]
Balance Brought Forward	-658	-4,000	
Balance Carried Forward	-4,000	-6,465	

Notes to the Summary Revenue Account

[1] Employees

Employee costs include allowances etc. paid to officers. 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 on the right. The bandings are determined by the Code.

The increase in numbers overall is due to significantly more Inspectors receiving salary, benefits and expenses in excess of £50k. It should be noted that there was no significant increase in Inspectors' pay (3% inflation increase). The table also includes officers seconded to national projects who are still paid by the Authority, but whose costs are largely reimbursed.

Salary Bands	Number in Band	
	2003/04	2004/05
£		
50,000 - 59,999	36	96
60,000 - 69,999	12	20
70,000 - 79,999	2	7
80,000 - 89,999	1	1
90,000 - 99,999	2	1
100,000 - 109,999	0	0
110,000 - 119,999	1	1
120,000 - 129,999	0	0
130,000 - 139,999	0	2
140,000 - 149,999	0	0
Totals	54	128

[2] Pensions (net)

The table opposite shows the actual value of pension payments made in the year, less contributions received, for police officer pensions only. In accordance with FRS17, this figure is replaced by the actuarial evaluation of the current service cost within the net cost of services to represent the value of benefits earned in the year rather than the actual amounts paid. Police staff pension costs are included within the employees heading on the subjective analysis. Both police officer and staff pension costs are apportioned to the relevant service expenditure area in the BVACOP analysis.

	2003/04 £'000	2004/05 £'000
Regular Payments	32,995	35,580
Lump Sums	8,003	10,339
Transfer payments made	190	477
Transfer payments received	-1,162	-892
Contributions from officers	-11,553	-12,091
Total contributions	28,473	33,413
Reversal of contributions	-28,473	-33,413
FRS17 current service cost	33,200	46,600
Total	33,200	46,600

Retirement benefits (FRS17) entries

	Police pensions		LGPS (police staff)	
	2003/04 £'000	2004/05 £'000	2003/04 £'000	2004/05 £'000
Net Cost of Services				
Current service cost	33,200	46,600	4,330	6,430
Past service cost	0	0	10	0
Net Operating Expenditure				
Interest costs	71,200	79,500	4,430	5,250
Expected return on assets	0	0	-2,520	-3,460
FRS17 pension reserve contribution	-75,927	-92,687	-2,481	-3,514
Actual amount charged to grant & taxpayers	28,473	33,413	3,769	4,706

The nature of the schemes is explained in the accounting policies and further information is also given in the notes to the balance sheet and movements in reserves. Under the projected unit method the current service cost will increase as the members of the scheme approach retirement.

Notes to the Summary Revenue Account

[3] Agency Services

The Authority paid the following Police National Computer levies:
National Public Order Information Unit

2003/04 £'000	2004/05 £'000
539	558
70	70
609	628

[4] Cost of Servicing Police Authority

The costs of running the Police Authority, as opposed to the Constabulary, are kept separately and details of how this cost is made up are shown in the table.

Note that the figure is higher than the corporate and democratic core figure on page 13 as that figure excludes grants paid out, internal audit (included opposite under Treasurer's costs) and includes the cost of senior Constabulary staff attending Police Authority meetings.

	2003/04 £'000	2004/05 £'000
Employees	18	49
General running costs (incl. Westgate Chambers)	199	268
Members expenses	217	238
Clerk and Treasurer and their support teams' costs	268	319
External Audit	125	91
Grants paid out (see note)	215	321
Gross Expenditure	1,042	1,286
Income	-19	-29
Net Expenditure	1,023	1,257

[5] Additional Grants: In 2004/05 the following additional grants were received:

	2003/04 £'000	2004/05 £'000
Crime Fighting Fund (additional police officers)	6,911	7,155
Airwave grant	477	3,491
Special priority payment	754	1,705
Basic Command Unit grant	1,232	1,232
South East Allowance (cost of living allowance for certain police officers)	1,032	1,150
DNA Expansion Grant phase 1	777	746
Arrest Referral grant	386	403
DNA Expansion Grant phase 2	357	494
Rural Fund	219	219
Terrorist & Allied Matters Grant	203	190
Chemical, Biological, Radiological and Nuclear (PPE Development)	0	110
NMIS (IT) grant	67	169
Healthy Police Initiative	34	159
Counter terrorism grant	194	136
Football intelligence grant	181	105
Local Criminal Justice Board	0	88
Financial Investigations Grant	55	60
Community Safety	51	35
Fire Dispute - reimbursement of costs	95	0
Occupational Health Initiative	79	0
Sexual Assault Referral Centre grant	50	0
Miscellaneous grants	221	244
Totals:	13,375	17,891

Notes to the Summary Revenue Account

[6] Asset Management Revenue Account		2003/04	2004/05
		£'000	£'000
<p>The Asset Management Revenue Account allows the accounts to show the full cost of the use of assets by the service (shown in Capital Charges) while not passing on these charges, which are notional, to taxpayers, by showing the equivalent credit here.</p>	Recharges to Services:	8,133	8,623
	<u>Less</u> depreciation	-4,374	-4,725
	net of Government Grant	3,592	4,180
	<u>Less:</u>		
	Interest paid to external lenders	-254	-259
	Net credit to Revenue Account	7,097	7,819

[7] Contributions to/(from) Reserves		2003/04	2004/05
		£'000	£'000
<p>The Authority maintains a General Reserve to provide for unforeseen additional costs that may arise during the year. As at 31 March 2005 it represents 2.5% of the net cost of services.</p>	<u>General Reserve:</u>		
	Contribution (from)/to	3,342	2,465
<p>Specific reserves also are maintained to provide for special projects or against likely additional costs in particular areas such as police pension lump sums or claims against the Authority.</p>	<u>Other Reserves:</u>		
	Capital (revenue contributions)	188	907
	Pensions (lump sums)	4,326	323
	Insurances	0	0
<p>The Netley Business Plan reserve contributed £180,000 towards capital works in 2004/05.</p>	Spend to Save	445	191
	<u>Earmarked Reserves:</u>		
	Devolved Budgets and Special Projects	1,329	1,984
<p>Further details are provided in the Statement of Movement in Reserves on page 30.</p>	Netley Business Plan	27	-113
	Total:	9,657	5,757

[8] Provision for Repayment of External Debt		2003/04	2004/05
		£'000	£'000
<p>The Authority has a duty under the Capital Finance Regulations to make a minimum provision for debt repayment each year, amounting to 4% of its unfunded capital expenditure, which is a statutory measure of the Authority's net indebtedness to external lenders.</p>	Depreciation		
	(net of Government Grant)	782	545
	<u>Less</u> Provision for repayments to external lenders	-555	-609
Net credit to Revenue Account	227	-64	

Notes to the Summary Revenue Account

[9] 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 £688,998 (£621,121 in 2004/05) of which £450,681 (£550,919 in 2003/04) related to recruitment advertising.

[10] Related Party Transactions

The Code of Practice 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. The returns received stated that no related party transactions took place in 2004/05.

[11] Members allowances

In accordance with the Code of Practice, the amount spent on members allowance in 2004/05 was £238,000 (£212,000 in 2003/04).

[12] External audit fees

In accordance with the Code of Practice, the amount spent on external audit in 2004/05 was £82,000 (£120,000 in 2003/04). This figure relates entirely to instalments paid for the statutory external audit services. In addition a further £9,000 (£5,000 in 2003/04) was paid for the auditing of grants.

[13] Leases

The Police Authority has no finance leases but does have operating leases for several buildings. In 2004/05 payments totalling £618,000 for 12 premises (£478,000 for 11 premises in 2003/04) were made.

[14] 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 2004/05 totalled £81,479 (2003/04 £74,082) which 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.

Consolidated Balance Sheet

This account shows the overall financial position of the Authority at 31 March 2005. The statement consolidates all recorded assets, liabilities and other balances of the Authority in order to represent its financial standing.

	31 March 2004 £'000	31 March 2005 £'000	Notes
Intangible Fixed Assets	0	38	
Tangible Fixed Assets			
Operational Assets			
Land and buildings	91,842	101,693	
Vehicles and plant	7,879	8,039	
Other	3,545	6,694	
Non-Operational Assets	88	687	
Total Fixed Assets	103,354	117,151	[1]
Long-Term Investments	0	0	
Long-Term Debtors	53	133	
Total Long-Term Assets	103,407	117,284	
Current Assets			
Stocks	701	544	[2]
Debtors etc.	4,885	6,940	[3]
Short-Term investments	32,569	30,003	[4]
Cash	237	247	[4]
Total Current Assets	38,392	37,734	
Current Liabilities			
Deposits	847	1,040	[5]
Bank Overdrawn	4,089	4,454	[4]
Creditors	14,851	14,577	[6]
Total Current Liabilities	19,787	20,071	
Net Current Assets	18,605	17,663	
Long-Term Assets & Net Current Assets	122,012	134,947	
Long-Term Liabilities			
Long-Term borrowing	1,200	1,200	[7]
Deferred liabilities	3,398	3,185	[8]
Liability related to pension schemes	1,268,488	1,644,379	[12]
Total Long-Term Liabilities	1,273,086	1,648,764	
Total Assets less Liabilities	-1,151,074	-1,513,817	
Financed by			
Fixed Asset Restatement Account	62,566	69,142	[9]
Capital Financing Account	19,649	24,314	[9]
Government Grants Deferred	11,647	10,663	[10]
Capital Receipt Reserve	6,980	4,113	[9]
Capital (Revenue Contributions) Reserve	3,827	4,734	[9]
Pensions Reserve	5,519	5,842	[9]
Insurance Reserve	394	394	[9]
Spend to Save Reserve	555	746	[9]
Earmarked Reserves	2,277	4,149	[9]
General Reserve	4,000	6,465	[9]
FRS17 Pensions Reserve	-1,268,488	-1,644,379	[12]
Total Equity	-1,151,074	-1,513,817	

Notes to Consolidated Balance Sheet

[1] Fixed Assets

Movements in the written-down value of fixed assets during the year are shown below. Reference should also be made to the Statement of Accounting Policies as it relates to fixed assets (page 5).

	Intangible Assets	Land and Buildings	Non-Operational Assets	Vehicles and Plant	Furniture and Equipment	Total Fixed Assets
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation						
Balance as at 1 April 2004	0	94,438	88	15,442	21,511	131,479
Additions	42	4,044	599	2,522	4,568	11,775
Disposals	0	-1,395	0	-291	0	-1,686
Revaluations	0	7,637	0	0	0	7,637
Balance as at 31 March 2005	42	104,724	687	17,673	26,079	149,205
Depreciation						
Balance as at 1 April 2004	0	2,599	0	7,563	17,966	28,128
Charge for the Year	4	1,433	0	1,869	1,419	4,725
Disposals	0	-1,001	0	202	0	-799
Balance as at 31 March 2005	4	3,031	0	9,634	19,385	32,054
Net Book Value						
Balance as at 31 March 2005	38	101,693	687	8,039	6,694	117,151
Balance as at 31 March 2004	0	91,840	88	7,879	3,545	103,352

This statement summarises capital expenditure incurred by the Police Authority on significant 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 Police Revenue Account in the year that the asset is acquired.

Capital Expenditure	2003/04 £'000	2004/05 £'000	Financing	2003/04 £'000	2004/05 £'000
Land and Buildings	2,016	4,812	Government Grants	3,841	7,724
Communications	73	0	Capital Contributions	40	0
Vehicles	2,946	2,527	Revenue Contributions	147	314
Aircraft	377	0	Capital Receipts	443	4,010
IT & operational equip't	1,061	4,609	Supported by SCA's	2,002	0
Keyworker Housing	0	100			
Total capital expenditure	6,473	12,048	Total capital financing	6,473	12,048

The accrued capital expenditure for 2004/05 was £12.048m, as shown above. In 2003/04, the capital amounts had to be financed on receipts and payment basis i.e. cash basis, due to the statutory method for capital spending controls. The introduction of the Prudential Code regulations with effect from 2004/05 gives local authorities substantially more freedom in deciding what amount of capital spend is prudent, affordable and sustainable. It also means that the financing of capital expenditure now works on an accruals basis rather than receipts and payments. In 2003/04 there were estates creditors of £236,000 and vehicle creditors of £41,000 (i.e. where goods or services have been received by 31 March 2005 but not paid for). As these amounts were not financed in 2003/04, they will need to be financed in 2004/05 as a one-off transitional arrangement. Consequently the total capital spend financed in 2004/05 will be £12.325m (£12.048m + £0.277m 2003/04 creditors).

Capital Commitments

The Authority has approved a capital programme of £12.8m for 2005/06. As at 31 March 2005 the Authority had committed capital expenditure of £1.8m to premises, £2.8m to IT and communications, and £1.1m to vehicles (£5.7m in total).

Notes to Consolidated Balance Sheet

[2] Stocks

Stock is held by the Authority at various locations.

Uniforms &
computer consumables
Vehicle spares
IT stock
Fuel
Printing & stationery
Vending
Scenes of crime

31 March 2004 £'000	31 March 2005 £'000
382	324
44	84
125	7
95	95
46	24
0	1
9	9
701	544

[3] Debtors and Payments in Advance

The provision for bad and doubtful debts remains at £45,000. Government debtors as at 31 March 2005 includes £1.8m for Crime Fighting Fund grant (£nil as at 31 March 2004) and £1.5m VAT repayable (£1.1m as at 31 March 2004). Local authority debtors as at 31 March 2004 included a business rates refund of £180,000 which has been received.

Government & Depts
Local Authorities
Other Debtors
Payments in Advance
Less Bad Debt Provision

31 March 2004 £'000	31 March 2005 £'000
2,807	5,797
1,197	563
846	521
80	104
-45	-45
4,885	6,940

[4] Cash and Deposits Repayable on Demand

Short-term investments consist of surplus cash-flow balances, which are managed by Hampshire County Council on behalf of the Authority. Interest earned is credited to the Summary Revenue Account (see page 13).

The overdrawn balance at the Bank represents cheques drawn but not yet presented at 31 March 2005. See also the Cash Flow Statement on page 32.

Short Term Investments
Main Bank Account
Petty Cash

31 March 2004 £'000	31 March 2005 £'000
32,569	30,003
-4,089	-4,454
237	247
28,717	25,796

[5] Deposits

Money seized by the police is mainly from anti-drugs activities. This money will either be repaid with interest or forfeited. Under the Police Property Acts, police authorities may set aside money received from the sale of stolen goods and confiscations to make donations to charities.

Money Seized
Police Property Fund Act
Other
Forfeited Money

31 March 2004 £'000	31 March 2005 £'000
480	609
58	62
137	146
172	223
847	1,040

Notes to Consolidated Balance Sheet

[6] Creditors

Government departments includes £4.6m for the Inland Revenue in respect of deductions from salaries in March 2005 not paid over until April 2006 (£4.3m at 31 March 2004). Other creditors includes £1.6m for compensatory grant owed (£nil at 31 March 2004). The decrease in receipts in advance is due to the reduced amount of specific funding received.

Government Depts
Other public sector
Other creditors
Receipts in advance

31 March 2004 £'000	31 March 2005 £'000
4,177	4,608
289	271
6,822	8,268
3,563	1,430
14,851	14,577

[7] Long-Term Borrowing

Interest Rate Payable	Source of Loan	Outstanding at 31 March 2005 £'000	Maturity Date
8.50%	PWLB	500	October 2015
6.00%	PWLB	350	September 2023
4.88%	PWLB	350	March 2025
	Total:	1,200	

[8] Deferred liabilities

This is the deemed debt to Hampshire County Council of £3.2m. This debt is the balance of the remaining debt transferred on the formation of the Police Authority.

[9] Capital and Revenue Reserves

Details of these reserves are set out in the Statement of Movement in Reserves on page 27.

[10] Government Grants Deferred

This account contains police grants used to finance capital expenditure. It will be written down to offset depreciation charges generated by the relevant assets over the life of those assets.

Opening balance
Release of grants
Home Office Capital Grant
Other contributions

31 March 2004 £'000	31 March 2005 £'000
6,422	11,647
-3,592	-4,180
2,523	2,936
6,294	260
11,647	10,663

[11] Deferred charges, contingent liabilities and post balance sheet events

There are no deferred charges, contingent liabilities or post balance sheet events.

Notes to Consolidated Balance Sheet

[12] FRS17 assets and liabilities

The nature of the two schemes operated is explained in the accounting policies. Further information on retirement benefits is also given in the notes to the revenue account. The total assets and liabilities for retirement benefits attributable to the Authority were as follows:

	Local Govt Pension Scheme		Police Pension Scheme		Total	
	31/03/2004	31/03/2005	31/03/2004	31/03/2005	31/03/2004	31/03/2005
	£m	£m	£m	£m	£m	£m
Estimated liabilities	-79.35	-112.73	-1,236.70	-1,599.90	-1,316.05	-1,712.63
Estimated assets	47.85	68.45	0.00	0.00	47.85	68.45
Net asset/(liability)	-31.50	-44.28	-1,236.70	-1,599.90	-1,268.20	-1,644.18

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

Therefore, the statutory arrangements for funding the deficit means that the financial position of the Authority remains sound.

The estimates are provided by the Authority's actuary, Hewitt, Bacon & Woodrow. The most recent full valuation of the police pension scheme was carried out as at 31 March 2002 and the most recent full valuation of the police staff (LGPS) scheme was as at 31 March 2004. The actuary has updated the estimates for FRS17 purposes as at 31 March 2005. 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 both schemes:

Rate	31 March 2004	31 March 2005
Discount rate	6.4% pa	5.3% pa
Rate of increase in salaries	4.4% pa	4.4% pa
Rate of increase in pensions in payment	2.9% pa	2.9% pa
Rate of increase in deferred pensions	5.4% pa	5.3% pa
Rate of inflation	2.9% pa	2.9% pa

There are no material prepaid or accrued pensions contributions at the balance sheet date. The Authority does have a separate cash backed pension reserve to smooth out the impact of pension costs over a number of years.

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

Category	Long term return	31 March 2004	31 March 2005
Equities	7.7% pa	71%	69%
Bonds	4.7% pa	21%	22%
Property	6.7% pa	4%	4%
Other Assets	4.8% pa	4%	5%
		100%	100%

Notes to Consolidated Balance Sheet

[12] FRS17 assets and liabilities continued...

The movement in liabilities for the year to 31 March 2005 is as follows:

	LGPS £m	Police £m
Liabilities at beginning of year	-31.50	-1,236.70
Movement in year:		
Operating Charge:		
Current service cost	-6.43	-46.60
Past service cost	0.00	0.00
Gain/loss on any settlements or curtailments	0.00	0.00
Total Operating Charge	-6.43	-46.60
Contributions (pensions paid less employee contributions) (deduced)	4.73	33.30
Expected return on Pension Fund assets	3.46	0.00
Interest on pension scheme liabilities	-5.25	-79.50
Total Finance Income	-1.79	-79.50
Actuarial gain/loss	-9.29	-270.40
Liabilities at end of year	-44.28	-1,599.90

The actuarial gain/loss can be further analysed as follows:

	Amount (£m)	Amount (£m)
Actual return less expected return on assets	3.20	0.00
Experience gains and losses on pension liabilities	9.06	-0.60
Changes in assumptions underlying the present value of pension liabilities	-21.55	-269.80
Total	-9.29	-270.40

Police staff

Hampshire Police Authority's standard contribution rate over the accounting period was 225% of members' contributions. The contribution rates certified for Hampshire Police Authority at the 31 March 2004 valuation are as follows:

April 2005 to March 2006 250% of members' contributions

April 2006 to March 2007 270% of members' contributions

April 2007 to March 2008 295% of members' contributions

[13] Lease commitments

	Annual commitments split by expiry dates	£'000
As at 31 March 2005, the Authority was committed to making operating lease payments, all for land and buildings, of £689,000 in 2005/06	Leases expiring in 2005/06	20
	Leases expiring between 2006/07 and 2010/11	198
	Leases expiring after 2010/11	471
	Total	689

Statement of Movements in Reserves

	Capital Reserves		Revenue Reserves		Total
	Unrealised	Realised	Realised	FRS17	
	£'000	£'000	£'000	£'000	
Balance at 1 April 2004	82,215	18,627	16,572	-1,268,488	-1,151,074
Net Contributions to Revenue	0	0	5,758	0	5,758
Revaluation of Fixed Assets	7,637	0			7,637
Disposal of Fixed Assets	-888	1,420			532
Financing of Fixed Assets etc.	4,601	-8,467			-3,866
Other Transactions (net)	-109	3,196		-375,891	-372,804
Balance at 31 March 2005	93,456	14,776	22,330	-1,644,379	-1,513,817
Notes:	[1]	[1]	[2]	[2]	

Notes to Statement of Movements in Reserves

[1] Capital reserves

	Capital Reserves				Total
	Unrealised		Realised		
	Fixed Asset Restatement Account	Capital Financing Account	Capital Receipts Reserve	Govt Grants Deferred	
	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2004	62,566	19,649	6,980	11,647	100,842
Net Contributions to Revenue					0
Revaluation of Fixed Assets	7,637				7,637
Disposal of Fixed Assets	-888		1,420		532
Financing of Fixed Assets etc.		4,601	-4,287	-4,180	-3,866
Other Transactions (net)	-173	64		3,196	3,087
Balance at 31 March 2005	69,142	24,314	4,113	10,663	108,232

Notes to Statement of Movements in Reserves

[2] Revenue reserves

	Revenue Reserves							Total £'000
	Realised						FRS17	
	Capital Revenue Conts	Pensions	Insurance	Spend to Save	Earmarked	General	FRS17 Pensions	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
As at 1 Apr 04	3,827	5,519	394	555	2,277	4,000	-1,268,488	-1,251,916
From revenue	907	323	0	191	1,871	2,465	0	5,757
Actuarial gains and losses	0	0	0	0	0	0	-375,891	-375,891
To revenue	0	0	0	0	0	0	0	0
As at 31 Mar 05	4,734	5,842	394	746	4,149	6,465	-1,644,379	-1,622,050

Actuarial gain/loss

The actuarial gain/loss can be further analysed as follows:

	LGPS (staff)		Police	
	Amount (£m)	Percent	Amount (£m)	Percent
Actual return less expected return on assets	3.20	4.70%	0.00	0.0%
Experience gains and losses on pension liabilities	9.06	8.00%	-0.60	0.0%
Changes in assumptions underlying the present value of pension liabilities (GAD change)	-21.55	-19.10%	-269.80	16.9%
Total	-9.29	-8.20%	-270.40	16.9%

Earmarked Reserves

Specific reserves are also maintained to provide for special projects or against likely additional costs in particular areas.

Devolved Budgets and Special Projects
Netley Business Plan

	31 March 2004 £'000	31 March 2005 £'000
	1,929	3,914
	348	235
	2,277	4,149

Notes to Statement of Movements in Reserves

The Accounting Code of Practice requires additional analysis of the total movements on reserves in order to comply with the requirements of Financial Reporting Standard 3 with respect to providing a statement of total gains and losses.

Statement of Movement in Reserves	2003/04		2004/05	
	£000	£000	£000	£000
Surplus/(Deficit) for the year				
General fund movement	3,342		2,465	
Other reserves	6,256		3,293	
Actuarial gains and losses relating to pensions	5,000		-375,891	
Total increase/(decrease) in revenue resources		14,598		-370,133
Increase/(decrease) in useable capital receipts	4,222		-2,867	
Total increase/(decrease) in realised Capital resources (note 1)		4,222		-2,867
Gains/losses on revaluation of fixed assets	-313		7,637	
Amounts written off for capital expenditure not enhancing value	-1,924		-173	
Impairment losses on fixed assets due to general changes in prices	0		0	
Total increase/(decrease) in unrealised value of fixed assets (note 2)		-2,237		7,464
Value of assets sold or disposed of (note3)	-2,861	-2,861	-888	-888
Capital Receipts set aside	416		4,287	
Revenue Resources set aside	-227		378	
Movement on government grants deferred	5,225		-984	
Total increase/(decrease) in amounts set aside to finance capital investment (note4)		5,414		3,681
Total recognised gains and losses		19,136		-362,743
Movement in balance sheet				-362,743

Notes to Statement of Movements in Reserves

[i]	Movements in realised capital resources	Capital Receipts																																																			
		£'000																																																			
	Amounts receivable in 2004/05	1,420																																																			
	Amounts applied to finance new capital expenditure in 2004/05	-4,287																																																			
	Total increase/(decrease) in realised capital resources in 2004/05	-2,867																																																			
	Balance brought forward 1 April 2004	6,980																																																			
	Balance carried forward 31 March 2005	4,113																																																			
[ii]	Movements in unrealised value of fixed assets	Fixed Asset Restatement Account																																																			
		£'000																																																			
	Unrealised gain/(loss) on revaluation of fixed assets 2004/05	7,637																																																			
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	Reconciles to FARA balance	69,142																																																			
[iv]	Movements in amounts set aside to finance capital investment	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 33%;">Capital Financing Account</th> <th style="width: 33%;">Government Grants Deferred</th> <th style="width: 33%;">Total</th> </tr> <tr> <th style="text-align: center;">£'000</th> <th style="text-align: center;">£'000</th> <th style="text-align: center;">£'000</th> </tr> </thead> <tbody> <tr> <td>Capital receipts set aside in 2004/05:</td> <td style="text-align: right;">0</td> <td></td> </tr> <tr> <td>Reserved receipts</td> <td style="text-align: right;">0</td> <td></td> </tr> <tr> <td>Useable receipts applied</td> <td style="text-align: right;">4,287</td> <td></td> </tr> <tr> <td>Total capital receipts set aside in 2004/05</td> <td style="text-align: right;">4,287</td> <td style="text-align: right;">4,287</td> </tr> <tr> <td>Revenue resources set aside in 2004/05</td> <td></td> <td></td> </tr> <tr> <td>-capital expenditure financed from revenue contributions</td> <td style="text-align: right;">314</td> <td></td> </tr> <tr> <td>-reconciling amount for provisions for debt repayment</td> <td style="text-align: right;">64</td> <td></td> </tr> <tr> <td>Total revenue receipts set aside in 2004/05</td> <td style="text-align: right;">378</td> <td style="text-align: right;">378</td> </tr> <tr> <td>Grant applied to capital investment in 2004/05</td> <td style="text-align: right;">3,196</td> <td></td> </tr> <tr> <td>Amounts credited to the asset management revenue account</td> <td style="text-align: right;">-4,180</td> <td></td> </tr> <tr> <td>Movement on Government Grants Deferred</td> <td style="text-align: right;">-984</td> <td style="text-align: right;">-984</td> </tr> <tr> <td>Total increase/(decrease) in amounts set aside to finance capital investment</td> <td></td> <td style="text-align: right;">3,681</td> </tr> <tr> <td>Total movement on reserve in 2004/05</td> <td style="text-align: right;">4,665</td> <td style="text-align: right;">-984</td> </tr> <tr> <td>Balance brought forward 1 April 2004</td> <td style="text-align: right;">19,649</td> <td style="text-align: right;">11,647</td> </tr> <tr> <td>Balance carried forward 31 March 2005</td> <td style="text-align: right;">24,314</td> <td style="text-align: right;">10,663</td> </tr> </tbody> </table>	Capital Financing Account	Government Grants Deferred	Total	£'000	£'000	£'000	Capital receipts set aside in 2004/05:	0		Reserved receipts	0		Useable receipts applied	4,287		Total capital receipts set aside in 2004/05	4,287	4,287	Revenue resources set aside in 2004/05			-capital expenditure financed from revenue contributions	314		-reconciling amount for provisions for debt repayment	64		Total revenue receipts set aside in 2004/05	378	378	Grant applied to capital investment in 2004/05	3,196		Amounts credited to the asset management revenue account	-4,180		Movement on Government Grants Deferred	-984	-984	Total increase/(decrease) in amounts set aside to finance capital investment		3,681	Total movement on reserve in 2004/05	4,665	-984	Balance brought forward 1 April 2004	19,649	11,647	Balance carried forward 31 March 2005	24,314	10,663
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Cash Flow Statement

This statement shows the day to day movement in funds during the course of 2004/05. 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:			Notes [1] Analysis of additional Revenue Grants
Cash Outflows:			see note 5 to the revenue account. Difference is due to
Employees	200,485		Crime Fighting Fund debtor (see note 3, page 23)
Pensions	33,413		[2] Reconciliation to Revenue Account
Other	61,377		
	295,275		
Cash Inflows:			
Revenue Support Grant	-48,493		
Share of Nat'l Business Rate	-24,374		
Police Grant	-117,214		
Council Tax	-70,982		
Service Income:	-21,599		
Additional Grant	-16,140		
	-298,802		
Net Revenue Activities:		-3,527	
Returns on Investments and Servicing Finance			
Servicing of Finance			
Interest Received	-1,585		
Interest Paid	258		
Disposal of Investments	0		
	-1,327	-1,327	
Net Cash Inflow From Return on Investment and Servicing of Finance			
Cash Outflows:			
Purchase of Fixed Assets	12,113		
Cash Inflows:			
Sales of Assets	-1,421		
Contributions	0		
Government Grant	-2,936		
	-4,357	7,756	
Net Cash Outflow/(Inflow) from Capital Activities:			
Management of Liquid Resources			
Net Increase/(Decrease) in Short-Term Investments	-2,566		
Deposits movement	-193	-2,759	
Financing Transactions:			
Principal Repayments	212		
Net Cash Outflow From Financing Transactions:		212	
Decrease/(Increase) in Cash		355	
		0	
			[1] Deficit for the year
			Interest paid
			Principal repayments
			Interest received
			Changes in:
			Decrease in stocks
			Increase in debtors
			[1] Decrease in revenue creditors
			[2] Non cash transactions
			Contributions to reserves
			MRP
			Decrease in provision for bad debt
			Deferred charges
			Revenue contributions to capital
			Net cash inflow from revenue activities
			[3] Movements in short term investments
			At 31 March 2004:
			Short term investments
			At 31 March 2005:
			Short term investments
			Increase in short term investments:
			[4] Movements in long term borrowing
			At 31 March 2004:
			Deemed debt
			At 31 March 2005:
			Deemed debt
			Decrease in deemed debt
			[5] Analysis of cash balances
			At 31 March 2004:
			Bank overdrawn
			Cash
			[4] At 31 March 2005:
			Bank overdrawn
			Cash
			Decrease/(increase) in cash

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. The agency costs incurred by the Authority relate to the National Police Computer and National Public Order Information Unit.

Asset Management Revenue Account

An account required under the system of capital accounting which allows the revenue accounts to show the cost of use of assets. All external interest payments are charged to the account. The account ensures that capital charges have a neutral impact on the amounts required to be raised from local taxation.

BCU

Basic Command Units (BCUs) were formerly known as divisions. They provide geographically based policing focused on the community they serve.

Capital Charges

A charge made to the revenue account for capital assets used in the delivery of service. The charge comprises two elements; a financing charge based on the value that the asset is held at in the Balance Sheet and a depreciation charge. Depreciation represents the consumption of an asset due to deterioration etc.

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 Revenue 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.

Capital Receipts

Money obtained on the sale of a capital asset. The income from capital assets sold for less than £6,000 is treated as revenue income. 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.

Glossary

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.

Financial Year

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

Fixed Assets

Assets 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.

Government Grants

Part of the cost of the service is paid for by central government from its own tax income. Revenue Support Grant (RSG) is a general grant paid by the Office of the Deputy Prime Minister (ODPM). Specific grants are paid by the Home Office to the Authority towards both revenue and capital expenditure.

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.

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.

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.

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