

*Hampshire Police Authority*  
*Statement of Accounts 2003/04*

	<u>Page</u>
Treasurer's Explanatory Foreword	1
Achievements and Developments	2
Summary of Revenue and Capital Expenditure and Income	3
Statement of Accounting Policies	4
Responsibilities for the Statement of Accounts	7
Treasurer's Certificate	7
Statement on Internal Control	8
Internal Financial Control Assurance Statement	11
Auditor's Report	12
Summary Revenue Account	14
Notes to Summary Revenue Account	15
Summary Capital Account	21
Capital Commitments	21
Consolidated Balance Sheet	22
Notes to Consolidated Balance Sheet	23
Movements in Reserves	31
Cash Flow Statement	35
Glossary	36

## Treasurer's Explanatory Foreword

- 1. Introduction** This foreword provides an introduction to Hampshire Police Authority's Statement of Accounts for 2003/04. 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 2003/04;
  - \* 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** The Police Authority's accounts for 2003/04 consist of the:
- Statement of Accounts**
- \* 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 2004;
  - \* 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 (Government) 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 local and national targets;
- \* Combating serious and organised crime operating across force boundaries;
- \* Narrowing the justice gap by increasing the number of offences brought to justice

## Achievements and Developments

In 2003/04, the Authority spent net expenditure of £244.3m against a net budget of £247.6m on policing services for the 1.8 million people of Hampshire and the Isle of Wight. This allowed the Authority to transfer £3.342m to the general reserve to bring it back to the £4m target. The Authority's pension reserve has been increased from £1.2m to £5.5m. The implementation of FRS17 Retirement Benefits has resulted in a -£1.274m reserve. Further notes on FRS17 are included on pages 4, 16 and 26 to 29.

The Authority successfully recruited 317 officers during 2003/04. This brought the total number of officers to 3,727 ftes as at 31 March 2004 (3,682 ftes as at 31 March 2003).

As part of the vehicle replacement programme 191 vehicles, which had reached the end of their useful lives, were replaced - where possible by liquid petroleum gas powered vehicles and those with greater fuel economy.

The ongoing policy of disposing surplus property, including beat houses and other police houses, generated capital receipts of £4.6m in 2003/04.

### Numbers:

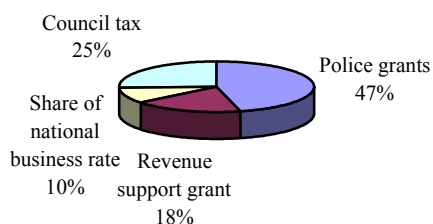
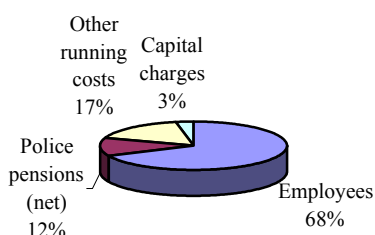
Employees  
Operational Buildings  
Vehicles  
Dwellings

	31 March 2003	31 March 2004
Employees	5,648	5,866
Operational Buildings	70	70
Vehicles	836	892
Dwellings	98	78

Crimes	Year	Recorded	Detected	%
Violent	2002/03	24,947	16,792	67%
	<b>2003/04</b>	<b>38,222</b>	<b>18,891</b>	<b>49%</b>
Burglaries	2002/03	18,217	2,822	15%
	<b>2003/04</b>	<b>18,014</b>	<b>2,619</b>	<b>15%</b>
Other	2002/03	109,500	25,870	24%
	<b>2003/04</b>	<b>122,307</b>	<b>26,475</b>	<b>22%</b>

## 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 2003/04 were carried out in 12 BCUs - 11 in Hampshire and one on the Isle of Wight. There are also a number of specialist departments that provide a service to the whole Constabulary, and departments that provide support services



	£m	£m
<b>Expenditure</b>		
Employees	186.7	
Police pensions (net)	33.2	
Other running costs	46.0	
Capital charges	8.1	
Total police services		274.0
Financing transactions	-12.7	
Contribution to reserves	9.8	271.1
<b>Income</b>		
Service income	-9.3	
Additional grants	-13.4	
Interest	-0.8	-23.5
<b>Amount to be met from Government grants and local taxpayers</b>		<b>247.6</b>
Police grants		-114.0
Revenue support grant		-45.1
Share of national business rate		-25.4
Council tax		-63.1
		<b>-247.6</b>

**Capital Expenditure** is incurred in the acquisition and improvement of the Authority's assets which have a life of more than one year. Total expenditure in 2003/04 was £6.5m. The Home Office provides capital grant for particular projects.

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 2003/04 £4.6m of receipts were from the disposal of police houses, where 100% of the proceeds may be reinvested in policing. Individual receipts of less than £6,000 have been credited to revenue income.

Supplementary Credit Approvals give the Authority power to borrow if required to fund capital expenditure. A more detailed capital statement can be found on page 18

	£m
<b>Expenditure</b>	
Land and buildings	2.0
Command and control centre	0.1
Vehicles	2.9
Aircraft	0.4
IT & operational equipment	1.1
	<b>6.5</b>
<b>Funded by</b>	
Government grant	3.9
Capital receipts	0.4
Revenue contributions to capital	0.2
Supplementary credit approvals	2.0
	<b>6.5</b>

## Statement of Accounting Policies

<b>General Principles</b>	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 (2003). This code is recognised by statute as representing proper accounting practices. Any significant non-compliance is explained in the following notes.
<b>Pensions</b>	<p>Pension costs included in the accounts have been determined in accordance with FRS17 Retirement Benefits as required by the Code of Practice. This represents a change in accounting policy. Therefore the relevant figures in the 2002/03 figures have been adjusted for comparative purposes. 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</i> This is an unfunded scheme. In 2003/04 the net cost of pensions and other benefits amounted to £28.5m (£29.4m in 2002/03) representing 27.0% (29.5% in 2002/03) of pensionable pay.</p> <p><i>Local Government Pension Scheme</i> Other employees, subject to certain qualifying criteria, are eligible to join the Local Government Pension Scheme. In 2003/04 the Authority paid an employer's contribution of £4.0m (£3.3m in 2002/03) into the Hampshire Pension Fund, representing 12.9% of pensionable pay. The contribution rate is determined by the Fund's actuary based on valuations every three years. At the 31 March 2001 valuation the actuary recommended a phased increase in employer contribution rates. The contribution rate for 2003/04 was 215% of employees' contributions. This rate will rise to 215% in 2003/04 and 225% in 2004/05.</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 2003/04 these were £0.03m, representing 0.10% of pensionable pay. The Authority is also responsible for all pension payments relating to added years' benefits, together with the related increases. In 2003/04 these were £0.03m, representing 0.10% of pensionable pay.</p> <p>Further information can be found in the actuary's valuation report and the Hampshire Pension Fund Annual Report. See also the notes to the balance sheet on FRS17 Pensions assets and liabilities.</p>
<b>Central Support Services</b>	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 the number of staff and finance costs based on the size of budget.
<b>Interest Charges</b>	The Authority pays interest on its PWLB loans (£80k) and the deemed debt from Hampshire County Council (£174k). See notes 7 and 8 to the balance sheet for further details of the debts.
<b>Precept Income</b>	Precept income is included at the figure precepted on the collection funds of billing authorities in Hampshire and the Isle of Wight collection funds and is not subject to revision.
<b>Specific Government Grants</b>	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.
<b>Basis of Redemption of Debt</b>	The Authority is required by law to make a minimum provision for the repayment of debt, at 4% of the 'credit ceiling', which is a statutory measure of the Authority's net indebtedness to fund capital expenditure.

<b>Fixed Assets</b>	<p>These are tangible assets that yield benefits to the Authority and the services it provides 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.</p> <p>All expenditure above the de minimus 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 cost while under construction.</p> <p>Beat houses were revalued in 1999/00 and police houses were revalued in 2000/01. In order to comply fully with the requirements of Financial Reporting Standard (FRS) 15 all 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. As a result a revaluation was required to remove the value of six dwellings which remained on the asset register although the assets were no longer owned by the Police Authority</p>
<b>Capital Charges</b>	<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>
<b>Notional Interest</b>	<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>
<b>Depreciation</b>	<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>
<b>Stocks</b>	<p>Stock accounts are maintained for uniforms, vehicle spares, fuel, vending provision, computer consumables, computer equipment (PCs etc) 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>
<b>Debtors and Creditors</b>	<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>
<b>Investments</b>	<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 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>
<b>VAT</b>	<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>

<b>Substantial Reserves and Provisions</b>	<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 £4.0m at 31 March 2004 (£0.7m as at 31 March 2003).</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 reserve was increased from £1.2m to £5.5m in 2003/04.</p>
	<p>The accounts include the FRS17 pension liability for the first time. This is a significant figure of £1.268m which represents the amount that the Authority would have to find if all employees were able to claim their pension as at 31 March 2004. 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 reserve allows assets to be maintained in the accounts at current value, rather than historic purchase price.</p>
	<p>The capital financing 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. £4.6m of capital receipts in 2003/04 were from the disposal of police houses, where 100% of the proceeds may be reinvested in the police estate. A further £27k 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 to aid their budgets to carry budgets forward, 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 2004.</p>
<b>Trust Funds</b>	<p>The Authority administers a trust fund for police dogs and a Portswood police station legacy. The value of the funds at 31 March 2004 was £2,546 (unchanged from 31 March 2003).</p>
<b>European Currency</b>	<p>During 2003/04, 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 2004/05.</p>
<b>Sponsorship</b>	<p>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 2003/04 totalled £74,082 (2002/03 £77,240) 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.</p>

## Responsibilities for 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;
- \* to manage its affairs to secure economic, efficient, and effective use of resources and safeguard its assets
- \* to approve the Statement of Accounts.

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 Great Britain, and is required by the Code to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2004.

In preparing this Statement of Accounts, the Treasurer has to :

- \* select suitable accounting policies and apply them consistently;
- \* make judgements and estimates that are reasonable and prudent;
- \* comply with the Code.

The Treasurer also has to :

- \* keep proper records which are up-to-date;
- \* take reasonable steps for the prevention and detection of fraud and other irregularities.

### The Chairman's Statement:

I certify that the Statement of Accounts for 2003/04 was considered and approved by the Hampshire Police Authority on 20 July 2004

Signed:

**Simon Hayes, Chairman**

Date:

**21 October 2004**

### The Treasurer's Certificate:

I certify that the Statement of Accounts for the year ended 31 March 2004 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 2004 and its income and expenditure for the year then ended

Date:

**21 October 2004**

## **Interim 2003/04 Statement on Internal Control for Hampshire Police Authority**

### **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.

### **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 economically.
- 2.2 The system of internal control has been in place at the Authority for the year ended 31 March 2004 and up to the date of approval of the annual report and accounts and, except for the details of significant internal control issues at section 5, accords with proper practice.

### **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 Base Command Unit/Department level. The achievement of Authority objectives is monitored through the relevant Panels. The achievement of Force objectives is monitored by the Association of Chief Police Officers Group, the relevant 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.

- 3.3 The Force has supplemented these with policies and procedures which are approved by the Association of Chief Police Officers, Base Command Unit Commanders or Heads of Departments dependent upon the significance. 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 internet. Policies and linked procedures are also held 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 further work needs to be done in the identification and control of risk at a more corporate level. A new permanent risk manager has been appointed to co-ordinate the overall risk management process.
- 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 a key area of concern. 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.

#### **4 Review of effectiveness**

- 4.1 The Authority has responsibility of 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.
- 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.
- 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 Authority and the Financial Affairs Panel, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

#### **5 Significant internal control issues**

- 5.1 There are no significant internal control issues but a number of actions need to be carried out during the next financial year to strengthen the control framework and allow a full statement of assurance to be given for 2004/05. The main areas to address are to:
- undertake a gap analysis to identify areas that require improvement
  - agree formally where the responsibility lies at both Authority and Force levels for the co-ordination of corporate governance related work, including the establishment of an appropriate governance committee which may need to be separate from the executive responsibility of the Financial Affairs Panel
  - draft a code of practice for corporate governance
  - manage the work programme for audit and others to review its effectiveness
  - establish a record of all risks identified and the measures in place to mitigate those risks
  - make staff more aware of corporate governance issues and compliance monitoring.

Signed by:

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Chariman of the Police Authority  
Date: 20 July 2004

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Chief Constable  
Date: 20 July 2004

## Statement on the system of internal financial control

- 1 This statement is given in respect of the Statement of Accounts for Hampshire Police Authority
- 2 The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.
- 3 The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within the Authority. In particular, the system includes:
  - comprehensive budgeting systems;
  - regular reviews of periodic and annual financial reports which indicate financial performance against the forecasts;
  - setting targets to measure financial and other performance;
  - the preparation of regular financial reports which indicate actual expenditure against the forecasts;
  - clearly-defined capital expenditure guidelines; and
  - as appropriate, formal project management disciplines.
- 4 The Authority employs an internal audit service which operates in accordance with the requirements of the code of practice for internal audit in local government in the United Kingdom, issued by CIPFA. The internal audit service provides an independent and objective appraisal function for reviewing the system of internal control. It examines, evaluates and reports to Senior Managers, the Director of Finance and the Treasurer on the adequacy of internal financial control as a contribution to the proper economic, efficient and effective use of resources. Action is agreed by relevant managers to address issues raised and progress in implementing agreed action is monitored as appropriate.
- 5 The strategic and annual internal audit plans are prepared by the Chief Internal Auditor to take account of the characteristics and relative risks of the activities involved and are approved by the Treasurer. The Treasurer and the Chief Internal Auditor provide a regular progress report to the Financial Affairs Panel. An annual report includes the Chief Internal Auditor's independent opinion on the adequacy and effectiveness of the Authority's systems of internal control, including internal financial control.
- 6 My review of the effectiveness of the system internal financial control is informed by the response of the Director of Finance, work of managers within the Authority; the work of the internal auditors as described above; and the external auditors in their annual audit letter and other reports.

Jon Pittam  
Treasurer  
15 July 2004

## **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 2003. 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 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, nor have I considered, whether the statement on internal control covers all risks and controls. I am also not required 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 account present fairly the financial position of Hampshire Police Authority as at 31 March 2004 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.

Mark Catlow  
Audit Manager

22 October 2004

<b>Summary Revenue Account Best Value Service Expenditure Analysis</b>		This Statement summarises the revenue transactions of the Police General Fund - 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.			
<b>Net Expenditure 2002/03 £000</b>		<b>Gross Expenditure 2003/04 £000</b>	<b>Income 2003/04 £000</b>	<b>Net Expenditure 2003/04 £000</b>	Notes
15,176	Call Handling	15,881	-3,295	12,586	(1)
96,237	Crime Investigation & Reduction	111,543	-7,326	104,217	(1)
20,228	Traffic & Road Safety	31,411	-2,761	28,650	(1)
17,110	Public Order & Reassurance	15,056	-1,600	13,456	(1)
10,197	Community Involvement	15,040	-288	14,752	(1)
39,774	Patrol	38,357	-557	37,800	(1)
7,893	Custody and Court Preparations	5,210	-540	4,670	(1)
237	Firearms, Liquor & Explosives Licensing	661	-207	454	(1)
29,890	Police Pensions	33,200		33,200	(2)
826	Corporate and Democratic Core	921		921	(3)
20	Non-distributed costs	10		10	(2)
<b>237,587</b>	<b>Net Cost of Services</b>	<b>267,290</b>	<b>-16,574</b>	<b>250,716</b>	(4)
528	Levies to National Police Services	609		609	(5)
-59	Secondments	42		42	
-96	Appropriation from Netley Business Plan		-90	-90	
196	Revenue Contributions to Capital	147		147	
-10	Movement in Provision of Bad Debts			0	
-9,307	Asset Management Revenue Account		-7,097	-7,097	(6)
-493	Investment Income		-833	-833	
69,510	Pensions interest cost and expected return on pension assets	75,630	-2,520	73,110	(2)
<b>297,856</b>	<b>Net Operating Expenditure</b>	<b>343,718</b>	<b>-27,114</b>	<b>316,604</b>	
300	Transfers to Earmarked Reserves			6,312	
-8	Reconciling Amount for Provision of Loan Repayment			-227	(7)
-70,445	Contribution from pension reserve			-78,408	(2)
<b>227,703</b>	<b>Amount to be Met From Government Grants and Local Taxation</b>			<b>244,281</b>	
-26,148	Revenue Support Grant			-45,080	
-44,485	Share of National Business Rates			-25,381	
-108,365	Police Grant			-114,032	
-48,550	Council Tax Precept			-63,130	
155	Net Fund (Surplus)/Deficit			-3,342	
-813	<b>General Reserve</b> Balance Brought Forward			-658	
-658	<b>Balance Carried Forward</b>			<b>-4,000</b>	

**Notes:**

- (1) The divisions of service 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 activity (where the employee is working in a unit the bulk of which costs relate to the activities, for example Fraud Squad relates to Crime Reduction and Investigation, or otherwise over several activity categories.) 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 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) As stated in the accounting policies section, there is a change in the way that pensions are accounted for with effect from 1 April 2003. The comparative figures for 2002/03 have been amended to reflect their position as if the same accounting policies had been employed. 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 liability incurred during the year rather than simply the contribution payments made. This is of particular interest within the current economic climate where many pension funds have come under increasing pressure.

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) is meant to cover 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 18

- (7) See note 8 on page 18

## Notes to Summary Revenue Account

### [1] Summary Revenue Account Subjective Analysis

This note restates the revenue transactions of the Police General Fund on a subjective basis - 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 Code of Practice on Local Authority Accounting

	<b>2002/03</b>	<b>2003/04</b>	<u>Notes</u>
	<b>£'000</b>	<b>£'000</b>	
<b>Gross Expenditure</b>			
Employees	172,022	186,678	[1]
Pensions (net)	29,890	33,200	[2]
Premises	7,089	6,101	
Transport	3,818	4,003	
Travel and Subsistence	4,631	4,120	
IT and Communications	11,488	13,520	
Supplies and Services	14,237	15,342	
Agency services	528	609	[3]
Grants	913	1,269	
Cost of servicing Police Authority	1,077	1,042	[4]
Capital Charges	10,054	8,133	
<b>Gross cost of services</b>	<b>255,747</b>	<b>274,017</b>	
<b>Service Income</b>			
Service Income	-8,126	-9,278	
Additional Grants	-9,566	-13,375	[5]
<b>Total Service Income</b>	<b>-17,692</b>	<b>-22,653</b>	
<b>Net Cost of Services</b>	<b>238,055</b>	<b>251,364</b>	
Appropriation from Trading Account	-96	-90	
Movement in provision for bad debts	-10	0	
Revenue contributions to capital	196	147	
Asset Management Revenue Account	-9,307	-7,097	[6]
Deferred Charges written off	1	3	
Interest on balances	-493	-833	
Pensions interest cost and expected return on pension assets	69,510	73,110	
<b>Net Operating expenditure</b>	<b>297,856</b>	<b>316,604</b>	
Contributions to reserves	300	6,312	[7]
Provision for repayment of external debt	-8	-227	[8]
Contribution from the pension reserve	-70,445	-78,408	
<b>Net expenditure to be met from grants and taxation</b>	<b>227,703</b>	<b>244,281</b>	
Revenue Support Grant	-26,148	-45,080	
Share of National Business Rates	-44,485	-25,381	
Police Grant	-108,365	-114,032	
Council Tax Precept	-48,550	-63,130	
<b>Net Revenue Account deficit/(surplus)</b>	<b>155</b>	<b>-3,342</b>	[7]
Balance Brought Forward	-813	-658	
<b>Balance Carried Forward</b>	<b>-658</b>	<b>-4,000</b>	

<b>[1] Employees</b>	<b>Salary Bands</b>		<b>Number in Band</b>	
	<b>£</b>	<b>2002/03</b>	<b>2003/04</b>	
<p>Employee costs include allowances etc. paid to officers as well as employer's national insurance and non-police pension contributions. Other costs associated with employment, including training, are also in these figures.</p> <p>The Code additionally 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.</p>	<b>50,000 - 59,999</b>	29	36	
	<b>60,000 - 69,999</b>	9	12	
	<b>70,000 - 79,999</b>	2	2	
	<b>80,000 - 89,999</b>	2	1	
	<b>90,000 - 99,999</b>	0	2	
	<b>100,000 - 109,999</b>	1	0	
	<b>110,000 - 119,999</b>	0	1	
	<b>Totals</b>		43	54

<b>[2] Pensions (net)</b>		<b>2002/03</b>	<b>2003/04</b>
		<b>£'000</b>	<b>£'000</b>
<p>The police pension scheme is an unfunded scheme and the table shows how the net cost of pensions is made up.</p> <p>Reference should be made to the Statement of Accounting Policies for Pensions on page 4 and the notes on pensions from page 26.</p> <p>Support staff pensions are funded from the Hampshire Pension Fund administered by Hampshire County Council. For 2003/04 the Authority had an estimated current service cost of £4m and made employers' superannuation contributions totalling £3.7m. The cost of these contributions is included in the employees line of the Revenue Account subjective analysis.</p>	Regular Payments	31,148	32,995
	Lump Sums	9,629	8,003
	Transfer payments made	189	190
	Transfer payments received	-854	-1,162
	Contributions from officers	-10,697	-11,553
	<b>Total contributions:</b>	<b>29,415</b>	<b>28,473</b>
	Reversal of contributions	-29,415	-28,473
	FRS17 service costs	29,890	33,200
	<b>Total:</b>	<b>29,890</b>	<b>33,200</b>

<b>[3] Agency Services</b>		<b>2002/03</b>	<b>2003/04</b>
<p>The Authority paid the following levies:</p>		<b>£'000</b>	<b>£'000</b>
	Police National Computer	528	539
	NPIOU	0	70
		<b>528</b>	<b>609</b>

<b>[4] Cost of Servicing Police Authority</b>		<b>2002/03</b>	<b>2003/04</b>
		<b>£'000</b>	<b>£'000</b>
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.	Employees	13	18
	General running costs (incl. Westgate Chambers)	221	199
	Members expenses	236	217
	Clerk and Treasurer and their support teams' costs	245	268
	External Audit	84	125
	Grants paid out (see note)	276	215
	<b>Gross Expenditure</b>	<b>1,075</b>	<b>1,042</b>
	Income	0	-19
	<b>Net Expenditure</b>	<b>1,075</b>	<b>1,023</b>
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.			

<b>[5] Additional Grants:</b> In 2003/04 the following additional grants were received:	<b>2002/03</b>	<b>2003/04</b>
	<b>£'000</b>	<b>£'000</b>
Crime Fighting Fund (additional police officers)	5,043	6,911
South East Allowance (cost of living allowance for certain police officers)	900	1,032
Targeted Policing Allowance (Paulsgrove antisocial behaviour project)	104	0
Community Safety		51
Rural Fund	220	219
Arrest Referral grant	117	386
Airwave grant		477
DNA Expansion Grant phase 1	1,385	777
DNA Expansion Grant phase 2		357
Special priority payment		754
Basic Command Unit grant	877	1,232
Counter terrorism grant - general		194
Financial Investigations Grant		55
Football intelligence grant		181
Counter terrorism grant - airports	542	203
Fire Dispute - reimbursement of costs	218	95
Healthy Police Initiative		34
Occupational Health Initiative	21	79
Sexual Assault Referral Centre grant		50
NMIS (IT) grant		67
Miscellaneous grants	139	221
<b>Totals:</b>	<b>9,566</b>	<b>13,375</b>

<b>[6] Asset Management Revenue Account</b>		<b>2002/03</b>	<b>2003/04</b>
		<b>£'000</b>	<b>£'000</b>
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.	Recharges to Services:	10,054	8,133
	<u>Less</u> depreciation net of Government Grant	-3,562 3,091	-4,374 3,592
	<u>Less:</u>		
	Interest paid to external lenders	-276	-254
	Net credit to Revenue Account	<b>9,307</b>	<b>7,097</b>

<b>[7] Contributions to/(from) Reserves</b>		<b>2002/03</b>	<b>2003/04</b>
		<b>£'000</b>	<b>£'000</b>
The Authority maintains a General Reserve to provide for unforeseen additional costs that may arise during the year. As at 31 March 2004 it represents 1.6% of the net cost of services.	<u>General Reserve:</u>		
	Contribution (from)/to	-155	3,342
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.	<u>Other Reserves:</u>		
	Capital (revenue contributions)	0	188
	Pensions (lump sums)	-388	4,326
	Insurances	0	0
	Spend to Save	0	445
Further details are provided in the Statement of Movement in Reserves on page 30.	<u>Earmarked Reserves:</u>		
	Devolved Budgets and Special Projects	641	1,329
	Netley Business Plan	47	27
	<b>Totals:</b>	<b>145</b>	<b>9,657</b>

<b>[8] Provision for Repayment of External Debt</b>		<b>2002/03</b>	<b>2003/04</b>
		<b>£'000</b>	<b>£'000</b>
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 'credit ceiling', which is a statutory measure of the Authority's net indebtedness to external lenders.	Depreciation (net of Government Grant)	471	782
	<u>Less</u> Provision for repayments to external lenders	-463	-555
	Net credit to Revenue Account	<b>8</b>	<b>227</b>

**[9] Expenditure on publicity**

Section 5 of the Local Government Act 1986 requires the Authority to declare its expenditure on publicity. This amounted to £621,121 (£614,523 in 2002/03) of which £550,919 (£584,459 in 2002/03) related to recruitment advertising.

**[10] Related Party Transactions**

The Code of Practice requires members of the Authority and 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 2003/04.

**[11] Members allowances**

In accordance with the Code of Practice, the amount spent on members allowance in 2003/04 was £212,202 (£226,652 in 2002/03).

**[12] External audit fees**

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

## Summary Capital Account

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.

	<b>2002/03</b>	<b>2003/04</b>
	<b>£'000</b>	<b>£'000</b>
<b>Capital Expenditure:</b>		
Land and Buildings	4,011	2,016
Command & Control, Call Handling	281	73
Vehicles	2,115	2,946
Aircraft	0	377
IT and operational equipment	90	1,061
Credit Cover for Leases	287	0
	<b>6,784</b>	<b>6,473</b>
<b>Financing:</b>		
Government Grants	2,263	3,841
Capital Contributions	0	40
Revenue Contributions	196	147
Capital Receipts	1,787	443
Supported by SCA's*	2,538	2,002
	<b>6,784</b>	<b>6,473</b>

The accrued capital expenditure for 2003/04 was £6.750m. The difference between the accrued expenditure and the receipts and payments capital expenditure above (£6.473m) is estates creditors of £236k and vehicle creditors of £41k (i.e. where goods or services have been received by 31 March 2004 but not paid for).

## Capital Commitments

The Authority has approved a capital programme of £14.4m for 2004/05 and at 31 March 2004, £3.7m had been contracted - as set out in the table below:

	Expenditure approved and contracted at 31 March 2004 <b>£'000</b>
<b>Building Works</b>	
Custody projects	1,395
Additional office space	224
Technical Services Unit	59
Premises Improvement Fund	97
Other building works	166
	<b>1,941</b>
<b>Other</b>	
Vehicles	1,715
<b>Total:</b>	<b>3,656</b>

The Police Authority has two leases for which credit cover was made in 2002/03. The lease for Westgate Chambers has a commitment to pay a further £552k in future years. The lease for HMS Daedalus has a further £5k commitment outstanding.

<b>Consolidated Balance Sheet</b>	This account shows the overall financial position of the Authority at 31 March 2004. The statement consolidates all recorded assets, liabilities and other balances of the Authority in order to represent its position in relation to the world at large.
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	<b>31 March 2003</b> <b>£'000</b>	<b>31 March 2004</b> <b>£'000</b>	<u>Notes</u>
<b>Fixed Assets</b>			
<b>Operational Assets</b>			
Land and buildings	92,838	91,842	
Vehicles and plant	6,887	7,879	
Other	3,679	3,545	
<b>Non-Operational Assets</b>	2,668	88	
	<b>106,072</b>	<b>103,354</b>	[1]
<b>Deferred Charges</b>	2	0	
<b>Long-Term Debtors</b>	104	53	
<b>Total Long-Term Assets</b>	<b>106,178</b>	<b>103,407</b>	
<b>Current Assets</b>			
Stocks	1,150	701	[2]
Debtors etc.	5,790	4,885	[3]
Short-Term investments	10,353	32,569	[4]
Cash	219	237	[4]
<b>Total Current Assets</b>	<b>17,512</b>	<b>38,392</b>	
<b>Current Liabilities</b>			
Deposits	808	847	[5]
Bank Overdrawn	1,044	4,089	[4]
Creditors	13,751	14,851	[6]
<b>Total Current Liabilities</b>	<b>15,603</b>	<b>19,787</b>	
<b>Net Current Assets</b>	<b>1,909</b>	<b>18,605</b>	
<b>Long-Term Assets &amp; Net Current Assets</b>	<b>108,087</b>	<b>122,012</b>	
<b>Long-Term Liabilities</b>			
Long-Term borrowing	1,200	1,200	[7]
Deferred liabilities	3,610	3,398	[8]
Liability related to pension schemes	1,184,985	1,268,488	[9]
<b>Total Long-Term Liabilities</b>	<b>1,189,795</b>	<b>1,273,086</b>	
<b>TOTAL ASSETS less LIABILITIES</b>	<b>-1,081,708</b>	<b>-1,151,074</b>	
<b>FINANCED BY</b>			
Fixed Asset Restatement Reserve	67,663	62,566	[10]
Capital Financing Reserve	19,460	19,649	[10]
Government Grants Deferred	6,422	11,647	[11]
Capital Receipt Reserve	2,759	6,980	[10]
Capital (Revenue Contributions) Reserve	3,657	3,827	[10]
Pensions Reserve	1,192	5,519	[10]
Insurance Reserve	394	394	[10]
Spend to Save Reserve	110	555	[10]
Earmarked Reserves	962	2,277	[10]
General Reserve	658	4,000	[10]
FRS17 Pensions Reserve	-1,184,985	-1,268,488	[9]
<b>TOTAL EQUITY</b>	<b>-1,081,708</b>	<b>-1,151,074</b>	

## 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). Details of the number of assets of various types can be found on page 2.

	<b>Land and Buildings £'000</b>	<b>Non-Operational Assets £'000</b>	<b>Vehicles and Plant £'000</b>	<b>Furniture and Equipment £'000</b>	<b>Total Fixed Assets £'000</b>
<b>Cost or Valuation</b>					
Balance as at 1 April 2003	96,333	2,668	12,439	20,435	131,875
Additions	332	54	3,363	1,076	4,825
Disposals	-4,635	0	-273	0	-4,908
Reclassification	2,634	-2,634	0	0	0
Revaluations	-226	0	-88	0	-314
<b>Balance as at 31 March 2004</b>	<b>94,438</b>	<b>88</b>	<b>15,442</b>	<b>21,511</b>	<b>131,480</b>
<b>Depreciation</b>					
Balance as at 1 April 2003	3,495	0	5,551	16,756	25,802
Charge for the Year	1,342	0	1,821	1,211	4,374
Disposals	-2,238	0	191	0	-2,047
<b>Balance as at 31 March 2004</b>	<b>2,599</b>	<b>0</b>	<b>7,563</b>	<b>17,967</b>	<b>28,128</b>
<b>Net Book Value</b>					
<b>Balance as at 31 March 2004</b>	<b>91,840</b>	<b>88</b>	<b>7,879</b>	<b>3,545</b>	<b>103,352</b>
Balance as at 31 March 2003	92,838	2,668	6,887	3,679	106,072

Note: The land and buildings revaluation includes -£0.624m relating to the removal of assets previously disposed of. The TSU building valued at £2.634m came into use during 2003/04 so has been reclassified from non-operational to land and buildings. The figures in certain rows and columns may not always add up exactly due to roundings.

### [2] Stocks

The introduction of a new stock system has led to the uniforms and computer consumables balances being combined as they are managed at the same location. The 31 March 2004 figures have been restated to reflect the change.

	<b>31 March 2003 £'000</b>	<b>31 March 2004 £'000</b>
Uniforms & computer consumables	602	382
Vehicle spares	56	44
IT stock	337	125
Fuel	99	95
Printing & stationery	51	46
Scenes of crime	0	9
	<b>1,145</b>	<b>701</b>



<p><b>[3] Debtors and Payments in Advance</b></p> <p>The provision for bad and doubtful debts stands at £45,000 at 31 March 2004, no change from 31 March 2003. Government debtors at 31 March 2004 includes £1.1m VAT repayable from Customs and Excise (compared to £2m as at 31 March 2003).</p>	<table border="1"> <thead> <tr> <th></th> <th style="text-align: right;">31 March 2003 £'000</th> <th style="text-align: right;">31 March 2004 £'000</th> </tr> </thead> <tbody> <tr> <td>Government &amp; Depts</td> <td style="text-align: right;">3,638</td> <td style="text-align: right;">2,807</td> </tr> <tr> <td>Local Authorities</td> <td style="text-align: right;">989</td> <td style="text-align: right;">1,197</td> </tr> <tr> <td>Other Debtors</td> <td style="text-align: right;">967</td> <td style="text-align: right;">846</td> </tr> <tr> <td>Payments in Advance</td> <td style="text-align: right;">241</td> <td style="text-align: right;">80</td> </tr> <tr> <td>Less Bad Debt Provision</td> <td style="text-align: right;">-45</td> <td style="text-align: right;">-45</td> </tr> <tr> <td></td> <td style="text-align: right;"><b>5,790</b></td> <td style="text-align: right;"><b>4,885</b></td> </tr> </tbody> </table>		31 March 2003 £'000	31 March 2004 £'000	Government & Depts	3,638	2,807	Local Authorities	989	1,197	Other Debtors	967	846	Payments in Advance	241	80	Less Bad Debt Provision	-45	-45		<b>5,790</b>	<b>4,885</b>
	31 March 2003 £'000	31 March 2004 £'000																				
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Less Bad Debt Provision	-45	-45																				
	<b>5,790</b>	<b>4,885</b>																				

<p><b>[4] Cash and Deposits Repayable on Demand</b></p> <p>Short-term investments consist of surplus cash-flow balances, which are managed by the Hampshire County Council on behalf of the Authority. Interest earned is credited to the Summary Revenue Account (see page 13).</p> <p>Petty cash is held at various locations around the Constabulary.</p> <p>The overdrawn balance at the Bank represents cheques drawn but not yet presented at 31 March 2004.</p> <p>See also the Cash Flow Statement on page 32.</p>	<table border="1"> <thead> <tr> <th></th> <th style="text-align: right;">31 March 2003 £'000</th> <th style="text-align: right;">31 March 2004 £'000</th> </tr> </thead> <tbody> <tr> <td>Short Term Investments</td> <td style="text-align: right;">10,353</td> <td style="text-align: right;">32,569</td> </tr> <tr> <td>Main Bank Account</td> <td style="text-align: right;">-1,044</td> <td style="text-align: right;">-4,089</td> </tr> <tr> <td>Petty Cash</td> <td style="text-align: right;">219</td> <td style="text-align: right;">237</td> </tr> <tr> <td></td> <td style="text-align: right;"><b>9,528</b></td> <td style="text-align: right;"><b>28,717</b></td> </tr> </tbody> </table>		31 March 2003 £'000	31 March 2004 £'000	Short Term Investments	10,353	32,569	Main Bank Account	-1,044	-4,089	Petty Cash	219	237		<b>9,528</b>	<b>28,717</b>
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Main Bank Account	-1,044	-4,089														
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<p><b>[5] Deposits</b></p> <p>Money seized by the police is mainly from anti-drugs activities. This money will either be repaid with interest or transferred to the Forfeited Money account for use by the Constabulary under the powers of the Drugs Act 1971.</p> <p>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.</p>	<table border="1"> <thead> <tr> <th></th> <th style="text-align: right;">31 March 2003 £'000</th> <th style="text-align: right;">31 March 2004 £'000</th> </tr> </thead> <tbody> <tr> <td>Money Seized</td> <td style="text-align: right;">522</td> <td style="text-align: right;">480</td> </tr> <tr> <td>Police Property Fund Act</td> <td style="text-align: right;">16</td> <td style="text-align: right;">58</td> </tr> <tr> <td>Other</td> <td style="text-align: right;">162</td> <td style="text-align: right;">137</td> </tr> <tr> <td>Forfeited Money</td> <td style="text-align: right;">108</td> <td style="text-align: right;">172</td> </tr> <tr> <td></td> <td style="text-align: right;"><b>808</b></td> <td style="text-align: right;"><b>847</b></td> </tr> </tbody> </table>		31 March 2003 £'000	31 March 2004 £'000	Money Seized	522	480	Police Property Fund Act	16	58	Other	162	137	Forfeited Money	108	172		<b>808</b>	<b>847</b>
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<p><b>[6] Creditors</b></p> <p>Government departments includes £4.3m for the Inland Revenue in respect of deductions from salaries in March 2004 not paid over until April 2004 (£3.7m at 31 March 2003). The increase in receipts in advance is largely due to the increased amount of specific funding received in 2003/04.</p>	<table border="1"> <thead> <tr> <th></th> <th style="text-align: right;">31 March 2003 £'000</th> <th style="text-align: right;">31 March 2004 £'000</th> </tr> </thead> <tbody> <tr> <td>Government Depts</td> <td style="text-align: right;">3,821</td> <td style="text-align: right;">4,177</td> </tr> <tr> <td>Other public sector</td> <td style="text-align: right;">642</td> <td style="text-align: right;">289</td> </tr> <tr> <td>Other creditors</td> <td style="text-align: right;">8,639</td> <td style="text-align: right;">6,822</td> </tr> <tr> <td>Receipts in advance</td> <td style="text-align: right;">649</td> <td style="text-align: right;">3,563</td> </tr> <tr> <td></td> <td style="text-align: right;"><b>13,751</b></td> <td style="text-align: right;"><b>14,851</b></td> </tr> </tbody> </table>		31 March 2003 £'000	31 March 2004 £'000	Government Depts	3,821	4,177	Other public sector	642	289	Other creditors	8,639	6,822	Receipts in advance	649	3,563		<b>13,751</b>	<b>14,851</b>
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Other creditors	8,639	6,822																	
Receipts in advance	649	3,563																	
	<b>13,751</b>	<b>14,851</b>																	

<b>[7] Long-Term Borrowing</b>				
Interest Rate Payable	Source of Loan	Outstanding at 31 March 2004 £'000	Maturity Date	
8.50%	PWLB	500	October 2015	
6.00%	PWLB	350	September 2023	
4.88%	PWLB	350	March 2025	
	<b>Total:</b>	<b>1,200</b>		

**[8] Deferred liabilities**

This is the deemed debt to Hampshire County Council of £3.4m. This debt is the balance of the remaining debt transferred on the formation of the Police Authority.

**[9] FRS17 liabilities and reserve**

The 2003/04 balance sheet is the first to recognize the impact of FRS17 accounting for pensions. FRS17 figures were calculated for 2002/03 but entered as a note to the accounts only. Details of the estimation of these liabilities and reserves are set out in pages 26 to 29. The notes are provided by the Force's actuary, Hewitt, Bacon & Woodrow. These are based on estimated figures provided to the actuary before the year ended. The difference between the total liability shown in the notes compared to the balance sheet is because the balance sheet uses actual contribution figures and the notes are based on estimates.

**[10] Capital and Revenue Reserves**

Details of these reserves are set out in the Statement of Movement in Reserves on page 30.

**[11] 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.

	<b>31 March 2003 £'000</b>	<b>31 March 2004 £'000</b>
Opening balance	7,075	6,422
Release of grants	-3,092	-3,592
Home Office Capital Grant	2,263	2,523
Other contributions	176	6,294
	<b>6,422</b>	<b>11,647</b>

**[12] Contingent liabilities and post balance sheet events**

There are no contingent liabilities or post balance sheet events.

**Provision for Credit Liabilities**

This is a Memorandum Account maintained under the requirements of the Capital Finance Regulations

The amounts set aside as provision for credit liabilities can only be applied to avoid new loans authorised by credit approvals, to repay external loans or for financing of credit arrangements.

Balance brought forward  
Set aside capital receipts  
Minimum revenue provision  
Applied to support capital expenditure

	<b>2002/03 £'000</b>	<b>2003/04 £'000</b>
Balance brought forward	0	0
Set aside capital receipts	287	0
Minimum revenue provision	230	342
Applied to support capital expenditure	-517	-342
	<b>0</b>	<b>0</b>

## Pension Assets and Liabilities

In accordance with Financial Reporting Standard No. 17 – Retirement Benefits (FRS 17) Hampshire Police Authority is required to disclose certain information concerning assets, liabilities, income and expenditure related to pension schemes for its employees.

### Police Officers

Hampshire Police Authority participates in the Police Force Pension Scheme. The Police Force Pension Scheme is a defined benefit scheme based on final pensionable salary. The Scheme is not funded and therefore has no assets set aside to meet the liabilities. Payments are made to individuals on a "pay as you go" basis as and when they are required.

The most recent full valuation was carried out as at 31 March 2002 and has been updated by independent actuaries to take full account of the requirements of FRS17 in order to assess the liabilities of the Fund as at 31 March 2004. Liabilities are valued on an actuarial basis using the projected unit method which assesses the future liabilities discounted to their present value

The main financial assumptions used for the purposes of FRS 17 are as follows:

	31 March 2003	31 March 2004
Discount rate	6.1%pa	6.4%pa
Rate of increase in salaries	4.1%pa	4.4%pa
Rate of increase in pensions in payment	2.6%pa	2.9%pa
Rate of increase in deferred pensions	2.6%pa	2.9%pa
Rate of inflation	2.6%pa	2.9%pa

The following amounts were measured in accordance with the requirements of FRS 17:

	31 March 2003 (£m)	31 March 2004 (£m)
Estimated liabilities in the Scheme	1,160.95	1,236.70

The movement in liabilities for the year to 31 March 2004 is as follows:

	£m	£m
Liabilities at beginning of year		-1,160.90
Movement in year:		
Operating Charge:		
Current service cost	-33.20	
Past service cost	0.00	
Gain/loss on any settlements or curtailments	0.00	
Total Operating Charge		-33.20
Contributions (pensions paid less employee contributions) (deduced)		28.50
Total Finance Income (Interest on pension scheme liabilities)		-71.20
Actuarial gain/loss		0.10
Liabilities at end of year		-1,236.70

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

	Amount (£m)	Percentage of Scheme liabilities
Experience gains and losses on pension liabilities	-0.6	0.01%
Changes in assumptions underlying the present value of pension liabilities	0.7	0.01%
Total	<u>0.1</u>	

## Police Staff

Hampshire Police Authority participates in the Local Government Pension Scheme, which is administered by Hampshire County Council. The Local Government Pension Scheme is a defined benefit scheme based on final pensionable salary.

The most recent valuation was carried out as at 31 March 2001, and has been updated by independent actuaries to the Hampshire County Council Pension Fund (the Fund) to take account of the requirements of FRS17 in order to assess the liabilities of the Fund as at 31 March 2004. Liabilities are valued on an actuarial basis using the projected unit method which assesses the future liabilities discounted to their present value.

Hampshire Police Authority's standard contribution rate over the accounting period was 215% of members' contributions. The contribution rates certified for Hampshire Police Authority at the 31 March 2001 valuation are as follows:

April 2002 to March 2003 205% of members' contributions  
April 2003 to March 2004 215% of members' contributions  
April 2004 to March 2005 225% of members' contributions

These figures include the past service element of the contribution rate.

The main assumptions used for the purposes of FRS 17 are as follows:

	31 March 2003	31 March 2004
Discount Rate	6.1% pa	6.4% pa
Rate of increase in salaries	4.1% pa	4.4% pa
Rate of increase in pensions in payment	2.6% pa	2.9% pa
Rate of increase in deferred pensions	2.6% pa	2.9% pa
Rate of inflation	2.6% pa	2.9% pa
Long term expected rates of return on:		
Equities	7.6% pa	7.7% pa
Bonds	4.6% pa	4.7% pa
Property	6.6% pa	6.7% pa
Other Assets	3.1% pa	4.2% pa
Average long term expected rate of return	6.6% pa	6.9% pa

Assets are valued at fair value, principally market value for investments, and comprise:

	31 March 2003	31 March 2004
Equities	66%	71%
Bonds	23%	21%
Property	6%	4%
Other	5%	4%
Total	<u>100%</u>	<u>100%</u>

The proportions of total assets held in each asset type, shown above, reflect the proportions held by the Fund as a whole at 31 March 2004 and 31 March 2003.

The following amounts were measured in accordance with the requirements of FRS 17:

	31 March 2003 (£m)	31 March 2004 (£m)
Share of assets in the Fund	35.98	47.85
Estimated liabilities in the Fund	-69.76	-78.95
Estimated unfunded liabilities	0.4	0.4
Hampshire Police Authority's (deficit) in the Fund	-34.18	-31.5

The surplus or deficiency revealed above should be borne in mind when considering the amount of overall reserves held.

The movement in net surplus for the year to 31 March 2004 is as follows:

	£m	£m
Net surplus/(deficiency) at beginning of year		-34.18
Movement in year:		
Operating Charge		
Current service cost	-4.33	
Past service costs	-0.01	
Gain/loss on any settlements or curtailments	<u>0.00</u>	
Total Operating Charge		-4.34
Contributions		4.03
Finance income:		
Expected return on Pension Fund assets	2.52	
Interest on pension scheme liabilities	<u>-4.43</u>	
Total Finance income:		-1.91
Actuarial Gain/loss		<u>4.90</u>
Net surplus at end of year		-31.50

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

	Amount (£m)	Percentage
Actual return less expected return on assets	4.74	9.9% of scheme assets
Experience gains and losses on pension liabilities	-0.01	0.0% of scheme liabilities
Changes in assumptions underlying the present value of pension liabilities	0.17	0.2% of scheme liabilities
Total	<u>4.90</u>	6.2% of scheme liabilities

## Statement of Movements in Reserves

	Capital Reserves			Revenue Reserves		Totals
	Unrealised		Realised Usable	General Reserve	Earmarked Reserves	
	Fixed Asset Restatement Reserve	Capital Financing Reserve	Capital Receipts Reserve			
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2003	67,663	19,460	2,759	658	6,315	96,855
Net Contributions to Revenue						
Revaluation of Fixed Assets	-313					-313
Disposal of Fixed Assets	-2,861		4,638			1,777
Financing of Fixed Assets etc.		416	-416			0
Other Transactions (net)	-1,924	-227		3,342	6,257	7,448
<b>Balance at 31 March 2004</b>	<b>62,566</b>	<b>19,649</b>	<b>6,980</b>	<b>4,000</b>	<b>12,572</b>	<b>105,767</b>
Notes:	[1]	[2]	[3]	[4]	[4]	

## Notes to Statement of Movements in Reserves

### [1] Fixed Asset Restatement Reserve

This reserve allows assets to be maintained in the accounts at current value, rather than historic purchase price.

### [2] Capital Financing Reserve

The Capital Financing 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 repay the principal element of external loans.

### [2] Capital Receipts Reserve

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, £4.6m were receipts from the disposal of police houses, where 100% of the proceeds may be reinvested in the police estate. 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.

<b>[4] Reserves</b>		<b><u>Other Reserves</u></b>	
i) <b>General Reserve</b> The Authority maintains a General Reserve to provide for unforeseen additional costs that may arise during the year. It represents 1.6% of the net cost of services.		<b>31 March 2003 £'000</b>	<b>31 March 2004 £'000</b>
ii) <b>Other Reserves</b> Specific reserves are also maintained to provide for special projects or against likely additional costs in particular areas. The balances on these specific reserves are shown in the table - further information is also shown in note 7 to the Summary Revenue Account on page 18.	Capital (Revenue Contributions) Pensions Insurance Spend to Save Devolved Budgets and Special Projects Netley Business Plan	3,657 1,192 394 110 641 321	3,827 5,519 394 555 1,929 348
		<b>6,315</b>	<b>12,572</b>

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.

<b>Statement of movement in Reserves</b>	<b>2003/04</b>	
	<b>£000</b>	<b>£000</b>
Surplus/(Deficit) for the year		
General fund movement	3,342	
Earmarked reserves	6,256	
Actuarial gains and losses relating to pensions	5,000	
<b>Total increase/(decrease) in revenue resources</b>		14,598
Increase/(decrease) in useable capital receipts	4,222	
<b>Total increase/(decrease) in realised Capital resources (note 1)</b>		4,222
Gains/losses on revaluation of fixed assets	-313	
Amounts written off for capital expenditure not enhancing value	-1,924	
Impairment losses on fixed assets due to general changes in price	0	
<b>Total increase/(decrease) in unrealised value of fixed assets (note 2)</b>		-2,237
<b>Value of assets sold or disposed of (note3)</b>	-2,861	-2,861
Capital Receipts set aside	416	
Revenue Resources set aside	-227	
Movement on government grants deferred	5,225	
<b>Total increase/(decrease) in amounts set aside to finance capital investment (note4)</b>		5,414
<b>Total recognised gains and losses</b>		<b>19,136</b>

## Notes to Statement of Total Gains and Losses

### Notes to supplementary statement

[1]	<b>Movements in realised capital resources</b>	<b>Capital Receipts £'000</b>
	Amounts receivable in 2003/04	4,638
	Amounts applied to finance new capital expenditure in 2003/04	-416
	Total increase/(decrease) in realised capital resources in 2003/04	4,222
	Balance brought forward 1 April 2003	2,759
	Balance carried forward 31 March 2004	6,980
		<b>Fixed Asset Restatement Reserve £'000</b>
[2]	<b>Movements in unrealised value of fixed assets</b>	
	Gain/(loss) on revaluation of fixed assets 2003/04	-313
	Amounts written off for capital expenditure not enhancing value	-1,924
	Impairment losses on fixed assets due to general changes in prices 2003/04	0
		-2,237
[3]	<b>Value of assets sold or disposed of</b>	
	Amounts written off fixed asset balances for disposals in 2003/04	-2,861
	Total movement on reserve in 2003/04	-2,861
	Balance brought forward 1 April 2003	67,663
	Balance carried forward 31 March 2004	64,802
	Add movement in unrealised fixed assets	-2,237
	Reconciles to FARR balance	62,566

	<b>Capital Financing Reserve £'000</b>	<b>Government Grants Deferred £'000</b>	<b>Total £'000</b>
<b>[4] Movements in amounts set aside to finance capital investment</b>			
Reserved receipts	0		
Useable receipts applied	416		
<b>Total capital receipts set aside in 2003/04</b>	<b>416</b>		<b>416</b>
Revenue resources set aside in 2003/04			
-capital expenditure financed from revenue contributions	0		
-reconciling amount for provisions for debt repayment	-227		
	<b>-227</b>		<b>-227</b>
Grant applied to capital investment in 2003/04		8,817	
Amounts credited to the asset management revenue accounts in 2003/04		-3,592	
<b>Movement on Government Grants Deferred</b>		<b>5,225</b>	<b>5,225</b>
Total increase/(decrease) in amounts set aside to finance capital investment			5,414
Total movement on reserve	189	5,225	
Balance brought forward 1 April 2003	19,460	6,422	
Balance carried forward 31 March 2004	<u>19,649</u>	<u>11,647</u>	

**Cash Flow Statement**

This statement shows the day to day movement in funds during the course of 2003/04. 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	Notes	£'000	£'000
<b>Revenue Activities:</b>			<b>[1] Analysis of additional Revenue Grants</b>		
Cash Outflows:			see note 5 page 17		
Employees	174,554		<b>[2] Reconciliation to Revenue Account</b>		
Pensions	41,188				
Other	43,203				
	258,945				
Cash Inflows:					
Revenue Support Grant	-45,080		Deficit for the year		0
Share of Nat'l Business Rate	-25,381		Interest paid		-255
Police Grant	-114,032		Principal repayments		-212
Council Tax	-63,130		Accruals		
Service Income:	-10,440		Changes in:		
Additional Grant	-13,375		Decrease in stocks	-444	
	-271,438		Decrease in debtors	-905	
			(Increase) in deposits	-39	
<b>Net Revenue Activities:</b>		<b>-12,492</b>	[1] Long term debtors decrease	-49	
			(Increase) in revenue creditors	-321	
			[2] Decrease in long term liabilities	-212	-1,970
			<i>Non cash transactions</i>		
			Contributions to reserves		-9,654
			MRP		-342
			Decrease in provision for bad debt		0
			Trading account appropriation		90
			Revenue contributions to capital		-147
			Deferred charges		-2
			<b>Net cash inflow from revenue activities</b>		<b>-12,492</b>
<b>Returns on Investments and Servicing Finance</b>			<b>[3] Movements in short term investments</b>	£'000	
<b>Servicing of Finance</b>			At 31 March 2003:		
Interest Received	-833		Short term investments		10,353
Interest Paid	255		At 31 March 2004:		
Disposal of Investments	0		Short term investments		32,569
	-578	<b>-578</b>	<b>Increase in short term investments:</b>		<b>22,216</b>
<b>Net Cash Inflow From Return on Investment and Servicing of Finance</b>			<b>[4] Movements in long term borrowing</b>	£'000	
			At 31 March 2003:		
Cash Outflows:			Deemed debt		3,610
Purchase of Fixed Assets	6,975		At 31 March 2004:		
			Deemed debt		3,398
Cash Inflows:			<b>Decrease in deemed debt</b>		<b>212</b>
Sales of Assets	-4,638		<b>[5] Analysis of cash balances</b>	£'000	£'000
Contributions	-40		At 31 March 2003:		
Government Grant	-8,628		Bank overdrawn	-1,044	
	-13,306	<b>-6,331</b>	Cash	219	-825
<b>Net Cash Outflow/(Inflow) from Capital Activities:</b>			At 31 March 2004:		
<b>Management of Liquid Resources</b>			Bank overdrawn	-4,089	
Net Increase/(Decrease) in Short-Term Investments	22,216	<b>22,216</b>	Cash	237	-3,852
<b>Financing Transactions:</b>			<b>Decrease/(increase) in cash</b>		<b>3,027</b>
Principal Repayments	212				
<b>Net Cash Outflow From Financing Transactions:</b>		<b>212</b>			
<b>Decrease/(Increase) in Cash</b>		<b>3,027</b>			

## **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 Crime Squad, the National Crime Intelligence Service and to services provided by Hampshire County Council.

### **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 loss in value of an asset due to age, wear and tear, 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 Reserve**

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.

**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**

Tangible assets that yield benefits to the Authority for a period of more than one year.

**Fixed Asset Restatement Reserve**

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 Department of Environment Transport and Regions. 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 land and buildings. The amount is reduced each year as the value of the asset reduces due to wear and tear.

**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