



**Statement of Accounts
2009/10 FINANCIAL YEAR**

Produced 21 June 2010

ESSEX POLICE AUTHORITY

STATEMENT OF ACCOUNTS FOR 2009/10

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Introduction to the Accounts

This Statement of Accounts sets out the income and expenditure of Essex Police Authority during the financial year 2009/10 and its financial position at 31 March 2010. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009 and the Best Value Accounting Code of Practice published by CIPFA. The Statement of Accounts consists of the following sections:

Foreword to the Accounts (Pages 3 – 6)

This is a brief explanation of the financial aspects of the Authority's activities and highlights the significant features of its financial position.

Statement of Responsibilities for the Statement of Accounts (Page 7)

This states the Authority's and the Treasurer's responsibilities in the administration of the financial affairs and in the preparation of the Statement of Accounts for the Authority.

Independent Auditor's Report to Essex Police Authority (Page 8-10)

This states the auditor's opinion on whether the Statement of Accounts presents fairly the financial position and operations of the Authority.

Statement of Accounting Policies (Pages 11-17)

This sets out the accounting policies adopted by the Authority, which explain the basis on which the Authority's financial transactions are presented.

Core Financial Statements (Pages 18-21)

These comprise:

- Income and Expenditure Account. This reports the net cost for the year of the services delivered by the Authority and how that cost has been financed from general government grant and income from local taxpayers.
- Statement of Movement on the General Reserve. This reconciles the total amount charged to the Income and Expenditure Account in accordance with UK Generally Accepted Accounting Practice (UK GAAP) to the total amount charged to the General Reserve in accordance with statute.
- Statement of Total Recognised Gains and Losses. This brings together the gains and losses recognised in the Income and Expenditure Account and Balance Sheet
- Balance Sheet. This sets out the net assets of the Authority and its reserves and balances as at 31 March 2010.
- Cash Flow Statement. This summarises the inflows and outflows of cash with third parties.

Notes to the Core Financial Statements (Pages 22-52)

These comprise a detailed analysis of the summarised financial information in the Core Financial Statements.

Police Pension Fund Account (Pages 53-54).

This identifies the payments in and out of the Police Pension Fund Account for the year.

Annual Governance Statement Pages 55-66).

This sets out the Authority's governance arrangements and a review of the effectiveness of those arrangements.

Glossary of Terms (Pages 67-70)

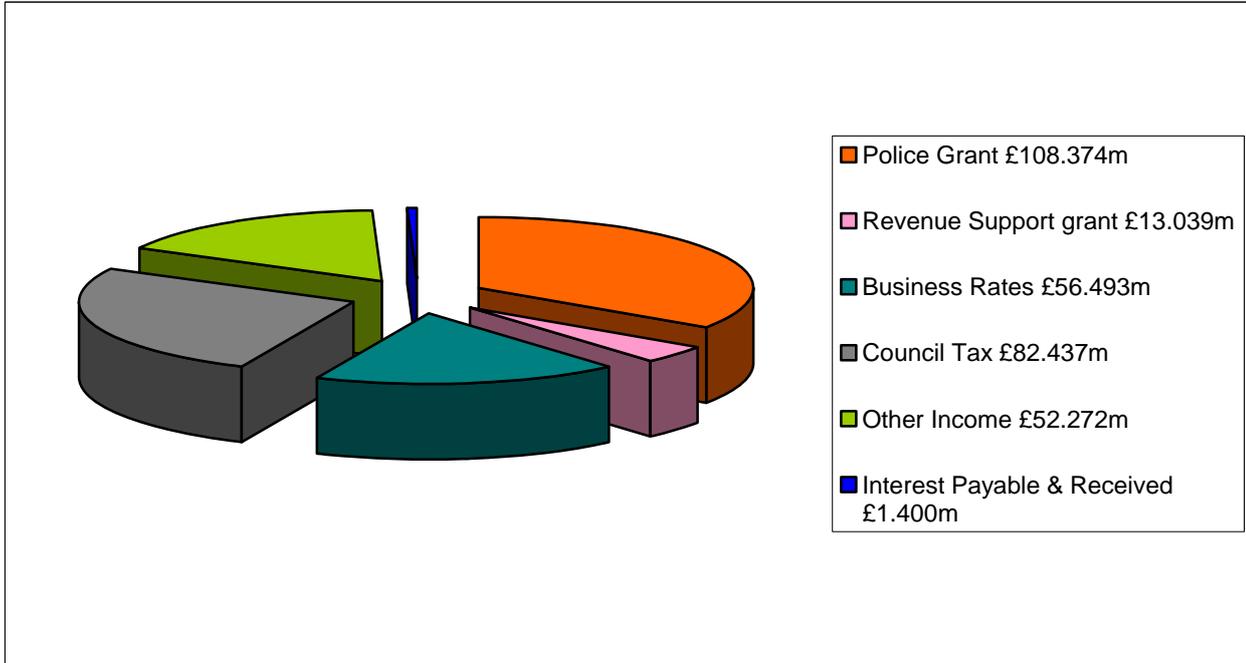
This is a list of accounting terms that appear throughout the Accounts.

Foreword to the Accounts

This foreword provides a brief summary of the main features of the accounts.

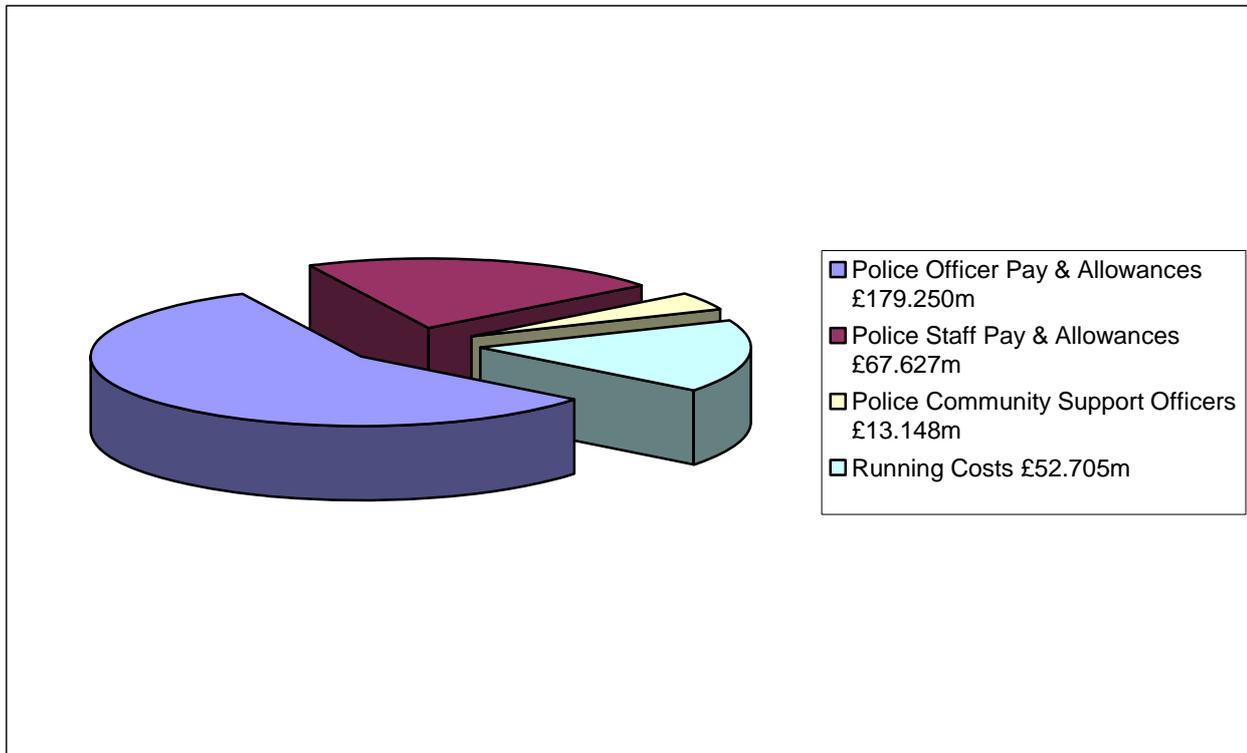
Sources of Income

In 2009/10 the Authority received gross income of £314.015m. This is illustrated in the following chart:



Revenue Expenditure

In 2009/10 the Authority incurred gross expenditure of £312.730m. This is illustrated in the following chart:



Foreword to the Accounts

It should be noted that the gross expenditure on page 3 of £312.730m excludes the following charges:

- a) revaluation and impairment losses on fixed assets.
- b) FRS17 pensions charges, representing the difference between the future cost of retirements benefits earned during the year and the amounts paid to pensions/contributed to the pension fund during the year.

Revenue Expenditure

The table below shows actual net expenditure excluding the two items mentioned above. These items do not affect the contribution from the General Reserve of £1.285m from the Income and Expenditure Account

	£000
Police Officer Pay & Allowances	179,250
Police Staff Pay & Allowances	67,627
Police Community Support Officers	13,148
Running Costs	52,705
Income	(52,272)
Interest Payable & Received	(1,400)
Operational Expenditure	259,716
Contribution from General Reserve	1,285
Net Budget Requirement	260,343
Funded by:	
Police Grant	(108,374)
Revenue Support Grant	(13,039)
National Non Domestic Rates	(56,493)
Council Tax	(82,437)
Total Funding	(260,343)

The total funding figure of £260.343m excludes the £0.661m transfer between the Income & Expenditure Account and the Collection Fund Adjustment Account, arising from the new arrangements for accounting for Council Tax income (see pages 5-6)

General Reserve

The following table identifies the movements on the General Reserve during the year. The transfer from earmarked reserves of £1.458m is due to the closure of the IT Replacement Reserve and the Airwave Reserve (see pages 38-39).

The balance on the General Reserve represents 6.0% of the 2009/10 Net Revenue Expenditure.

	£000
General Reserve as at 1 April 2009	(15,436)
Transfer to Income & Expenditure Account	1,285
Transfer from Earmarked Reserves	(1,458)
General Reserve as at 31 March 2010	(15,609)

The General Reserve is required for a number of reasons, primarily to ensure that the Authority has sufficient liquid resources to avoid expensive short term borrowing and to fund unexpected short-term operational requirements. The level of the General Reserve is reviewed regularly to ensure that it is sufficient not only to meet the above needs but also to safeguard the provision of policing services over the medium term.

Essex Police Authority – Statement of Accounts 2009/10

Foreword to the Accounts

Earmarked Reserves

The Authority operates a rolling budget facility where underspending and overspending on certain budgets may be carried forward, subject to certain limits, into the following year by transferring them to the Devolved and Non Devolved Carry Forward Reserves. The balance on these reserves at 31 March 2010 was £0.938m and £0.380m, enabling specific unspent budget provisions to be carried forward from 2009/10 to 2010/11 to meet planned commitments.

The Authority maintains a range of other earmarked reserves, which are identified in detail on pages 38 and 39. The total balance on all earmarked reserves at 31 March 2010 was £15.477m.

Capital Programme

In 2009/10, capital expenditure amounted to £9.039m compared with an approved revised estimate of £7.253m, an overspend of £1.786m. The estimate is a forecast of expenditure based on anticipated progress on capital projects in 2009/10, many of which continue into 2010/11. The variance arose from earlier than expected completion of the 2009/10 replacement Airwave terminals programme (£0.957m) and progress on a number of Counter Terrorism and Intelligence Unit (CTIU) equipment projects (£0.432m) which were ahead of target.

Expenditure was incurred on a range of projects. Minor building works projects undertaken included work at Police Headquarters to provide accommodation for the Hi-Tech Crime Unit, additional office facilities at Southend Police Station and the start of a programme of essential fire precautions works across the force. The purchase of 3000 Airwave terminals was completed during the year. Other completed IT projects included software for the force website and a new management system for directed authorities surveillance. Annual programmes for replacement servers, printers, docking stations, desktop and laptop computers were undertaken together with further development of the Authority's core data and telephony network. Automatic number plate recognition (ANPR) projects were completed in Epping and Ongar and were also commenced in a number of other locations around the county. The programme also included the purchase of replacement fleet vehicles and additional vehicles to meet operational demands.

Capital expenditure is financed from:

- Home Office and other governmental body grants
- contributions from partners and other third parties
- receipts generated from the disposal of fixed assets
- revenue sources

Given the level of capital resources available, the Authority has not used external borrowing to finance capital expenditure.

Treasury Management

The Authority invests its surplus funds in accordance with its Treasury Management Strategy, which is agreed each year by the Authority. The investment limits set out in the strategy agreed in February 2010 are:-

- a maximum of £10m per institution, with the exception of Royal Bank of Scotland (£15m), Lloyds Group (£15m) and the Government Debt Management Office (no limit)
- UK financial institutions only
- Periods up to a maximum of 12 months

The Authority had investments totalling £45.230m at 31 March 2010 (see note 12 page 32 and note 16 page 33). During 2009/10 the Authority earned net investment income of £1.400m, representing a 2.68% return.

The Authority did not undertake any short or long term borrowing during 2009/10.

Council Tax Income

The 2009/10 Statement of Accounts reflects the change in accounting treatment introduced in the 2009 SORP with regard to Council Tax income. The fourteen district/borough councils in Essex, who act as billing authorities for Council Tax, are now regarded as acting as the agents of Essex Police as a major preceptor. Consequently there are some

Foreword to the Accounts

significant changes in the way in which Council Tax income is accounted for. These changes are described in accounting policy 5 on page 11.

The 2008/09 prior year figures have been restated to reflect this change in accounting policy. The main impact of this change upon the 2008/09 figures has been:-

- Net Deficit on Income and Expenditure Accounts: changed from £222.913m to £223.074m
- Net Worth: changed from (£1202.7m) to (£1202.1m)

Financial Outlook

In February 2010, Essex Police Authority set its 2010/11 revenue budget. The Net Revenue Expenditure for 2010/11 is £275.484m, and there will be a planned use of the General Reserve and some earmarked reserves of £7.615m, giving a Budget Requirement (the amount funded from central government and local taxpayers) of £267.869m. This represents a 2.9% increase on the 2009/10 amount of £260.363m

The Authority's general grant settlement from central government for 2009/10 is £183.028m, a 2.9% increase on 2008/09. The 2010/11 financial year is the third year of the Government's three-year formula grant settlement covering the period 2008/09 to 2010/11, announced in December 2007.

The Band D Council Tax for 2010/11 has been set at £132.12, representing a 3.02% increase on the 2009/10 amount of £128.25 (equivalent to an increase of 7 pence per week).

Against this backdrop, phase 1 of Operation APEX (Ambition for Policing in Essex), launched in September 2008, has secured £7.9m in recurring savings and £1.5m in one-off savings through a series of cost cutting and income generation initiatives. The savings and income achieved have been reinvested to increase the police officer establishment of the Authority by 239 posts.

Full details of the Authority's 2010/11 budget are available in its 2010/11 Budget Book, which can be obtained via download from the Essex Police Authority website (<http://www.essex.police.uk/authority/pubs.php>) or from the address shown on page 71 of this document.

Essex Police Authority – Statement of Accounts 2009/10

Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The Authority is required:

- to make arrangements for the proper administration of its financial affairs and to ensure 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.

Completion of the Approval Process by the Authority

I certify that the following financial statements have been approved through the appropriate channels of The Authority. The opinion of the Treasurer is shown below. The opinion of the appointed auditors can be found on pages 8-10.

Councillor Robert Chambers,
Chairman, Essex Police Authority
28 June 2010

The Treasurer's Responsibilities

The Treasurer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in The United Kingdom ('The Code of Practice'). In preparing this Statement of Accounts, the Treasurer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice.

The Treasurer has also:

- ensured that proper accounting records are kept which are up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the Statement of Accounts, on pages 18 to 52, have been prepared in accordance with proper accounting practices and presents fairly the financial position of the Authority at 31 March 2010 and its income and expenditure for the year then ended.

Charles Garbett CPFA
Treasurer to Essex Police Authority
18 June 2010

Essex Police Authority – Statement of Accounts 2009/10

Independent Auditor's Report to Members of Essex Police Authority

Opinion on the Financial Statements

I have audited the accounting statements, the police pension fund accounting statements and related notes of Essex Police Authority for the year ended 31 March 2010 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, Balance Sheet, Statement of Movement on the General Reserve, Statement of Total Recognised Gains and Losses, Cash Flow Statement, and the related notes. The police pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial statements and police pension fund accounting statements have been prepared under the accounting policies set out within them.

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

Respective Responsibilities of the Treasurer and Auditors

The Treasurer's responsibilities for preparing the financial statements, including the police pension fund accounting statements, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2009 are set out in the Statement of Responsibilities.

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

I report to you my opinion as to whether the accounting statements, the police pension fund accounting statements and related notes present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2009:

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

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

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

Basis of Audit Opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements, the police pension fund accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements, the police pension fund accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

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

Opinion

To be added at conclusion of audit

Essex Police Authority – Statement of Accounts 2009/10

Independent Auditor's Report to Members of Essex Police Authority

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

Authority's Responsibilities

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

Auditor's Responsibilities

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

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for police authorities specified by the Audit Commission and published in December 2006, I am satisfied that, in all significant respects, Essex Police Authority made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2010.

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.

Debbie Hanson
District Auditor

Audit Commission
Atlantic Business Centre
Lyttleton House
64 Broomfield Road
Chelmsford
Essex
CM1 1SW

Date

Essex Police Authority – Statement of Accounts 2009/10

Statement of Accounting Policies

1. General Principles

The Statement of Accounts summarises the Authority's transactions for the year 2009/10 and its position at the year ending 31 March 2010. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting 2009 – a Statement of Recommended Practice* (the SORP). The accounting convention adopted is historic cost, modified by the revaluation of certain categories of tangible fixed assets.

2. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Supplies and services are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as stocks on the Balance Sheet.
- Fees, charges and rents due from customers are accounted for as income at the date the Authority provides the relevant goods or services.
- Interest receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

3. Provision for Bad Debts

A provision is made in the balance sheet for bad and doubtful debts, based on an age analysis of the outstanding debt at the balance sheet date. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to the Income and Expenditure Account for the income that may not be collected.

A share of the impairment allowances for the doubtful Council Tax debts in respect of each billing authority is also included in the balance sheet. These allowances are determined by each billing authority in accordance with its own policy for doubtful debts.

4. Overheads and Support Services

The costs of overhead and support services are included within the service expenditure analysis shown in the Income & Expenditure Account on page 18, in accordance with the CIPFA *Best Value Accounting Code of Practice 2009/10 (BVACOP)*.

5. Council Tax Income

The Authority raises Council Tax income by precepting upon the fourteen district and borough councils in Essex. In their capacity as billing authorities, these councils are regarded as acting as agents for the Authority. Each billing authority credits the Council Tax income that it collects to its Collection Fund, and pays to the Authority the precept or demand for the year, plus or less the Authority's share of the surplus or deficit on the Collection Fund for the previous year.

Up to 2008/09 the Authority was required under the SORP to include in its Income & Expenditure Account the same amount of Council Tax income that had been paid by each billing authority. From the 2009/10 financial year, the Authority is required to include in its Income & Expenditure Account its share of the accrued Council Tax income of each billing authority, i.e. the Authority's precept upon the billing authority plus or less its share of Council Tax debtors and creditors.

Council Tax income is accounted for in the Authority's financial statements as follows:

Income & Expenditure Account and Statement of Movement on the General Reserve

The accrued Council Tax income is credited to the Income & Expenditure Account. In order that there is a neutral impact upon the General Reserve, the difference between the accrued Council Tax income and the amount to be credited to the General Reserve under statute is transferred to the Collection Fund Adjustment Account (see next paragraph) via an adjusting item in the Statement of Movement on the General Reserve.

Statement of Accounting Policies

Balance Sheet

The Authority's share of each billing authority's Council Tax debtor and creditor balances and impairment allowance for doubtful debts is recognised in the balance sheet.

The Council Tax income adjustment referred to in the above paragraph is taken to the Collection Fund Adjustment Account.

6. Retirements Benefits

Police Officers

The Authority participates in the following schemes:

- a) Police Officers in service on or before 31 March 2006 are admitted to the 1987 Police Pensions Scheme
- b) Police Officers in service on or after 1 April 2006 are admitted to the 2006 Police Pension Scheme

Both of these schemes are defined benefits scheme, administered on behalf of the Authority by Essex County Council. The schemes are unfunded, meaning that there are no investment assets built up to meet pensions liabilities.

The expenditure and income in respect of this scheme is accounted for in the Police Pensions Fund Account with the exception of injury and ill health retirement payments, which are charged to the Income and Expenditure Account. The pensions top up grant, receivable by the Fund, is initially credited to the Income and Expenditure Account, and then transferred to the Police Pensions Fund Account via the Statement of Movements on the General Reserve.

The liability for future payments that will be made in relation to retirement benefits has been assessed by the Scheme's actuaries based on assumptions about mortality rates, employee turnover rates, and projections of future earnings for current employees

The cost of future retirement benefits when they are earned by serving police officers are recognised in the Income and Expenditure account in accordance with FRS17, Accounting for Retirement Benefits, and therefore form part of the Net Deficit for the Year. In order to ensure that these costs have a neutral impact upon the amount raised from Council Tax, they are reversed out in the Statement of Movements in the General Reserve.

Statement of Accounting Policies

6. Retirements Benefits (contd.)

Police Staff

Police Staff (including Police Community Support Officers) are eligible to join the Local Government Pension Scheme (LGPS). This is also a defined benefits scheme administered by Essex County Council. The scheme is funded, meaning that there are investment assets built up to meet future pension liabilities.

The Scheme is accounted for as follows:

- The liabilities of the LGPS attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method. This is an assessment of the future payments that will be made in relation to retirement benefits, based on the same set of assumptions as identified for police officers.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.5%, based on the indicative rate of return of AA rated corporate bonds
- The assets of the Fund attributable to the Authority are included in the Balance Sheet as follows:
 - a) Quoted securities are included at realisable values (i.e. bid values). In previous financial periods they have been included at fair value (i.e. mid-market value).
 - b) All other assets are included at fair value
- The change in the net pension liability is analysed into seven components:
 - a) Current service cost: the increase in liabilities as a result of years of retirement benefits earned this year – charged to the Income and Expenditure Account
 - b) Past service cost: the increase in liabilities from current year decisions, the effect of which relate to retirement benefits earned in previous years – charged to the Income and Expenditure Account as Non-Distributed Costs
 - c) Interest cost: the expected increase in the present value of liabilities during the year as they move one year closer to being paid – charged to Net Operating Expenditure in the Income and Expenditure Account
 - d) Expected return on assets: the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return – credited to Net Operating Expenditure in the Income and Expenditure Account
 - e) Gains/losses on settlement and curtailments: the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees - charged to the Income and Expenditure Account as Non-Distributed Costs
 - f) Actuarial gains and losses: changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Statement of Total Recognised Gains and Losses
 - g) Contributions paid to the Essex Council Pension Fund: cash paid as employer's contributions to the pension fund.

Statutory provisions limit the Authority to raising Council Tax to cover the amounts payable by the Authority to the pension fund in the year. In the Statement of Movement on the General Reserve there are, therefore, appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with charges for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

Statement of Accounting Policies

7. Stocks

Stocks are included in the Balance Sheet on an average cost basis with the exception of vehicle parts, which are included at cost.

8. Leases

Operating leases are created when most of all the risks and rewards relating to the leased asset remain with the lessor. Rentals payable are charged to the Income and Expenditure Account on a straight line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

The Authority holds one property and one equipment lease which are accounted for as finance leases.

9. Reserves

The Authority maintains a General Reserve to cover contingencies and for cash flow management, and earmarked reserves representing funds set aside for specific purposes. Reserves are created by appropriating amounts in the Statement of Movement on the General Reserve. When expenditure to be financed from a reserve is incurred, it is charged to the Income and Expenditure Account and the reserve is then appropriated back into the Statement of Movement on the General Reserve so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits, which do not represent usable resources for the Authority. These reserves are explained in the relevant policies.

10. Provisions

The Authority sets aside provision for future insurance expenses that are likely to be incurred but cannot yet be determined precisely.

Provisions are charged to the Income and Expenditure Account in the year that the Authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year, and where it becomes more likely that a payment will not now be required, or a lower settlement than anticipated will be made, the provision is reversed and credited back to the Income and Expenditure Account.

When some or all of the payment required to settle a provision is expected to be met by a third party, this is only recognised as income in the Income and Expenditure Account if it is certain that reimbursement will be received if the obligation is settled.

11. Value Added Tax

The Income and Expenditure Account excludes all amounts related to VAT as VAT collected is payable to HM Revenues and Customs and all VAT paid is recoverable from it.

Statement of Accounting Policies

12. Tangible Fixed Assets

Tangible fixed assets are assets that have a physical substance and are held for use in the provision of services on a continuing basis.

Recognition: expenditure on the acquisition or creation of new assets or the enhancement of existing assets is capitalised provided that these assets yield benefit to the Authority for a period of more than one year. The Authority operates a de-minimis limit below which items will not be charged to capital on the grounds of materiality. The limit for individual items is £10,000 except for vehicles where a £5,000 limit applies. With effect from the 2009/10 financial year the Authority adopted a change in accounting policy to capitalise IT and communications equipment, body armour where these may be individually below the de-minimis. The revised policy also permits the capitalisation of in-house project staff costs in respect of activity directly related to bringing the asset into use. Expenditure that secures but does not extend the previously assessed standards of performance of asset (e.g. repairs and maintenance) is charged to the Income and Expenditure Account as it is incurred.

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

- land, buildings and the helicopter - current use value net of accumulated depreciation.
- vehicles, plant and equipment - historic cost less depreciation as a proxy for current replacement cost.

Land and buildings are revalued at least every 5 years in accordance with the R.I.C.S. Manual of Valuation Guidance Notes. In accordance with FRS 15, buildings are depreciated over their useful economic lives as determined by the Authority's property advisors. The force helicopter is also revalued every 5 years and the value of the helicopter is written down over its useful life.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. The Revaluation Reserve contains revaluation gains recognised since 1 April 2007, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment: the values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Impairment identified as part of this review or as a result of a valuation exercise is accounted for in one of two ways:

- where attributable to the clear consumption of economic benefits – the loss is charged to the Income and Expenditure Account
- otherwise – written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the Income and Expenditure Account.

Disposals: when an asset is disposed of or decommissioned, the residual value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

The written-off value of disposals is not a charge against Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Statement of Movement on the General Reserve.

Capital Receipts: proceeds from the disposal of assets in excess of £10,000 are categorised as capital receipts and can be used to fund new capital expenditure. Any unused receipts are held in the Usable Capital Receipts Reserve.

Depreciation: depreciation is provided on all assets with a determinable finite life by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use. Depreciation is not provided on freehold land.

Depreciation is calculated on the following basis:

- buildings – straight line allocation over the economic life of the building, assuming a residual value equivalent to the value of the land element.
- other assets - straight line allocation over the economic life of the assets, assuming no residual value.

Statement of Accounting Policies

For all assets a depreciation charge is made from the date of acquisition and up to the date of disposal.

Although depreciation is calculated on the estimated economic life of the specific individual asset concerned, approximate average depreciation periods are as follows:

Buildings	20-60 years
Helicopter	10 years
Marine vessels	10-25 years
Plant and Equipment	3-30 years
Vehicles	6-8 years

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Grants and contributions: where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account. The balance is then written down to revenue to offset depreciation charges made for the related assets in the Income and Expenditure Account in line with the depreciation policy applied to them.

13. Intangible Fixed Assets

Expenditure on the Authority's intangible fixed assets, covering purchased software licences, are capitalised and disclosed separately. These assets are amortised to the Income and Expenditure Account on an equal basis over their economic lives in accordance with the periods set out above.

14. Charges to Revenue for Fixed Assets

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

- depreciation attributable to the assets
- impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets, and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off
- amortisation of intangible assets such as software licences

The Authority is not required to raise Council Tax to cover depreciation, impairment losses or amortisation. However it is required to make a prudent provision from revenue to contribute towards the reduction in its overall borrowing requirements. Historically, and for 2009/10, this is equal to at least 4% of the underlying amount measured by the adjusted Capital Financing Requirement. Depreciation, impairment losses and amortisation are therefore replaced by revenue provision in the Statement of Movement on the General Reserve, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

15. Financial Assets and Liabilities

The Authority's financial assets are classed as:

- loans and receivables, i.e. assets that have fixed or determinable payments but are not quoted in an active market: these are represented by term deposits in the money markets at fixed rate of interest
- short term trade receivables

The Authority does not hold any financial assets that would be classifiable as available for sale assets under the SORP.

Loans and receivables are initially measured at fair value and carried at their amortised cost. The amounts credited to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. In effect, this means that the amount shown in the Balance Sheet is the outstanding principal receivable and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

Statement of Accounting Policies

The Authority's financial liabilities are classed entirely as short term trade payables. The Authority does not hold any borrowings or other instruments that would be classifiable as financial liabilities under the SORP.

16. Third Party Funds

Third Party funds are accounted for separately from the Authority's accounts.

17. Minimum Revenue Provision

The Authority implemented the new Minimum Revenue Provision (MRP) guidance in 2009/10, and assesses the MRP for each financial year in accordance with the main recommendations contained within the guidance issued by the Secretary of State under section 21(1A) of the Local Government Act 2003.

The MRP relates to the historic debt liability that continues to be charged at the rate of 4%, in accordance with option 2 of the guidance.

Estimated life periods will be determined under delegated powers. To the extent that expenditure is not on the creation of an asset and is of a type that is subject to estimated life periods that are referred to in the guidance, these periods will generally be adopted by the Authority. However, the Authority reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the guidance would not be appropriate.

As some types of capital expenditure incurred by the Authority may not be capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure and will only be divided up in cases where there are two or more major components with substantially different useful economic lives

Essex Police Authority - Statement of Accounts 2009/10

Core Financial Statements

Income & Expenditure Account

This account summarises the resources that have been generated and consumed in providing services and managing the Authority during 2009/10. It includes all day to day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

The account is presented for the first time in the police objective analysis format introduced in the 2009 Best Value Accounting Code of Practice. The 2008/09 net expenditure has been restated in order to provide comparable prior year figures.

2008/09 Net Expenditure £000 (Restated)		2009/10 Gross Expenditure £000	2009/10 Gross Income £000	2009/10 Net Expenditure £000
254,629	Local Policing	189,624	(25,751)	163,873
17,781	Dealing with the Public	22,386	(2,355)	20,031
17,022	Criminal Justice arrangements	7,014	(847)	6,167
29,960	Road Policing	27,380	(5,230)	22,150
16,254	Specialist Operations	24,409	(12,063)	12,346
11,991	Intelligence	6,739	(457)	6,282
29,541	Specialist Investigations	19,017	(1,533)	17,484
11,855	Investigative Support	11,288	(1,036)	10,252
2,387	National Policing	15,176	(7,244)	7,932
2,141	Corporate and democratic Core	1,362	(28)	1,334
87	Non distributed costs	159	0	159
393,648	Net cost of Police Services	324,554	(56,544)	268,010
(17)	Net (gain)/loss on the disposal of fixed assets	0	(874)	(874)
(3,249)	Investment income	0	(1,400)	(1,400)
(11,358)	Top up grant payable to the Police Pensions Fund Account	0	(13,042)	(13,042)
95,039	Pensions interest cost and expected return on pensions assets	92,436	0	92,436
474,063	Net operating expenditure	416,990	(71,860)	345,130
(105,210)	Police grant			(108,374)
(8,288)	Revenue support grant			(13,039)
(59,537)	National non-domestic rates			(56,493)
(77,954)	Council tax			(81,776)
(250,989)				(259,682)
223,074	Deficit for the year			85,448

Essex Police Authority - Statement of Accounts 2009/10

Core Financial Statements

Statement of Movement on the General Reserve

The Income and Expenditure Account shows the Authority's actual financial performance for the year, measured in terms of the resources consumed and generated over the last 12 months. The Authority is required, however, to raise Council Tax on a different accounting basis, the main differences being:

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

The General Reserve compares the Authority's spending against the Council Tax that it raises for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

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

2008/09 £000 (Restated)		2009/10 £000
223,074	Deficit for the year on the Income & Expenditure Account	85,448
<u>(225,483)</u>	Net additional amount required by statute and non statutory proper practice to be credited to the General Reserve for the year	<u>(85,621)</u>
(2,409)	Increase in General Reserve Balance for the year	(173)
(13,027)	Balance on General Reserve at beginning of year	(15,436)
<u><u>(15,436)</u></u>	Balance on General Reserve at end of year	<u><u>(15,609)</u></u>

Statement of Total Recognised Gains and Losses

This statement brings together all the gains and losses of the Authority for the year, and shows the aggregate change in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

2008/09 £000 (Restated)		2009/10 £000
223,074	Deficit on the Income and Expenditure Account	85,448
(2,179)	(Surplus)/deficit arising on revaluation of fixed assets	121
(364,266)	Actuarial losses/(gains) on pension fund assets and liabilities	531,775
<u><u>(143,371)</u></u>	Total recognised (gains)/losses for the year	<u><u>617,344</u></u>

Core Financial Statements

Balance Sheet

This statement shows the assets and liabilities of the Authority as at 31 March 2010.

31 March 2009 £000 (Restated)	See Note		31 March 2010 £000	£000
Fixed assets				
2,178	11	Intangible assets	1,843	
		Tangible fixed assets		
		Operational assets		
68,901		Land & Buildings	63,546	
13,411		Vehicles, plant and equipment	15,043	
		Non Operational Assets		
624		Assets under construction	751	
8,871		Surplus assets, held for disposal	2,555	
<u>93,985</u>		Total fixed assets	<u>83,738</u>	
10,229	12	Long term investments		5,000
76	13	Long term debtors		70
<u>104,290</u>		Total long-term assets		<u>88,808</u>
Current assets				
837	14	Stocks	751	
15,194	15	Debtors	12,829	
37,388	16	Short term investments	40,593	
382	17	Cash at bank and in hand	397	
<u>53,801</u>			<u>54,570</u>	
Current liabilities				
(23,386)	18	Creditors	(19,989)	
<u>(2,383)</u>	17	Cash overdrawn	(2,998)	
<u>(25,769)</u>			<u>(22,987)</u>	
28,032		Net current assets		31,583
<u>132,322</u>		Total assets less current liabilities		<u>120,391</u>
(31,554)	21	Government grants deferred account		(31,604)
(1,179)	19	Provisions		(1,488)
(1,301,707)	33	Liability relating to defined benefit pension schemes		(1,906,699)
0	7	Finance lease obligations		(62)
<u>(1,202,118)</u>		Net liabilities		<u>(1,819,462)</u>
2,179	22	Revaluation Reserve		1,681
59,391	23	Capital Adjustment Account		50,546
406	25	Usable Capital Receipts Reserve		3,918
667	27	Collection Fund Adjustment Account		6
(1,301,707)	33	FRS17 Pensions Reserve		(1,906,699)
21,510	29-30	Specific Reserves		15,477
15,436		General Reserve		15,609
<u>(1,202,118)</u>		Total equity		<u>(1,819,462)</u>

Essex Police Authority – Statement of Accounts 2009/10

Notes to the Core Financial Statements

Cash Flow Statement

This statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

2008/09			Notes	2009/10		
£000	£000	£000		£000	£000	£000
Revenue Activities						
Cash outflows						
210,862				221,123		
51,720				54,457		
71,159				67,520		
	333,741				343,100	
Cash inflows						
(78,105)				(82,393)		
(59,537)				(56,493)		
(8,288)				(13,039)		
(144,936)			37	(153,634)		
(34,629)				(32,515)		
	(325,495)				(338,074)	
	8,246		34			5,027
Revenue activities net cash outflows						
Returns on Investments and Servicing of Finance						
Cash outflows						
	11				3	
Cash inflows						
	(2,668)				(2,688)	
	(2,657)					(2,685)
Capital activities						
Cash outflows						
10,873				7,538		
0				0		
	10,873				7,538	
Cash inflows						
(1,626)				(4,671)		
(7,269)				(3,834)		
	(8,895)				(8,505)	
	1,978					(968)
	7,567					1,374
Net cash outflows before financing						
Management of Liquid Resources						
	(6,918)		36			(774)
	649		35			600
Net decrease in cash						

Essex Police Authority – Statement of Accounts 2009/10

Notes to the Core Financial Statements

1. Income & Expenditure Account

The Income & Expenditure Account is presented in the Police Objective Analysis format set by CIPFA Best Value Accounting Code of Practice 2009. There is also an analysis by subjective classification on page 23, note 5.

The Corporate and Democratic Core line incorporates the costs of:

- all aspects of Essex Police Authority Members' activities in that capacity, including members' allowances and expenses
- the Crime and Disorder Reduction Partnership (CRDP) Grant, which is distributed by the Police Authority from monies raised from the reduction in the Council Tax discount on 2nd homes
- internal and external audit
- the Chief Executive, Treasurer and other Police Authority staff
- other running costs of Essex Police Authority.

These costs are shown in the following table:

2008/09 £000	2009/10 £000
199 Members' allowances	225
10 Members' allowances (nat ins)	10
227 CDRP Grant	119
231 Internal and external audit	237
19 Bank charges	18
604 Police Authority staffing	576
851 Other Police Authority costs	149
2,141 Balance as at 31 March 2010	1,334

2. Members' Allowances

The total amount of allowances paid to members of Essex Police Authority during the 2009/10 financial year was £224,667 (2008/09 £199,257). These payments attracted national insurance contributions of £10,401 (2008/09 £10,127).

3. Agency Services

The Authority made the following contributions towards the costs of shared services with Hertfordshire Police Force:

- £29,172 M25 Eastern Region Control Centre
- £75,000 Shared Custody Facility at Bishops Stortford

4. Seconded Officers

The Authority provides officers to other police forces and agencies on a secondment basis. The related costs incurred are analysed across other headings in the Income and Expenditure Account and are recharged to each body. Income received for these secondments amounted to £1.422m (2008/09 £0.731 m).

Notes to the Core Financial Statements

5. Analysis of the Income & Expenditure Account by subjective classification.

2008/09 £000		2009/10 £000
	<u>Expenditure</u>	
	Employees	
146,932	Police Officer Pay and Allowances	151,041
79,302	Police Staff Pay and Allowances	78,902
913	Other Employees Expenses	995
	Police Officer Pensions	
42,980	Current Cost of Service	27,100
133,483	Premises	20,772
8,651	Transport	8,695
36,479	Supplies and Services	35,682
104	Agency Services	104
782	Support Services	1,104
87	Non Distributed Costs	159
<u>449,713</u>	Gross Operating Expenditure	<u>324,554</u>
	<u>Income</u>	
(34,727)	Specific Government Grants	(35,565)
(6,519)	Release of deferred Govt Grants	(4,273)
(3,678)	Contributions from Other Local and Public Bodies	(5,274)
(43)	Sales	(39)
(8,519)	Fees & Charges	(8,858)
(1,561)	Rents	(1,411)
(1,018)	Other	(1,124)
<u>(56,065)</u>	Total Income	<u>(56,544)</u>
<u>393,648</u>	Net Cost of Services	<u>268,010</u>
(17)	Net loss on the disposal of fixed assets	(874)
(3,249)	Investment Income	(1,400)
(11,358)	Top up grant payable to Pensions Fund Account	(13,042)
95,039	Pensions Interest Cost and Expected Return on Assets	92,436
<u>474,063</u>	Net Operating Expenditure	<u>345,130</u>
(105,210)	Police Grant	(108,374)
(8,288)	Revenue Support Grant	(13,039)
(59,537)	Business Rates	(56,493)
<u>(77,954)</u>	Council Tax	<u>(81,776)</u>
<u>(250,989)</u>		<u>(259,682)</u>
<u>223,074</u>	Deficit for the year	<u>85,448</u>

Notes to the Core Financial Statements

6. Net additional amount required by statute and non statutory proper practice to be credited to the General Reserve for the year

2008/09 £000		2009/10 £000
	<u>Amounts included in the Income & Expenditure Account, but required by statute to be excluded when determining the Movement on the General Reserve for the year</u>	
(10,077)	Depreciation and amortisation of fixed assets	(6,929)
6,519	Government Grants deferred	4,273
(117,714)	Impairment losses	(8,520)
(19)	Net gain/(loss) on the sale of fixed assets	856
	Reversal of net charges for retirement benefits in accordance with FRS17:	
(12,167)	Police Staff	(10,382)
(135,479)	Police Officers	(115,551)
(268,937)	Sub total	(136,253)
	<u>Amounts not included in the Income & Expenditure Account, but required by statute to be included when determining the Movement on the General Reserve for the year</u>	
7,664	Employer's contribution payable to Local Government Pension Scheme	8,112
29,719	Retirement benefits paid to police pensioners	31,562
11,358	Top-up grant to be paid to Pensions Fund Account	13,042
521	Provision for the repayment of external loans	521
	<u>Transfers to or from the General Reserve that are required to be taken into account when determining the Movement on the General Reserve for the year</u>	
(161)	Transfers to the Collection Fund Adjustment Account	(661)
(7,877)	Net transfer from earmarked reserves (see note below)	(6,033)
2,230	Amounts set aside to finance Capital Expenditure	4,089
(225,483)	Total	(85,621)

Note

The net transfer from earmarked reserves represents:

- a) £4.575m transferred to fund revenue expenditure during 2009/10 (2009/10 £7.765m)
- b) £1.458m transferred to the General Reserve from the Airwave and IT Development Reserves (2008/09 £0.112m transferred from the Uniform Reserve)

Essex Police Authority – Statement of Accounts 2009/10

Notes to the Core Financial Statements

7. Finance and Operating Leases

The table below details the amount paid to lessors during the year in relation to operating and finance leases held by the Authority.

2008/09		2009/10	
<i>Operating leases</i>	<i>Finance leases</i>	<i>Operating leases</i>	<i>Finance leases</i>
£000	£000	£000	£000
1,202	-	1,169	7
-	-	-	6
1,202	-	1,169	13
		Lease rental payments	

The Authority was committed at 31 March 2010 to making the following payments under operating leases in 2010/11, comprised of leases which expire as follows:

Revised 31 March 2009		31 March 2010
£000		£000
268	Within 1 year	266
307	2- 5 years	307
620	over 5 years	620
1,195		1,193

The following values of asset are held under finance leases by the Authority, accounted for as part of Tangible Fixed Assets.

	Other land and buildings	Vehicles, plant and equipment
	£000	£000
Value at 1 April 2009	-	-
Additions	48	20
Revaluations	-	-
Depreciation	(2)	(4)
Disposals	-	-
Value at 31 March 2010	46	16

The following table sets out outstanding obligations to make payments under these finance leases (excluding finance costs) at 31 March 2010, accounted for as part of long term liabilities

	Other land and buildings	Vehicles, plant and equipment
	£000	£000
Obligations payable 2010/11	3	6
Obligations payable between 2011/12 and 2015/16	19	14
Obligations payable after 2015/16	23	-
Total liabilities at 31 March 2010	46	20

Notes to the Core Financial Statements

8. Officers' Remuneration

The following table identifies the number of police staff and police officers whose salary was £50,000 or more during 2009/10, in remuneration bands of £5,000. Remuneration is defined as "all amounts paid to or receivable by a person, and includes sums due by way of expenses allowance (so far as those sums are chargeable to United Kingdom income tax), and the estimated money value of any other benefits received by an employee otherwise than in cash" (e.g. benefits in kind).

Number of Employees	Remuneration Band			Number of Employees
2008/09				2009/10
0	£50,000	-	£54,999	1
6	£55,000	-	£59,999	3
6	£60,000	-	£64,999	13
6	£65,000	-	£69,999	11
12	£70,000	-	£74,999	23
12	£75,000	-	£79,999	14
10	£80,000	-	£84,999	6
3	£85,000	-	£89,999	13
10	£90,000	-	£94,999	7
7	£95,000	-	£99,999	8
4	£100,000	-	£104,999	6
4	£105,000	-	£109,999	3
4	£110,000	-	£114,999	3
2	£115,000	-	£119,999	1
0	£125,000	-	£129,999	1
1	£130,000	-	£134,999	0
1	£135,000	-	£139,999	1
0	£140,000	-	£144,999	2
1	£175,000	-	£179,999	0
0	£185,000	-	£189,999	1
1	£245,000	-	£249,999	0

The following table sets out the remuneration for senior officers and "relevant police officers" (see page 27 for definition) whose salary was £50,000 or more per year during 2009/10:-

	Salary	Bonuses	Expenses Allowances	Benefits in kind	Employers Pension contributions	Total remuneration
	£	£	£	£	£	£
Chief Constable - R Baker (1)	37,105	60,071	15,434		8,979	121,589
Chief Constable - J Barker McCardle (2)	81,488		12,566		19,720	113,774
Deputy Chief Constable (3)	122,227	13,717	20,860	3,403	29,579	189,786
Assistant Chief Constable	103,344		14,204	4,193	25,009	146,750
Assistant Chief Constable	103,152		12,077	6,161	24,963	146,353
Assistant Chief Constable	100,602		11,804	3,584	24,346	140,336
Chief Executive / Treasurer (4)	93,443		1,179		12,411	107,033
Monitoring Officer (5)	16,035					16,035
Acting Director of Finance	90,851		10,213		12,374	113,438
Director of ICT (6)						
Total	748,247	73,788	98,337	17,341	157,381	1,095,094

Essex Police Authority – Statement of Accounts 2009/10

Notes to the Core Financial Statements

8. Officers' Remuneration (contd.)

Notes (2009/10)

- 1) Mr R Baker completed his term of office as Chief Constable on 5 July 2009. His annualised salary for 2009/10 was £144,510.
- 2) Mr J Barker McCardle commenced his term of office as Chief Constable on 8 September 2009. His annualised salary for 2009/10 was £144,510.
- 3) The Deputy Chief Constable held the office of Temporary Chief Constable between 6 July and 7 September 2010.
- 4) The role of Chief Executive and Treasurer was carried out by the same individual between 27 April 2009 and 31 March 2010. The same individual held the post of Treasurer between 1-26 April. The remuneration shown below is for both roles over the whole year.
- 5) The individual who held the role of Monitoring Officer was also the Chief Executive between 1-26 April 2009. The post holder retired on 27 April 2009, and subsequently returned as Monitoring Officer on 1 January 2010 on a part-time basis. The earnings disclosed are for the above two periods. The annualised salary for 2009/10 on a full time basis as Monitoring Officer was £72,900.

The following table sets out the remuneration for senior officers and relevant police officers whose salary was £50,000 or more per year during 2008/09:-

	Salary £	Bonuses £	Expenses Allowances £	Benefits in kind £	Employers Pension contributions £	Total remuneration £
Chief Constable - R Baker	139,332	50,582	25,982		33,718	249,614
Deputy Chief Constable	114,946	13,584	19,626	2,473	27,817	178,446
Assistant Chief Constable	98,572		13,017	2,473	23,854	137,916
Assistant Chief Constable	98,953		11,538	4,012	23,947	138,450
Assistant Chief Constable	81,058		16,327	596	17,439	115,420
Assistant Chief Constable (1)	41,744		10,113		10,102	61,959
Chief Exec/Monitoring Officer (2)	100,969		1,913		13,168	116,050
Treasurer	84,799		365		10,965	96,129
Acting Director of Finance	85,302		13,414		11,618	110,334
Total	845,675	64,166	112,295	9,554	172,628	1,204,318

Notes (2008/09)

- 1) The Assistant Chief Constable transferred to another force on 3 September 2008. The post holder's annualised salary for 2008/09 was £97,960.
- 2) The role of Chief Executive/Monitoring Officer was carried out by the same individual throughout the year.

Relevant police officer

A relevant police officer is defined in the Account and Audit (Amendment no.2) Regulations 2009 as:

- the Chief Constable
- any other senior police officer whose salary is £150,000 per year or more

Under the regulations, relevant police officers are disclosed in the accounts by name. Other officers are disclosed by post title.

Essex Police Authority – Statement of Accounts 2009/10

Notes to the Core Financial Statements

9. Related Party Transactions

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Authority or be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority may have been constrained in its ability to operate independently or may have secured the ability to limit another party's ability to interact freely with the Authority.

Central government has effective control over the general operations of the Authority. It is responsible for providing the statutory framework within which the Authority operates and provides the majority of its funding in the form of general and specific grants. Details of central government funding are identified within the core financial statements and accompanying notes.

Members of the Police Authority have direct control over the Authority's financial and operating policies. The Authority maintains a register of members' interests, which is open to public inspection. During the year no Members of the Authority have undertaken any material transactions with the Authority.

Chief Officers. During the year no Chief Officers have undertaken any material transactions with the Authority.

Essex County Council provides a number of business services for the Authority, the main ones being:

- administration of the police officer pensions schemes
- administration of the Authority's share of the Local Government Pension Scheme for members of police staff
- coroners service
- an internal audit service

These services are provided under service level agreements, which specify the annual charge and level of service provided. The total value of services provided under these agreements in 2009/10 was £1.104m.

District and Borough Councils within Essex. The Authority works in partnership with these bodies via Crime and Disorder Reduction Partnerships and other local partnership arrangements. The total value of transactions paid by the Authority attributable to these partnership arrangements during 2009/10 was £0.847m.

Essex - Kent Collaborative Agreement. The Authority has entered into a collaborative agreement with Kent Police Authority to work together across a number of operational policing areas such as specialist search and major crime investigation. Services provided between the two forces are provided on a reciprocal basis. The collaborative arrangements are overseen by a Joint Statutory Committee, made up of members of Essex and Kent Police Authorities.

Kent Police Authority paid £0.535m to Essex Police during 2009/10 for shared use of the Essex Police helicopter.

10. Publicity

In accordance with section 5(1) of the Local Government Act 1986, expenditure on publicity was as follows:

31 March 2009 £000	31 March 2010 £000
202 Staff advertising	83
8 Other advertising	21
108 Publications	18
318	122

Notes to the Core Financial Statements

11. Fixed Assets

The movement in fixed assets during 2009/10 is summarised below:

	Operational Assets			Non Operational Assets		Intangible Assets	Total £000
	Land & Buildings	Plant & Equipment	Vehicles	Assets Under Construction	Surplus assets held for disposal	Purchased software licences	
	£000	£000	£000	£000	£000	£000	
Gross book value as at 1 April 2009	68,901	19,955	13,761	624	9,299	6,677	119,217
Restatement	2,768	-	-	-	(2,768)	-	-
Restated gross book value as at 1 April 2009	71,669	19,955	13,761	624	6,531	6,677	119,217
Movement in 2009/10							
Additions	48	4,395	2,354	1,874	-	316	8,987
Donated asset	-	38	-	-	-	0	38
Disposals and deletions	(205)	(451)	(1,401)	-	(3,480)	(343)	(5,880)
Transfers	1,640	(297)	-	(1,747)	440	(36)	-
Impairments	(1,321)	-	-	-	-	-	(1,321)
Revaluations	(8,283)	-	-	-	(278)	-	(8,561)
Gross Book Value as at 31 March 2010	63,548	23,640	14,714	751	3,213	6,614	112,480
Accumulated depreciation and amortisation from earlier years	-	(12,301)	(8,004)	-	(428)	(4,499)	(25,232)
Depreciation on disposals	1	410	1,303	-	14	337	2,065
Depreciation on transfers	-	175	-	-	(211)	36	-
Depreciation for the year	(1,226)	(3,196)	(1,698)	-	(51)	-	(6,171)
Amortisation for the year	-	-	-	-	-	(645)	(645)
Impairments	-	-	-	-	-	-	-
Revaluations and restatements	1,223	-	-	-	18	-	1,241
Net Book Value as at 31 March 2010	63,546	8,728	6,315	751	2,555	1,843	83,738
Net Book Value as at 31 March 2009	68,901	7,654	5,757	624	8,871	2,178	93,985

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Notes to the Core Financial Statements

11. Fixed Assets (continued)

An analysis of the way that capital expenditure was financed is set out below:

2008/09 £000		2009/10 £000
9,543	Central government & other local authority contributions	3,315
1,873	Revenue funding	4,089
1,252	Capital receipts	1,159
(436)	Capital creditors	139
0	Capital debtor	(19)
(934)	Capital payment in advance	356
11,298	Total financing	9,039

The number of main fixed assets held by the Authority are:

2008/09 (restated)		2009/10
33	Freehold Land (Hectares)	32
1	Police Headquarters	1
1	Police Authority Office	1
57	Police Stations, Offices and Posts	56
49	Police Houses	48
30	Other Police Properties	29
32	Non Operational Properties	18
5	Private Access Roads	5

The Authority has 47 police stations open to the public, of which 12 are open 24 hours a day, 365 days a year.

The decrease in the number of non-operational properties is the net change between properties that have been sold during 2009/10 and properties that have been reclassified as non-operational

Notes to the Core Financial Statements

11. Fixed Assets (contd.)

The Authority has a programme of regularly revaluing its land and property assets in accordance with the SORP. From 2008/09 this requires operational land and properties and other operational assets to be valued at the lower of net current replacement cost or net realisable value in existing use.

None of the Authority's existing land and building assets were revalued during 2009/10. However, in view of the economic climate an impairment review was carried out of all remaining property assets. This relied on advice from the Authority's valuers on whether there had been a general material movement in property values over 2009/10. Based on advice the following impairment revisions have been made on all land and property assets.

Operational assets

- Specialised property (land & buildings) 10% reduction
- Non -specialised property (land & buildings) 10% reduction
- Land only no change

Non –operational assets

- Land & buildings 10% reduction
- Land only 15% reduction

The following statement shows the progress of the Authority's rolling programme for the revaluation of fixed assets.

	Land & Building £000	Plant & Equipment £000	Vehicles £000	Other assets £000	Total £000
Historical Cost	-	21,120	14,714	689	36,523
Current Value:					
2009/10	63,721	-	-	2,303	66,024
2008/09		2,500			2,500
Total	63,721	23,620	14,714	2,992	105,047

Notes to the Core Financial Statements

11. Fixed Assets (contd.)

Joint Air Support Consortium

The Authority is a member of an Air Support Consortium with Cambridgeshire and Suffolk Police Authorities. The Consortium was established to purchase and operate aircraft for operational policing purposes. Each member operates an individual helicopter and bears the costs of operating its own aircraft.

12. Long Term Investments

As at 31 March 2010 the Authority had one investment of £5.000m with a UK-based bank maturing in March 2013. There was no accrued interest on this loan as at 31 March 2010.

13. Long Term Debtors

This amount represents pay advances to new officers, which are recovered at the end of the officers' service with Essex Police Authority.

These advances are no longer offered to new officers and the balance will therefore reduce over time as officers retire or transfer to other Police Authorities.

14. Stocks

The value of stocks held at 31 March 2010 was as follows:

31 March 2009	31 March 2010
£000	£000
168 Vehicle parts	154
510 Uniforms	503
106 Stock forms	58
7 CS spray	5
16 Prisoner supplies	14
30 General stock	17
837 Total Stock	751

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Notes to the Core Financial Statements

15. Debtors

The debtors as at 31 March 2010 are as follows:

31 March 2009 (Restated) £000	31 March 2010 £000
3,684	3,646
992	1,309
3,657	3,626
(1,423)	(1,473)
921	0
7,363	5,721
15,194	12,829
Total Debtors	

The above total includes a bad and doubtful debts provision of £0.039 m.

16. Short Term Investments

As at 31 March 2010 the Authority had eight investments with UK based banks and building societies totalling £40.230m. These investments are either callable or are fixed term investments of less than twelve months. In accordance with the SORP's accounting requirements for financial instruments the balance sheet figure also includes £0.363m accrued interest on these investments as at 31 March 2010.

17. Cash and Bank/Bank Overdraft

The cash and bank figure of £0.397m represents the value of the various imprest accounts held throughout the Authority.

The bank overdraft figure of £2.998m represents the net balance of the Authority's bank accounts as shown in the cash book at 31 March 2010. This balance is different to the balance shown on the bank statements, the difference being due to items in transit and unrepresented cheques. In practice, the Authority's net position is never overdrawn.

The difference between the cash book and bank statement balances is reconciled each month as part of the Authority's financial control processes.

18. Creditors

The creditors as at 31 March 2010 are as follows:

31 March 2009 (Restated) £000	31 March 2010 £000
1,271	1,876
1,149	1,142
1,009	1,005
381	610
19,576	15,356
23,386	19,989
Total Creditors	

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Notes to the Core Financial Statements

19. Provisions

A summary of the movement in the level of the insurance provision during 2009/10 is set out below.

2008/09 £000	2009/10 £000
824 Balance as at 1 April 2009	1,179
892 Contribution from Inc & Exp Account	1,149
(537) Applied	(840)
1,179 Balance as at 31 March 2010	1,488

The balance of £1.488m represents estimated outstanding claims under the 'excess' clauses of the Authority's insurance policies (employers' and public liability, motor and property). Settlement of these claims is likely to be spread over a number of years.

There are no amounts in respect of liabilities covered by the insurance that are expected to be subject to reimbursement from third parties.

20. Contingent Liabilities

One of the Authority's former vehicle recovery contractors has issued two claims against the Authority. The Authority terminated the contract with this company during 2009 following a serious breach of contract. Later that year the Company submitted a tender for a further contract with Essex Police. The second claim relates to this procurement process. The amount claimed represents the alleged resulting loss of revenue to the contractor as a result of these two issues. The Authority has valued these two claims at £1.5m. High Court proceedings have been issued by the claimant, and a case is expected to be heard in early 2011. The Authority strongly disputes the validity of these claims and is maintaining a vigorous defence. The Authority has made no provision in its accounts against the claim.

21. Government Grants Deferred Account

This account shows the government grants and other contributions that have been received by the Authority and the extent to which they have been applied to the Income & Expenditure Account. An allocation is made to the Income & Expenditure Account over the life of the assets being financed.

Prior to 2000/01 the release of grant to the revenue account did not take account of whether the grant had been applied to finance the asset. The method also used an assumed life for each category of asset rather than the estimated life for each specific asset. The release of grant in respect of acquisitions in earlier years continues to be made on the basis of assumed periods of asset life.

Assumed Periods of Asset Life	Years
Equipment	5
Property	60
Vehicles	4

From 2000/01 the amount released to revenue matches the depreciation on the individual asset financed in full or part by the grant.

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Notes to the Core Financial Statements

A summary of the Account is set out as follows:

2008/09 £000	2009/10 £000
30,317 Balance as at 1 April 2009	31,554
7,756 Grants and contributions received	4,286
0 Donated asset	38
(6,519) Allocation to Income & Expenditure Account	(4,274)
<u>31,554</u> Balance as at 31 March 2010	<u>31,604</u>

22. Revaluation Reserve

This reserve accounts for amounts where the carrying value of an asset is above the depreciated historical cost. It records movements in valuations on assets as follows:

- Upward revaluations are credited to the reserve
- Any downward revaluation related to a general fall in prices would be offset against any accumulated gains in the reserve for the particular asset. Any excess loss over the value of the accumulated gains is charged to the Income and Expenditure Account. This is then reversed out through the Statement of Movement on the General Fund Balance and set against the Capital Adjustment Account
- Writing down of accumulated revaluation gains on an asset, where the asset is subject to depreciation
- Writing down of accumulated gains on an asset where an impairment loss, related to a clear consumption of economic benefits, has been made
- Transfer of any accumulated gains to the Capital Adjustment Account on disposal of an asset.

The following table shows the movements on the reserve during 2009/10:

2008/09 £000	2009/10 £000
0 Balance as at 1 April 2009	2,179
0 Depreciation of revaluation gains	(377)
2179 Gains on revaluation	0
0 Impairment loss adjustment	(121)
0 Transfer of accumulated gains on disposal of assets	0
<u>2,179</u> Balance as at 31 March 2010	<u>1,681</u>

23. Capital Adjustment Account

This account records the following capital financing transactions:

- The setting aside of capital receipts and revenue monies as a provision to repay external loans
- Financing of capital payments by capital receipts and by revenue funding
- Impairment losses on assets
- Depreciation including the amortisation of intangible assets
- Fixed asset disposals

Essex Police Authority – Statement of Accounts 2009/10

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The table below shows the movements on the account during 2009/10.

2008/09 £000	2009/10 £000
178,328 Balance as at 1 April 2009	59,391
1,252 Receipts applied	1,159
2,230 Revenue funding	4,088
6,519 Deferred capital grants	4,274
521 Minimum revenue provision	521
(10,076) Depreciation and amortisation	(6,552)
(5,180) Impairment losses	(8,520)
(1,669) Asset disposal	(3,815)
(112,534) Revaluation adjustments	0
59,391 Balance as at 31 March 2010	50,546

24. Minimum Revenue Provision (MRP)

The Prudential Capital Finance System includes a requirement to make revenue provision for the redemption of debt. Under revised regulations effective from 2009/10, the Authority has implemented a MRP policy in accordance with the main recommendations contained within guidance issued by the Secretary of State under Section 21(A) of the Local Government Act 2003.

The MRP calculation has been based upon the Authority's Capital Financing Requirement charged at the rate of 4% in accordance with option 2 of the guidance. On this basis, the amount charged for 2009/10 was £0.521m (2008/09 £0.521m)

The MRP amount is offset against the level of depreciation already charged to the Income & Expenditure Account to ensure that depreciation charges do not increase the net expenditure of the Authority. The amount of depreciation, amortisation and impairment losses charged, net of grant released, was £10.798m (2008/09 £8.737m) resulting in a charge to the Capital Adjustment Account of £10.277m (2008/09 £8.216m).

25. Usable Capital Receipts Reserve

The usable capital receipts reserve contains the proceeds from sales of fixed assets that have not yet been used to finance capital expenditure. The following table shows the movements on the reserve during 2009/10:

2008/09 £000	£000
8 Balance as at 1 April 2009	406
1,650 Receipts	4,671
(1,252) Applied to finance expenditure	(1,159)
406 Balance as at 31 March 2010	3,918

26. Significant Commitments under Capital Contracts

The estimated value of significant commitments under capital contracts totalled £0.783m at 31 March 2010 (£0.619m at 31 March 2009). A commitment of £0.284m relates to providing purpose built storage premises for Chemical, Biological, Radiological and Nuclear (CBRN) protective equipment.

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Notes to the Core Financial Statements

27. Collection Fund Adjustment Account

The Collection Fund Adjustment Account records the difference between:

- the accrued Council Tax income recorded in the Collection Fund of each billing authority, and
- the amount of Council Tax income raised by the Authority under stature from each billing authority

The movement on the fund is shown in the following table:-

2008/09 £000		2009/10 £000
(789)	Balance at 1 April 2009	(667)
122	Transfer from Income & Expenditure Account	661
<u>(667)</u>	Balance at 31 March 2010	<u>(6)</u>

28 Date of Authorisation of Statement of Accounts for Issue

The Statement of Accounts was authorised for issue on 18 June 2010 by Mr Charles Garbett CPFA, Treasurer to Essex Police Authority.

Notes to the Core Financial Statements

29. Movement on Reserves

A summary of the movements on reserves is set out in the table below:

	Balance at 1 April 2009	Net gains/(loss es)	Net t/fers to/(from) reserves	Balance at 31 March 2010
	£000	£000	£000	£000
Revaluation Reserve	2,179	0	(498)	1,681
Capital Adjustment Account	59,391	0	(8,845)	50,546
Police Pensions Reserve	(1,253,162)	(503,060)	(70,947)	(1,827,169)
LGPS Pensions Reserve	(48,545)	(28,715)	(2,270)	(79,530)
Total Pensions Reserves	(1,301,707)	(531,775)	(73,217)	(1,906,699)
Usable Capital Receipts Reserve	406	0	3,512	3,918
Collection Fund Adjustment Account	667	0	(661)	6
Specific Reserves				
New Development Reserve	5,703	0	0	5,703
Future Capital Funding Reserve	7,115	0	(3,962)	3,153
Non Devolved Carry Forward Reserve	919	0	(539)	380
Devolved Carry Forward Reserve	1,439	0	(501)	938
Airwave Reserve	1,614	0	(1,614)	0
Insurance Reserve	376	0	(137)	239
Officers' Backpay Reserve	806	0	(120)	686
Mobile Data Reserve	703	0	14	717
Restructure Reserve	531	0	(80)	451
IT Replacement Reserve	344	0	(344)	0
2012 Olympic Games Reserve	1,000	0	1,158	2,158
New Pension Reserve	472	0	0	472
Collaboration Reserve	250	0	0	250
Leased Property Dilapidations Reserve	175	0	0	175
Leased Property Maintenance Reserve	54	0	86	140
Forfeiture Monies Reserve	9	0	6	15
Total Specific Reserves	21,510	0	(6,033)	15,477
General Reserve	15,436	0	173	15,609
Total Specific & General Reserves	36,946	0	(5,860)	31,086

Further details of the movements on the Revaluation Reserve, Capital Adjustment Account and Usable Capital Receipts Reserve can be found in notes 23-25 on pages 35-36. Further details of the purposes for holding the Specific Revenue Reserves can be found in note 30 on page 39.

30. Specific Revenue Reserves

1. The New Development/Change Programme Reserve funds the accelerated investment programme in additional officers.
2. The Future Capital Funding Reserve holds funding set aside to part-fund future year capital programmes.
3. The Devolved and Specific Budgets Reserve represents balances earmarked to carry forward to meet commitments in 2009/10. Budget holders are permitted to carry forward, within certain limits, any surplus or deficit from one financial year to the next.
4. The Airwave Reserve has now been closed and the balance transferred to the General Reserve.
5. The Insurance Reserve finances the self-insurance element of any future claims against the Police Authority.
6. The Officers' Backpay Reserve represents the three month surplus generated by the Home Secretary's decision to award the police officer pay increase in December 2007 rather than September 2007. This reserve was used during 2009/10 to fund the additional bank holiday payment for Saturday 26 December 2009, and will be used for a similar purpose in 2010/11.
7. The Mobile Data Reserve was created in 2008/09 to fund the future years costs of the use of mobile data devices throughout the force, including the replacement of devices.
8. The Restructure Reserve funds the costs of the reviews across the force.
9. The IT Replacement Reserve has now been closed and the balance transferred to the General Reserve.
10. The 2012 Olympics Reserve funds any shortfall between the costs of the 2012 Olympic Games and funding bids to central government. This reserve has a potential target sum of at least £2m by 31 March 2011.
11. The New Pension Reserve funds any fluctuations in the cost of injury related payments, capital equivalent payments for ill-health and other pension related costs.
12. The Collaboration Reserve funds one-off costs associated with projects associated with the collaboration between Essex and Kent Police Authorities.
13. The Forfeiture Monies Reserve holds funds transferred to the Authority from the Misuse of Drugs Act Seizures Fund (see note 32, page 40). These funds are subsequently transferred from the reserve into the Income & Expenditure Account in order to fund the costs of operations mounted to tackle drug related crime and drug abuse.
14. The Leased Property Dilapidations Reserve was created in 2008/09 to fund the cost of future major repairs to a multi occupancy building. The Authority is responsible for the maintenance of this building, and it is intended to restore the building back to its original condition at the end of the lease.
15. The Leased Property Maintenance Reserve was created in 2008/09 to fund the cost of minor repairs to the multi occupancy building. The funds transferred into the Reserve represent service charges collected from the tenants.

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Notes to the Core Financial Statements

31. Disclosure of Audit Costs

In 2009/10 the following costs were incurred in respect of external audit and inspection:

2008/09 £000	2009/10 £000
<u>Fees payable to the Audit Commission:</u>	
102 - with regard to external audit services carried out by the appointed auditor	104
0 - in respect of statutory inspection	0
0 - for the certification of grant claims and returns	0
0 - in respect of other services provided by the appointed auditor	0
102	104

32. Third Party Funds

Third Party Funds are monies administered, but not owned by the Authority. These funds are treated separately from the Authority's accounts and are therefore excluded from the Core Financial Statements. These accounts will be audited by Internal Audit Services after the completion of the external audit.

Police Property Act Fund

Under section 43 of the Powers of the Criminal Courts Act 1973, the Authority is empowered to seize monies or property used, or intended for use, for the purpose of crime. These seized monies are held within the Police Property Act Fund pending a ruling by the Courts, following which these monies are returned to the owner, paid to the Court by confiscation order or forfeited to the Authority. £9,474 was forfeited in 2009/10 (£90 in 2008/09). The income and expenditure for the year and the movement on the Fund were as follows:

2008/09 £000	2009/10 £000
<u>Income and expenditure during year</u>	
(797) Seized monies	(579)
(2) Interest	(13)
(799) Total income	(592)
532 Monies returned to owner/paid to the Court	647
0 Monies forfeited to Essex Police	9
2 Interest	13
534 Total expenditure	669
(265) Deficit/(surplus) for year	77
<u>Movement on Trust Fund</u>	
(405) Balance brought forward	(670)
(265) Deficit/(surplus) for year	77
(670) Balance carried forward	(593)

Police Property Act Disbursement Fund

This fund contains any forfeited monies transferred from the Police Property Act Fund, and found monies (i.e. sale proceeds of property in police possession where the owner has not been established). It is current policy to donate monies from this fund to local charities. £40,308 income received during 2009/10 will be donated during 2010/11 (£23,015 in 2008/09).

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Notes to the Core Financial Statements

Misuse of Drugs Act Seizures Fund

Section 27 of the Misuse of Drugs Act 1971 empowers Police Authorities to retain monies seized during investigations into drugs related crime.

These seized monies are held within the Misuse of Drugs Act Seizures Fund pending a ruling by the Courts, following which these monies are returned to the owner, paid to the Court by confiscation order or forfeited to the Authority so that it is used to fund operations targeted at drug related crime and drug abuse. The sum of £10,057 was forfeited to the Authority in 2009/10 (£983 in 2008/09). Forfeited monies are held in the Forfeiture Monies Reserve and subsequently released into the Income and Expenditure Account.

The income and expenditure for the year and the movement on the Fund were as follows:

2008/09 £000		2009/10 £000
	<u>Income and expenditure during year</u>	
(363)	Seized monies	(359)
(5)	Interest	(16)
(368)	Total income	(375)
230	Monies returned to the owner/paid to the Court	442
1	Monies forfeited to Essex Police	10
5	Interest	16
236	Total expenditure	468
(132)	Deficit/(surplus) for year	93
	<u>Movement on Trust Fund</u>	
(322)	Balance brought forward	(454)
(132)	Deficit/(surplus) for year	93
(454)	Balance carried forward	(361)

33. Retirement Benefits

As part of the terms and conditions of its police officers and police staff, the Authority offers retirement benefits. Although these benefits will not actually be payable until police officers and police staff retire, the Authority's commitment to make these payments needs to be disclosed at the time that serving police officers and police staff earn their entitlement to these future payments.

The Authority participates in three schemes as follows:

- a) Police Officers in service on or before 31 March 2006 are admitted to the 1987 Police Officer Pension Scheme
- b) Police Officers in service on or after 1 April 2006 are admitted to the 2006 Police Officer Pension Scheme
- c) Police Staff (including Police Community Support Officers) are eligible to join the Local Government Pension Scheme.

The 1987 and 2006 Police Officer Pension Schemes are unfunded defined benefit schemes, which are administered by Essex County Council on behalf of the Authority. The Local Government Pension Scheme is a defined benefits scheme, and Essex County Council administers the Authority's participation in the Fund.

Notes to the Core Financial Statements

Transactions Relating to Retirement Benefits

The Authority recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. The charge the Authority is required to make against the council tax, however, is based on the cash payable in the year, and therefore the real cost of retirement benefits is reversed out of the Income and Expenditure Account within the Statement of Movements on the General Reserve.

The following transactions have been made in the Authority's accounts during the year.

Police Officer Pension Schemes

	1987 Police Officer Pension Scheme		2006 Police Officer Pension Scheme		Police Officer Pension Scheme - Injury Awards	
	31 March 2009 £000	31 March 2010 £000	31 March 2009 £000	31 March 2010 £000	31 March 2009 £000	31 March 2010 £000
Income & Expenditure Account						
Net Cost of Services:						
Current Service cost	35,055	21,511	5,020	3,553	2,904	2,036
Past service cost						
Loss on curtailments						
Net Operating Expenditure:						
Interest cost	86,073	82,073	649	881	5,777	5,497
Total charge to the Income & Expenditure Account	121,128	103,584	5,669	4,434	8,681	7,533
Statement of Movement on the General Reserve						
Reversal of charges for retirement benefits in accordance with FRS17	(121,128)	(103,584)	(5,669)	(4,434)	(8,681)	(7,533)
Actual amount charged against the General Reserve for pensions in the year						
Retirement benefits payable to pensioners	23,181	23,140	3,847	5,631	2,692	2,791

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial losses of £503.060m have been included in the Statement of Total Recognised Gains and Losses.

Notes to the Core Financial Statements

	Local Government Pension Scheme	
	31 March 09 £000	31 March 10 £000
Income & Expenditure Account		
Net Cost of Services:		
Current Service cost	9,625	6,338
Past service cost	0	0
Loss on curtailments	87	159
Net Operating Expenditure:		
Interest cost	11,437	11,478
Expected return on assets in the scheme	(8,897)	(7,493)
Net charge to the Income & Expenditure Account	12,252	10,482
Statement of Movement on the General Reserve		
Reversal of net charges for retirement benefits in accordance with FRS17	(12,252)	(10,482)
Actual amount charged against the General Reserve for pensions in the year		
Employer's contribution payable to scheme	7,664	8,212

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial losses of £28.715m (£8.280m gain in 2008/09) have been included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial losses recognised in the Statement of Total Recognised Gains and Losses is £531.775m.

Assets and Liabilities in Relation to Retirement Benefits

The following table reconciles the present values of the liabilities of the police officer pension schemes:

	1987 Police Officer Pension Scheme		2006 Police Officer Pension Scheme		Police Officer Pension Scheme - Injury Awards	
	31 March 09 £000	31 March 10 £000	31 March 09 £000	31 March 10 £000	31 March 09 £000	31 March 10 £000
Benefit Obligation at 1 April 2009	1,413,040	1,166,121	7,095	9,236	94,601	77,805
Current Service Cost	35,055	21,511	5,020	3,553	2,904	2,036
Interest on Pension Liabilities	86,073	82,073	649	881	5,777	5,497
Actuarial (Gains)/Losses	(327,589)	458,093	(5,600)	13,223	(22,785)	31,744
Contributions by Scheme Participants	10,444	10,339	1,509	2,205	0	0
Benefits Paid/(Received)	(51,059)	(54,951)	563	582	(2,692)	(2,791)
Benefit Obligation at 31 March 2010	1,165,964	1,683,186	9,236	29,680	77,805	114,291

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The following table reconciles the present value of the liabilities of the Local Government Pension Scheme attributable to Essex Police Authority:

	Local Government Pension Scheme	
	31 March 09	31 March 10
	£000	£000
1 April 2009	182,065	158,632
Current Service Cost	9,625	6,338
Interest Cost	11,437	11,478
Contributions by Scheme Participants	3,684	3,856
Actuarial (Gains)/Losses	(45,808)	61,334
Benefits/Transfers Paid	(2,458)	(4,127)
Curtailments	87	159
Past Service Costs	0	0
Balance at 31 March 2010	158,632	237,670

The following tables reconcile the present values of the assets of the Local Government Pension Scheme attributable to Essex Police Authority:

	Local Government Pension Scheme	
	31 March 09 restated	31 March 10
	£000	£000
1 April 2009	129,743	110,087
Expected Return on Assets	8,897	7,493
Actuarial Gains/(Losses)	(37,528)	32,619
Employer Contributions	7,749	8,212
Contributions by Scheme Participants	3,684	3,856
Benefits Paid	(2,458)	(4,127)
31 March 2010	110,087	158,140

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed assets investments are based on gross redemption yields at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets for 2009/10 was £40.112m. The return for 2008/09 was (£28.631m).

Notes to the Core Financial Statements

Scheme history

	2005/06	2006/07	2007/08	2008/09	2009/10
	£000	£000	£000	£000	£000
Present value of liabilities					
Local Government Pension Scheme	(149.8)	(161.5)	(182.0)	(158.6)	(237.7)
Police Pension Schemes	(1,392.3)	(1,390.0)	(1,514.7)	(1,253.1)	(1,827.1)
	(1,542.1)	(1,551.5)	(1,696.7)	(1,411.7)	(2,064.9)
Fair value of assets in the Local Government Pension Scheme	110.7	124.8	129.7	110.0	158.1
Deficit in the scheme:					
Local Government Pension Scheme	(39.0)	(36.8)	(52.3)	(48.6)	(79.6)
Police Officer Pension Schemes	(1,392.3)	(1,390.0)	(1,514.7)	(1,253.1)	(1,827.2)
Total	(1,431.3)	(1,426.8)	(1,567.0)	(1,301.7)	(1,906.7)

The liabilities show the underlying commitments that the Authority has in the long term to pay retirement benefits. The total liability of £1,906.7m has a substantial impact upon the net worth of the Authority as recorded in the Balance Sheet.

Statutory arrangements for funding the deficit, however, mean that the financial position of the Authority remains healthy:

- the deficit on the Local Government Scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary
- Police Pensions are charged to the Police Pensions Fund Account, and any shortfall between the value of pensions paid in year and the receipts into the Account from employer and employee contributions is funded from top-up grant from the government.

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2011 is £8.308m. Expected contributions for the Police Pension Schemes in the year to 31 March 2011 by the employer are £29.563m.

Basis for Estimating Assets and Liabilities

The assets and liabilities of the Local Government Pension Scheme and the liabilities of the Police Pension Schemes have been assessed by Mercer Human Resource Consulting Ltd, an independent firm of actuaries.

The dates of the last full valuations are:

- Essex County Council Pension Fund: 31 March 2007
- Police Pension Schemes: 31 March 2008

The liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels and other factors.

The principal assumptions used by the actuaries are shown in the table on the following page:

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Notes to the Core Financial Statements

	Local Government Pension Scheme		Police Officer Pension Schemes	
	31 March 2009	31 March 2010	31 March 2009	31 March 2010
Long-term expected rate of return on asset in the scheme:				
Equity investments	7.5%	7.5%	n/a	n/a
Government Bonds	4.0%	4.5%	n/a	n/a
Other Bonds	6.0%	5.2%	n/a	n/a
Property	6.5%	6.5%	n/a	n/a
Cash/Liquidity	0.5%	0.5%	n/a	n/a
Life expectancy of a future pensioner aged 60 in 20 years time:				
Male	23.1	23.1	28.0	28.0
Female	25.9	25.9	30.8	30.8
Life expectancy of a current pensioner aged 60				
Male	22.0	22.1	26.8	26.9
Female	24.9	25.0	29.8	29.8
Rate of Inflation	3.30%	3.30%	3.30%	3.50%
Rate of Increase in Salaries	4.80%	4.80%	4.55%	4.75%
Rate of Increase in Pensions	3.30%	3.30%	3.30%	3.50%
Discount Rate	7.10%	5.60%	7.10%	5.70%
Take up of option to convert annual pension into retirement lump sum	50%	50%	50%	50%

The Police Officer Pension Schemes have no assets to cover their liabilities. The Local Government Pension Scheme assets consist of the following categories, by proportion of the total assets held:

	31 March 2009	31 March 10
	%	%
Equities	74.5%	67.5%
Government Bonds	8.7%	7.9%
Other Bonds	5.3%	10.0%
Property	9.8%	9.3%
Cash/Liquidity	1.7%	5.3%
Total	100.0%	100.0%

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2009/10 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March of each of the following years:

	2005/06	2006/07	2007/08	2008/09	2009/10
	%	%	%	%	%
<u>Differences between the expected and actual return on assets</u>					
Local Government Pension Scheme	15	1	(11)	(34)	(21)
<u>Experience gains and (losses) on liabilities</u>					
Local Government Pension Scheme	0	9	4	0	0
Police Officer Pension Schemes	(2)	(3)	6	0	0

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Notes to the Core Financial Statements

34. Reconciliation of net deficit on the Income & Expenditure Account to the revenue activities net cash flow

2008/09 £000		2009/10 £000	£000
222,913	Income & Expenditure Account deficit for the year		85,448
	Non cash transactions		
(10,077)	Depreciation & amortisation of fixed assets	(6,929)	
(117,714)	Impairment losses on fixed assets	(8,520)	
6,519	Government grants deferred	4,273	
19	Net gain/(loss) on sale of assets	856	
(110,263)	Net transfers to FRS 17 pensions reserve	(86,259)	
11,358	Transfer pensions top-up grant	13,042	
0	Transfer to Collection Fund Adjustment Account	(661)	
897	Capitalisation of revenue expenditure	287	
(355)	Net movement on insurance provision	(309)	
(219,616)			(84,220)
	Accruals		
1,328	Decrease in revenue creditors	3,691	
912	(Decrease)/increase in revenue debtors	(2,491)	
52	Increase/(decrease) in stocks	(86)	
2,292			1,114
2,657	Investment income		2,685
<u>8,246</u>	Revenue activities net cash outflows		<u>5,027</u>

35. Reconciliation of movement in cash to movement in net debt

2008/09 £000		2009/10 £000	£000
<u>649</u>	Movement in Net Debt		<u>600</u>
	Cash at bank and in hand		
382	Balance as at 1 April 2009	382	
382	Balance as at 31 March 2010	397	
0			(15)
	Cash Overdrawn		
(1,733)	Balance as at 1 April 2009	(2,382)	
(2,382)	Balance as at 31 March 2010	(2,997)	
649			615
<u>649</u>	Movement in Cash		<u>600</u>

Notes to the Core Financial Statements

36. Reconciliation of Management of Liquid Resources to Short Term Investments in Balance Sheet

2008/09 £000		2009/10 £000	
<u>(6,918)</u>	Management of Liquid Resources		<u>(774)</u>
	Balance Sheet - Short Term Investments		
36,004	Balance as at 31 March 2010	40,230	
	Reclassification of long-term investment	<u>(5,000)</u>	
		35,230	
<u>42,922</u>	Less balance as at 1 April 2009	<u>36,004</u>	
<u>(6,918)</u>			<u>(774)</u>

Liquid resources are deemed to be any financial instruments that are readily convertible to cash.

37. Analysis of Government Grants and Contributions

This table identifies the government grants and contributions as show in the cash flow statement.

2008/09 £000		2009/10 £000
105,335	Police Grant	108,447
10,412	Police Pensions Grant	14,248
6,821	Neighbourhood Policing Grant	6,979
6,068	Crime Fighting Fund	6,068
5,852	Additional Rule 2 Grant	5,852
3,940	Dedicated Security Grant	0
3,601	ACPO TAM	8,119
991	Basic Command Unit Fund	1,181
524	Operation Watchdog - Prison overcrowding	0
516	Other Government Grants	1,644
488	Criminal Records Bureau	853
202	Olympic 2012 Grant	243
155	Local Partnership Funding	0
31	Proceeds of Crime Act	0
<u>144,936</u>	Total	<u>153,634</u>

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Notes to the Core Financial Statements

38. Financial Instruments

The investments and other financial instruments disclosed in the Balance Sheet are made up of the following financial instruments (the Authority does not hold any borrowings):

	Long Term		Current	
	2008/09	2009/10	2008/09	2009/10
	£000	£000	£000	£000
Loans and receivables	10,229	5,000	37,388	40,593
Available for sale financial assets	0	0	0	0
Unquoted equity investment at cost	0	0	0	0
Total investments	10,258	5,000	37,388	40,593
Payments in advance	0	0	3,684	3,646
Other debtors	0	0	11,510	9,177
Cash in hand	0	0	382	397
Cash overdrawn	0	0	(2,383)	(2,998)
Receipts in advance	0	0	(1,271)	(1,876)
Capital creditors	0	0	(381)	(610)
Other creditors	0	0	(21,734)	(17,496)
Total other financial instruments	0	0	(10,193)	(9,760)

The gains and losses recognised in the Income and Expenditure Account and Statement of Total Recognised Gains and Losses in relation to financial instruments are made up as follows:

	Financial Liabilities measured at amortised cost	Financial Assets - loans and receivables	Financial Assets - available for sale assets	Total
	2009/10	2009/10	2009/10	2009/10
	£000	£000	£000	£000
Interest expense	0	(37)	0	(37)
Losses on derecognition	0	0	0	0
Interest payable and similar charges	0	(37)	0	(37)
Interest receivable	0	1,437	0	1,437
Gains on derecognition	0	0	0	0
Interest receivable and similar charges	0	1,437	0	1,437
Gain on revaluation				
Losses on revaluation	0	0	0	0
Amounts recycled to the Inc & Exp Acc after impairment	0	0	0	0
Surplus arising on revaluation of fixed assets	0	0	0	0
Net gain/(loss) for the year	0	1,400	0	1,400

Notes to the Core Financial Statements

The SORP states that the amortised cost measurement basis should be applied to:

- all financial liabilities
- financial assets represented by loans and receivables

All of the Authority's investments and other financial instruments fall into one of the above two categories, and are therefore carried in the Balance Sheet at amortised cost.

The fair value of the financial instruments held by the Authority can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments. Accordingly, the fair value of the Authority's investments as at 31 March 2010 has been calculated to be £46.116m (2008/09 £48.495 m).

This is higher than the carrying amount of £45.230m (2008/09 £46.004m) because the Authority's portfolio of investments is made up of fixed rate deals where the interest rate receivable is higher than the rates available for similar investments at the balance sheet date. This guarantee to receive interest above current market rates increases the amount that the Authority would receive if it agreed to early repayment of the investments.

The discount rate used in the calculation is the prevailing rate of a similar instrument with a published market rate to each of the individual investments making up the portfolio. The valuation assumes that no early repayment of impairment is recognised.

The SORP states that fair value disclosures are not required for short-term trade payables and receivables on the basis that the carrying value in the Balance Sheet (i.e. invoiced or billed amount) can be taken to be a reasonable approximation of fair value. Accordingly, no fair value disclosures are given for any of the Authority's other financial instruments.

Nature and extend of risks arising from financial instruments

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

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

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers. Deposits are not made with banks and financial institutions unless they are independently rated with a minimum score of AA, and the institution's country of origin has a sovereign AAA rating. Under the Authority's current Treasury Management Strategy, the Authority does not lend more than £10m of its surplus funds to one institution and periods of lending are limited to three months.

Customers are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Authority.

The analysis on the following page summarises the Authority's potential maximum exposure to credit risk, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions.

Notes to the Core Financial Statements

	Amount at 31 March 2010	Historical experience of default	Historical experience market conditions at 31 March 2010	Estimated maximum exposure to default and uncollectability
	£000	%	%	£000
Deposits with banks and financial institutions	45.230	0.00	0.00	0
Sundry debtors	1.043	0.00	0.00	52
Total	46.273			52

No credit limits were exceeded during the reporting period, and the Authority does not expect any losses from non performance by any of its counterparties in relation to deposits.

The Authority does not generally allow credit for sundry debtors beyond 30 days, such that £0.086mm of the £1.043m balance is past its due date for payment. The past due amount can be analysed by age as follows:

- between 31 and 60 days £0.043m
- between 61 and 90 days £0.000m
- over 90 days £0.043m

Liquidity risk

The Authority does not have any borrowings at 31 March 2010. Should the Authority decide to raise borrowings in future years, it would have ready access to funds from the Public Works Loans Board. There is therefore no significant risk that the Authority would be unable to raise finance to meet its commitments under financial instruments. The risk would be that the Authority would be bound to replenish a significant proportion of any future borrowings at a time of unfavourable interest rates. The Authority would mitigate this risk by spreading the maturity date of its loans over a period of years by a combination of careful planning of new loans taken out and, where it is economic to do so, making early repayments.

Market risk

Interest rate risk

The Authority is exposed to some risk in terms of its exposure to interest rate movements on its investments. Movements in interest rates have a complex effect on the Authority. For instance, a rise in interest rates would:

- increase the interest income credited to the Income and Expenditure Account in respect of investments at variable rates
- decrease the fair value of assets at fixed rates

The Authority's Financial Services Department works closely with its treasury advisers to ensure that interest rate movement risks are minimised by actively assessing likely future interest rate movements in the financial markets and making investment decisions accordingly.

Notes to the Core Financial Statements

Price risk

The Authority does not invest in equity shares or other similar financial instruments and therefore has no exposure to losses arising from movements in the price of shares.

Foreign exchange risk

The Authority has no financial assets (investments) or liabilities (borrowings) that are denominated in foreign currencies and therefore has no exposure to loss arising from movements in exchange rates. From time to time the Authority purchases specialist goods and services (e.g. helicopter service costs) from countries outside the United Kingdom. These goods and services are denominated in Euros and therefore there is a modest exchange rate risk in respect of outstanding balances.

Police Pension Fund Account

Introduction

The Police Pensions Fund Account was established under the Police Pension Fund Regulations 2007 (SI 2007 No. 1932). It is administered on behalf of the Authority by Essex County Council.

The Fund receives income each year from:

- employer’s contributions from Essex Police Authority based on a percentage of pay
- contributions from serving police officers
- other receipts

Pensions to retired police officers, lump sum payments and other benefits are paid from the Fund

The Fund is balanced to nil at the end of the year either by paying over to central government the amount by which the amounts receivable by the Fund for the year exceeded the amounts payable, or by receiving pension top-up grant from central government equal to the amount by which the amount payable from the Pension Fund for the year exceeded the amount receivable.

The top-up grant is paid initially into the Essex Police Income and Expenditure Account, and then transferred into the Police Pensions Fund Account as an additional contribution from Essex Police Authority

The Account is not backed by any investment assets, and its outgoings are funded entirely from the receipts identified above. The Fund accounts solely for the benefits payable in the financial year, and does not account for benefits payable in the future.

The following table identifies the movements on the Police Pension Fund Account for the year.

2008/09 £000	2009/10 £000
Contributions receivable	
(26,605) Essex Police Authority	(28,209)
(11,953) Serving police officers	(12,543)
(421) Capital equivalent payment for ill health	(562)
Transfers in	
(809) Individual transfers in from other schemes	(877)
(39,788) Total Receipts	(42,191)
Benefits payable	
38,282 Pensions	41,397
12,489 Commutations and lump sum payments	12,124
92 Lump sum death benefits	83
18 NIC on pension funds	18
Payments to and on account of leavers	
34 Refund of contributions	29
231 Individual transfers out to other schemes	1,582
51,146 Total Payments	55,233
11,358 Net amount payable for the year	13,042
(11,358) Additional contribution from Essex Police Authority	(13,042)
0	0

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Police Pension Fund Account

The following table identifies the net assets and liabilities of the Fund at 31 March 2010.

2008/09 £000		2009/10 £000
0	Contributions due from employers	0
11,358	Additional contribution receivable from Essex Police Authority	13,042
0	Unpaid pension benefits	0
0	Amount due to sponsoring department	0
0	Other current assets and liabilities (other than liabilities to pay pensions and other benefits in the future)	0
<u>11,358</u>	Total Net Assets	<u>13,042</u>

The additional contribution receivable from Essex Police Authority relates to the government top-up grant which is paid into the Essex Police Income and Expenditure Account and then transferred into the Police Pension Fund Account.

The above statement does not include liabilities to pay pensions and other benefits after the Balance Sheet date. The liabilities for future retirement benefits are disclosed in note 33 to the Authority's core financial statements.

Annual Governance Statement

This statement sets out the Authority's governance arrangements in relation to the 6 core principles of good governance, namely:

- A. Focussing on the purpose of the Authority and on outcomes for the community, and creating and implementing a vision for the local area.
- B. Members and officers working together to achieve a common purpose with clearly defined functions and roles.
- C. Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
- D. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
- E. Developing the capacity and capability of members and officers to be effective.
- F. Engaging with local people and other stakeholders to ensure robust, public accountability.

The statement is in 5 parts, covering:

- 1. Scope of responsibilities
- 2. The purpose of the governance framework
- 3. The governance framework described
- 4. Review of the effectiveness of the framework
- 5. Actions to address any significant governance weaknesses

1. **Scope of Responsibilities**

- 1.1 Essex Police Authority (“the Authority”) is responsible for ensuring its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, the Authority is also responsible for putting in place proper arrangements for the governance of its affairs and facilitating the exercise of its functions, which includes ensuring a sound system of internal control is maintained through the year, and that arrangements are in place for the management of risk.
- 1.3 The Authority has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE framework: Delivering Good Governance in Local Government. A copy can be obtained from the Authority's Chief Executive, 3 Hoffmanns Way, Chelmsford, Essex, CM1 1GU.
- 1.4 This statement explains how the Authority has complied with the code and also meets the requirements of regulation 4 (2) of the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment)(England) Regulations 2006 in relation to the publication of a statement on internal control.

Annual Governance Statement

2. The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values by which the Authority is directed and controlled and its activities through which it accounts to and engages with the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services, including achieving value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable and foreseeable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives. Therefore, it can only provide reasonable, and not absolute, assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood of those risks occurring and the impact should they occur, and to manage them effectively, efficiently and economically.

The governance framework has been in place at the Authority for the year ended 31 March 2010, and up to the date of approval of the statement of accounts on 28 June 2010.

3. The Governance Framework

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

The following sections (A-F) describe the key elements of the systems and processes that comprise the governance arrangements that have been put in place for the Authority and Force.

A. Focussing on the purpose of the Authority and on outcomes for the community, and creating and implementing a vision for the local area.

To achieve this, the Authority will:

A1. Agree and regularly review a statement of purpose, vision and values.

The Authority produces its own business plan on an annual basis. This sets out its purpose, vision and values and as well as priorities for the Authority to ensure it remains an effective body for oversight of the Force.

A2. Agree and regularly review a statement of the Force's culture, vision and values.

The Authority and Force jointly prepare and publish a rolling three year strategic plan setting out local policing priorities and targets. The Authority also keeps under review key Force plans and strategies such as the Community Engagement Strategy.

A3. Ensure that partnership working is underpinned by a common vision that is understood by all parties.

The Authority and Force maintain a public Engagement Strategy which sets out the joint commitment to engage with partner agencies.

Annual Governance Statement

The Force is involved in 3 Local Area Agreements (LAAs). These set out key strategic priorities agreed between central government and local authorities. The Authority and Force participate in 14 Community Safety Partnerships (CSPs) formally known as Crime and Disorder Reduction Partnerships (CDRPs) to address local community safety issues.

The Authority and Force work to support common aims with a variety of stakeholders, including:

- Local Criminal Justice Board
- Stansted Airport Limited
- Safer Roads Partnerships
- District and Parish Councils
- Unitary Councils
- Essex County Council
- Eastern Region and Kent Police Authorities and Forces

A4. Measure and keep under review the quality of policing services.

Targets for quality of service form part of the development of the annual local policing plan.

The Authority seeks information on service quality through its engagement activities including the use of feedback questionnaires and “Have Your Say” events at various locations throughout the Force area.

Call management and satisfaction indicators are monitored on a regular basis through the Chief Constable’s quarterly reporting and independently through the iQuanta system.

Oversight of performance is maintained using the Force’s Monthly Performance Improvement Meeting (MPIM) and through the Citizens First project group (formerly through the Contact Management Programme). The Professional Standards Department oversees or investigates complaints concerning the conduct of officers and staff. The Authority maintains oversight of this work including the use of stop/search data, ethnic minority monitoring and areas for organisational learning.

The Force’s analysis and review functions help to develop and provide guidance on planning to support force objectives; to monitor, analyse and advise on performance; to identify good and poor performance; and to generate performance improvements.

A5. Measure and review value for money.

The Authority and Force regularly monitor key performance indicators that provide a broad measure of value for money. Efficiency measures are monitored on a regular basis through the efficiency plan.

Value for money is constantly sought through channelling resources to priority areas, particularly to the front line. The work of Operation APEX which oversees savings and efficiencies within the force, and the collaboration programmes seek to challenge existing practices, drive out inefficiencies and ensure resources and assets are used more effectively.

Annual Governance Statement

The Authority oversees these work areas through its committee oversight role and by participation at programme board level. The Authority also monitors on a regular basis the progress of all major revenue investments to ensure that service benefits are delivered as planned.

- A6. Undertake environmental scanning to identify local and national expectations.

The Authority actively participates in the work of the APA, contributing to issues as they emerge, and assisting the development of policy and guidance at a national level. Advice, guidance and information from the APA are disseminated to all members on a regular basis, usually through a weekly newsletter, or through the formal committee process as necessary.

Other monitoring services are used to oversee parliamentary and legislative developments.

Locally, the Authority and Force use their engagement activities to capture local issues. In particular the Authority will use the Independent Advisory Group to engage with 'hard to hear' minority groups, and youth forums to engage with young people. Active engagement with key partners, particularly CSPs, Local Strategic Partnerships (LSPs), and the local airport operator ensures that key local stakeholders' views are known.

- A7. Hold the Chief Constable to account for the delivery of effective policing services, including effective arrangements to identify and deal with failure in service delivery.

The Authority formally oversees the production of and progress against all targets and priorities set out in the local policing plan.

Performance is measured against targets, over time and compared with peers. The Authority pro-actively challenges areas of poor performance and seeks detailed reports on these areas to monitor progress with improvement.

The Authority assigns individual members to specific headquarters, divisional and district specific functions and areas to oversee progress in these roles. The Authority also oversees key change programmes designed to improve specific services.

The Authority contributes to the force's programme of reviews to ensure they are rigorous and oversees any resulting action plan to ensure improvements are implemented.

The Chief Constable is subject to a performance appraisal system overseen by the Authority and HMIC.

B. Members and officers working together to achieve a common purpose with clearly defined functions and roles.

To achieve this, the Authority will:

- B1. Demonstrate it understands its role and functions.

The Authority produces a business plan on an annual basis that sets out its mission, statement of purpose and values. The plan sets objectives and an action plan, the outcomes from which are reported on each year

The Authority maintains a members' handbook setting out the Authority's contribution, working arrangements and responsibilities of individual members. A scheme of delegation exists setting out the respective level of responsibilities of the Chief Constable, Chief Executive and Treasurer.

Annual Governance Statement

The Authority, its members and staff, regularly work with the Force through both formal structures and informal arrangements to ensure the Authority effectively discharges its duty to ensure the provision of an efficient and effective police service.

The Authority uses an induction programme to ensure new members understand the work of the Authority and their role in it.

- B2. Set out the role and responsibilities of members, the Chief Constable, the Chief Executive, the Treasurer and the Monitoring Officer.

The roles and responsibilities of all statutory officers are set out in job descriptions. Delegation arrangements are set out in the Authority's constitution and Financial Regulations.

Members' roles and responsibilities are set out in the constitution.

- B3. Make the Chief Constable and Chief Executive responsible and accountable for the operational arrangement of the Force and Authority, respectively.

The Local Policing Plan and the Authority's Business Plan set out the key objectives and targets for which the officers are responsible.

The Authority has a formal committee structure for reporting progress, and informal arrangements with the Chairman and other local members to discuss relevant matters. Both officers are subject to a performance appraisal system.

- B4. Demonstrate how it fulfils its statutory responsibilities.

a) Planning – the Authority works with the Force, stakeholders and local communities to set the strategy and priorities for policing. A local policing plan is published each year. The Authority and Force produce a medium term financial strategy setting out the likely available resources to ensure that resources are directed to address the strategic priorities.

b) Finance and Budget – The Authority ensures the Force has the budget to deliver its objectives. The Authority sets an annual revenue budget and manages its financial resources, land and other assets through a capital strategy and appropriate asset management plans. Financial regulations and contract standing orders are in place for the proper administration of the Authority's financial affairs.

The Authority is subject to the Audit Commission's independent assessment of its use of resources.

c) Community engagement

A public engagement strategy, "You talk, we listen", sets out a joint approach by the Authority and Force to public engagement.

The Authority and Force regularly attend or hold local public meetings to hear the views of various communities or groups. The Authority oversees the work of the Force through the formal committee structure.

The Authority and Force maintain websites to inform and seek the views and concerns of the public. The Authority supports the attendance by the public at its meetings which include an opportunity for public questions.

d) Performance management and continuous improvement

Annual Governance Statement

The Authority has a structure in place to monitor, assess and challenge performance through its committee structure, lead member roles, consultation and external inspections. The Authority routinely identifies good and bad performance issues and seeks to address poor performance or areas of concern through appropriate action planning and robust scrutiny arrangements.

d) Complaints and Professional Standards

The Authority has arrangements in place to deal with complaints against chief officers of the Force. The Authority's Chief Officers' Committee considers any complaint or misconduct charge against a chief officer, whilst the Chief Executive is delegated to undertake any necessary preliminary enquiries. The Authority regularly monitors complaints raised against police officers and staff through its committee structure.

e) Equality and diversity

The Authority and Force each publish equality schemes designed to eliminate discrimination and promote race, disability and gender equality.

Equality impact assessments are used to ensure that service delivery does not adversely affect particular groups of people.

The Authority through its committee structure and lead member role oversees the implementation of the Authority's and Force's equality schemes.

f) Collaboration

The Authority and Force jointly exploit the opportunities presented by collaboration to make efficiency improvements and better use of existing resources and assets.

A formal decision making process with collaborative partners has been established to oversee developments and ensure that anticipated benefits are realised in a timely fashion.

B5. Ensure that policing is appropriately delivered in partnership with other agencies, with clear governance arrangements within those partnerships.

The Authority is involved with the Community Safety Partnerships (CSPs) as the principle form of partnership in place across the force area. The Authority also contributes towards the Local Area Agreement (LAA) and is a member of the Essex Partnership Forum that oversees this LAA.

The Authority is actively engaged with other forces and police authorities in the Eastern Region and with Kent to pursue collaborative benefits. Joint statutory committees have been established to formalise the governance of this work.

B6. Have in place an effective independent custody visiting scheme.

The Authority has a review group to oversee all arrangements of the independent custody visiting scheme, ensuring the scheme is maintained, kept under review and remains effective.

C. Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

To achieve this, the Authority will:

C1. Ensure its work is underpinned by ethical values and a climate of openness, support and respect.

Annual Governance Statement

The Authority sets out its values in its business plan which is updated and reviewed annually. The Authority and staff are governed by codes of conduct. The conduct of members is overseen by the Authority's Standards Committee and corporate governance arrangements are kept under review by the Authority's Audit Panel.

The constitution sets out its working arrangements, ensuring full participation by members in the work of the Authority.

- C2. Ensure that standards of conduct and personal behaviour expected between members, authority staff and force personnel are defined, communicated and monitored.

Each member has a defined set of roles and responsibilities.

Documented policies exist on codes of conduct for members and standards of behaviour for staff. All new members and staff receive induction training, including responsibilities relating to conduct and standards of behaviour.

Member attendance records are maintained for all formal meetings of the Authority.

- C3. Actively promote and maintain high standards of conduct.

The Authority follows approved procedures and competency standards for the appointment of all staff and independent members.

Procedures are in place for declaring interests, claiming expenses and recording hospitality received.

The Authority has whistle-blowing and grievance procedures in place.

- C4. Ensure that the Force sets high standards of ethical behaviour, and that complaints are dealt with effectively.

The Authority has procedures in place to deal with complaints against chief officers. The Authority also oversees complaints against the Force and its officers through its Complaints and Professional Standards Panel, which complies with national guidance.

The Force has whistle-blowing and grievance procedures in place.

D. Taking informed and transparent decisions which are subject to effective scrutiny, and managing risk.

To achieve this, the Authority will:

- D1. Have in place a formal mechanism to take required decisions.

The Authority has a formal committee structure with clear terms of reference and a scheme of delegation. Standing orders and financial regulations set out responsibilities, various controls and approval procedures.

Formal reports are presented to the appropriate meetings of the Authority and all decisions are formally recorded in the minutes of each meeting.

- D2. Maintain effective audit arrangements

The Authority oversees audit arrangements through its Audit Panel which considers the annual audit plans of both the external auditors and internal audit. Both plans are risk based.

Annual Governance Statement

Progress against the internal audit plan is monitored on a regular basis. The External Auditor presents the annual audit letter to members of the Finance and Audit Committee each year.

D3. Have access to up-to-date information to support decision making.

Formal reports are presented to the Authority's meetings in a timely fashion. Member briefings are held prior to each Authority meeting. Members have access to independent legal and financial advice from the Authority's Monitoring Officer and Treasurer.

Members, through their link roles, have access to key senior force personnel to discuss progress and areas of concern. Members of the Authority attend the Force's monthly performance improvement meeting which oversees force performance.

Regular briefings and workshops are arranged to provide information on topical issues or areas of concern.

D4. Have in place an effective system to manage risks.

The Authority has approved a risk management strategy and oversees its implementation through its Audit Panel.

Members receive training on risk management.

The Force and Authority maintains a corporate risk register.

Risk assessments are performed for all major initiatives and projects.

E. Developing the capacity and capability of members and officers to be effective.

To achieve this, the Authority will:

E1. Demonstrate that it plans for how it will deliver its own role and functions.

The Authority contributes to, and subsequently approves, a 3 year strategy and the annual policing plan. The Authority also prepares its own business plan and updates this on an annual basis.

E2. Demonstrate that it plans and makes appropriate allocation and use of funding to deliver its role and functions.

The Authority's business plan identifies the resources and funding needed to perform its own role. The Authority monitors its budget throughout the year.

E3. Demonstrate that it provides or has access to the range of capabilities necessary to fulfil its role and functions.

The Authority appoints its independent members and officers using an open and competency based recruitment process. Members and officers receive induction and on-going training and development to maintain their effectiveness.

The Authority has a dedicated team of staff to support the work of the Authority.

The Authority trains and develops its members and staff to deliver its role and functions. The staff have an appraisal system to set personal objectives and personal training and development needs.

Annual Governance Statement

Additional support is obtained from Essex Police to fulfil specific roles, particularly for media and public relations activities and human resource support.

E4. Demonstrate that it effectively communicates.

The Authority has a communication strategy and the use of a dedicated media and public relations resource to address its communication needs. The Authority has its own separate offices and a dedicated website describing its work and activities. The website publishes details of its public meetings, agendas and reports. All key policy documents and other key reports are available on the website.

The Authority communicates internally through regular informal meetings with members and through the use of a weekly newsletter. The use of the staff appraisal system, staff team meetings and circulating management team notes ensures that staff are engaged on a regular basis.

The Authority and Force maintains regular communication through the use of the Force's intranet, through regular meetings between Chief Officers and members and through Essex Police's newspaper, The Law.

E5. Demonstrate that it has operational policies, procedures and processes to deliver its role and functions and that these are regularly reviewed.

The Authority has a written constitution setting out its structure, standing orders, contract standing orders, Financial Regulations, member responsibilities, scheme of delegation and code of conduct.

The Authority has developed its human resource policies and has adopted appropriate force policies and procedures. The Authority has an office procedures manual setting out procedures key to the smooth running of the Authority's offices. Training records and records of attendance are monitored.

E6. Demonstrate that it has the physical resources to deliver its role and functions and that these are regularly reviewed.

The Authority has its own dedicated modern office facilities and car park. The officers are fully equipped with IT, printing, audio visual and communications facilities.

F. Engaging with local people and other stakeholders to ensure robust public accountability.

To achieve this, the Authority will:

F1. Understand to whom it is accountable and for what it is accountable and make this known to the communities it serves.

The role and functions of the Authority are communicated to the public and other stakeholders through the publication of its meetings, reports and policies and through a system of regular public engagement activities and events. The Authority's website is maintained to ensure that all public reports and notices of forthcoming meetings and events are readily available.

The Authority's members have specific roles in relation to CSPs to ensure active engagement with community safety partners.

The Authority and Force publish an annual report and Council Tax leaflet.

F2. Ensure arrangements are in place to enable effective engagement with all sections of the Community.

Annual Governance Statement

The Authority publishes information about its plans and achievements. The Authority has a communications strategy and supporting plans, including a public engagement strategy. The Authority undertakes a number of specific activities to engage with the diverse and hard to reach groups of its community.

The Authority actively engages with the press and media to ensure widespread coverage of its activities.

Survey outcomes and other feedback mechanisms are regularly reported to the Authority to monitor the effectiveness of feedback arrangements and the quality of service provided.

- F3. Ensure arrangements are in place to enable effective engagement with partners, stakeholders and other organisations.

A link member role has been established for individual members to engage with each CSP in the Force's area, and for youth services. The Authority is also engaged with the Criminal Justice Board (CJB) in Essex to develop closer working relationship. In addition it is a member of the Essex Partnership, responsible for the Local Area Agreement for the county area.

- F4. Have a clear policy on when and how it consults and involves staff and their representatives in decision making, policies and procedures.

The Authority has a Liaison Committee prior to each full Authority meeting to provide all staff associations the opportunity to discuss Authority business with the members and Force Chief Officers.

The Chairman holds regular meetings with each staff association.

The Authority's staff are engaged through team meetings and the appraisal scheme. Trade union liaison is maintained at all appropriate occasions.

The Authority has whistle-blowing arrangements and grievance procedures in place available for all staff.

- F5. Regularly publish information on the Authority's work and achievements.

The Authority publishes reports, minutes and key publications such as the policing plan and annual report on its website. The Authority has a Freedom of Information Publication Scheme in place.

The Statement of Accounts is published and the Council Tax leaflet is distributed to every household, as well as being available on the website.

The Authority's Chairman has a regular feature in the Force's Newspaper, The Law.

- F6. Ensure that the Chief Constable regularly publishes information on the Force's work, achievements and satisfaction of users.

The local policing plan is published and available on the Authority's website. Performance against the policing plan's targets, including comparisons over time and against peers, is regularly reported to the Authority and available on the Authority's website.

Action plans arising from various inspections are monitored by the Authority, with reports and minutes available on the website.

The Authority and Force regularly issue press releases about key work and achievements.

Annual Governance Statement

4. Review of Effectiveness

4.1 The Authority has responsibility for conducting, at least annually, a review of the effectiveness of the governance framework, including:-

- The system of internal audit
- The system of internal control

Police Authority

4.2 These reviews have been informed by the work of the Authority's Audit Panel and internal audit during the course of the year. Also managers within the Authority who have responsibility for the development and maintenance of the governance environment have contributed to this work. In addition, comments made by the external auditors and other review agencies and inspectorates have informed this review.

4.3 The Audit Panel has specific responsibilities for corporate governance arrangements, internal audit and risk management. The Audit Panel oversees the progress of internal audit and as a body independent of the internal audit service, it provides an appropriate means of assessing the effectiveness of internal audit. Progress on risk management is regularly reported to the Audit Panel. The review of corporate governance has encompassed standards of conduct; anti-fraud and corruption, and whistle-blowing arrangements; and partnership arrangements and their associated risks.

4.4 The Use of Resources Evaluation is conducted by the Authority's external auditors to review arrangements for controlling resources, including the system of internal control, public accountability and the financial framework. The results of this work were reported to the Audit Panel which oversees progress against the resulting action plan to address areas for improvement.

The Force

4.5 Chief Officers are responsible for determining force strategies and key policy decisions. They identify the service improvement programmes necessary to deliver the 3 year policing strategy and the mechanisms for authorising, monitoring and controlling the corporate projects needed to deliver the necessary improvements in the service. A key focus for the year has been the delivery of financial savings and other efficiencies through Operation APEX and the delivery of efficiencies through collaborative work with other forces.

Internal Audit

4.6 Internal Audit has maintained a continuous review of the internal control environment throughout the year. The view of the Internal Auditor is that they consider that Essex Police has maintained a sound control framework.

External Audit

4.7 The auditor agrees an annual audit plan with members. Regular meetings are held with both the Treasurer and Force personnel. Recommendations arising from the auditor's reports are progressed by the Force.

Her Majesty's Inspectors of Constabulary (HMIC)

4.8 HMIC carry out inspections on strategic themes and force performance on an ongoing basis. All forces are subject to periodic visits and formal inspection, the outcome of which are reported to the Authority and Force. Action plans arising out of any inspection are monitored for progress by the Authority.

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Annual Governance Statement

5. Significant Governance Issues

5.1 The definition of a significant governance issue is one where:

- the issue has seriously prejudiced or prevented achievement of a principle objective
- the issue has resulted in a need to seek additional funding to allow it to be resolved, or
- has resulted in a significant diversion of resources from another aspect of the business
- the issue has led to a material impact on the accounts
- the Audit Panel has advised that it should be considered significant for this purpose
- the Head of Audit Services has reported on it as significant, for this purpose, in his annual assurance statement
- the issue, or its impact, has attracted significant public interest or has seriously damaged the reputation of the Authority and/or the Force
- the issue has resulted in formal action being taken by the Treasurer and/or the Monitoring Officer

5.2 Governance of Collaboration

Given the development of significant collaboration arrangements across numerous partners there is a need to ensure that governance arrangements remain robust with regard to the number of agencies involved.

5.3 The Authority proposes, over the coming year, to take steps to review its governance arrangements in order to facilitate and support collaboration initiatives with the potential to enhance Policing services in Essex.

Signed:

.....
Robert Chambers
Chairman
Essex Police Authority

.....
Jim Barker-McCardle
Chief Constable
Essex Police

.....
Robin Paddock
Chief Executive
Essex Police Authority

Glossary of Terms

ACCRUAL – The recognition, in the correct accounting period, of income and expenditure as it is earned or incurred, rather than as cash is received or paid.

ACCRUED BENEFITS – The benefits for service up to a given point in time, whether vested rights or not.

ACTUARIAL GAINS AND LOSSES – For a defined benefit scheme, the changes in actuarial deficits or surpluses that arise because events have not coincided with the actuarial assumptions made for the last valuation (experience gains or losses) or the actuarial assumptions have changed.

ACTUARIAL VALUATION – A valuation of assets held, an estimate of the present value of benefits to be paid, and an estimate of required future contributions, by an actuary, on behalf of a pension fund.

AGENCY SERVICES – The provision of services by an authority (the agent) on behalf of another authority, which is legally responsible for providing those services. The responsible authority reimburses the authority providing the service.

APPROPRIATIONS - Amounts transferred to or from revenue or capital reserves.

ASSET – An item owned by the Authority, which has a value, for example, land & buildings, vehicles, equipment, cash.

AUDIT COMMISSION – An independent body, established under the Local Government Finance Act 1982. It is the responsibility of the Audit Commission to appoint external auditors to the Police Authority. The Audit Commission has a duty to ensure that the Police Authority makes proper arrangements for ensuring the economy, efficiency and effectiveness in their use of resources and has the power to undertake special 'value for money' studies.

BEST VALUE ACCOUNTING CODE OF PRACTICE – A CIPFA guide to accounting for best value which provides a consistent and comparable calculation of the total costs of services.

BUDGET – A statement of the Authority's plans in financial terms. A budget is prepared and approved by the Police Authority before the start of each financial year and is used to monitor actual expenditure throughout the year.

BUSINESS RATES – The business rate in the pound is the same for all business ratepayers and is set annually by the Government. Income from business rates goes into a central Government pool that is then distributed to authorities according to resident population.

CAPITAL ADJUSTMENT ACCOUNT – An account which reflects the timing difference between the cost of fixed assets consumed and the capital financing set aside to pay for them.

CAPITAL EXPENDITURE - Expenditure on new assets or on the enhancement of existing assets so as to prolong their life or enhance market value.

CAPITAL GRANT – Grant from Central Government used to finance schemes in the capital programme. Where capital grants are receivable, these are used, as far as possible, to finance capital expenditure to which they relate in the year that the grant is received.

CAPITAL RECEIPTS – The proceeds from the sale of an asset, which may be used to finance new capital expenditure or to repay outstanding loan debt, as laid down within rules set by Central Government.

CASHFLOW STATEMENT – This statement summarises the inflows and outflows of cash.

CIPFA – The Chartered Institute of Public Finance and Accountancy. This is the main professional body for accountants working in the public services.

CONTINGENCY – The sum of money set aside to meet unforeseen expenditure or liability.

COLLECTION FUND – A fund administered by each District Council into which individuals' Council Tax payments are paid. The Police Authority precept on the fund to finance part of their net revenue expenditure.

COUNCIL TAX – The local tax levied on householders, based on the relative market values of property, which helps to fund local services.

CREDITORS – Individuals or organisations to whom the Authority owes money at the end of the financial year.

CURRENT ASSETS AND LIABILITIES – Current assets are items that can be readily converted into cash. Current liabilities are items that are due immediately or in the short-term.

Glossary of Terms

CURRENT SERVICE COSTS (PENSIONS) – The increase in the present value of a defined benefit scheme's liabilities expected to arise from the employee service in the current period.

CURTAILMENT – For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service.

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

DEFERRED LIABILITIES – Liabilities which by arrangement are payable beyond the next year at some point in the future or paid off by an annual sum over a period of time.

DEFERRED PENSIONS – Individuals who have ceased to be active members but are entitled to benefits payable at a later date.

DEFINED BENEFIT SCHEME – A pension scheme which defines the benefits independently of the contributions payable and the benefits are not directly related to the investments of the scheme.

DEPRECIATION – An annual charge to reflect the extent to which an asset has been worn out or consumed during the financial year.

DIRECT REVENUE FINANCING – Resources provided from the Authority's revenue budget to finance the cost of capital projects.

DISCRETIONARY BENEFITS – Retirement benefits which the employer has no legal, contractual or constructive obligation to award and which are awarded under the Authority's discretionary powers.

EARMARKED RESERVES – These represent monies set aside that can only be used for a specific purpose.

EXPECTED RATE OF RETURN ON PENSION ASSETS – For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

EXTRAORDINARY ITEMS – Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the authority and are not expected to recur.

FINANCE AND OPERATING LEASE – A Finance lease transfers all of the risks and rewards of ownership of a fixed asset to the lessee. If these leases are used, the assets acquired have to be included within the fixed assets in the balance sheet at the market value of the asset involved. With an operating lease the ownership of the asset remains with the leasing company and an annual rent is charged to the Income & Expenditure Account.

FINANCIAL REGULATIONS – A written code of procedures approved by the Authority, intended to provide a framework for proper financial management.

FINANCIAL REPORTING STANDARDS (FRS) – These standards are developed by the Accounting Standards Board and regulate the preparation and presentation of financial statements. The Companies Act 1985 requires compliance to these Standards or disclosures in the notes if there are any material departures from those Standards.

FRS17 RETIREMENT BENEFITS – An accounting standard that requires the recognition of long term commitments made to employees in respect of retirement benefits in the year in which they are earned. See Statement of Accounting Policies, pages 12-13, for further explanation.

FINANCIAL YEAR - The period of twelve months for the accounts commencing 1st April.

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

FLOOR – The minimum increase in Government grants guaranteed to all Police Authorities. There is also a ceiling (i.e) a maximum increase above which Police Authorities will lose government grant. This is used to offset those below the 'floor' and bring them up to the minimum level of funding.

Glossary of Terms

FORMULA SPENDING SHARE (FSS) – An assessment by central government of how much an authority needs to spend to provide a common level of service having regard to its individual circumstances. It is used to distribute Revenue Support Grant and Police Grant.

FUTURE CAPITAL FUNDING RESERVE – Created to provide an alternative source of financing capital expenditure, and to ensure some stability in the level of capital programmes that can be financed each year.

GOING CONCERN – The concept that the Authority will remain in operational existence for the foreseeable future, in particular that the Income & Expenditure Account and balance sheet assume no intention to curtail significantly the scale of operations.

GOVERNMENT GRANTS - Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.

INCOME & EXPENDITURE ACCOUNT – The main revenue fund of the Authority into which the precept, government grants and other income are paid, and from which the costs of providing services are met.

INTEREST INCOME – The money earned from the investment of surplus cash.

INTEREST COSTS (PENSIONS) – For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

INVESTMENTS (PENSION FUND) – The investments of the Pension Fund will be accounted for in the statements of that Fund. Authorities, however, are also required to disclose the attributable share of pension scheme assets associated with their underlying obligations.

MINIMUM REVENUE PROVISION (MRP) – The statutory minimum amount which an authority is required to set aside on an annual basis as a provision to redeem debt.

NET BOOK VALUE – The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

NET CURRENT REPLACEMENT COST – The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

NON DISTRIBUTED COSTS – Overheads not charged or apportioned to activities within the Service Expenditure Analysis.

NON OPERATIONAL ASSETS – Non operational assets are fixed assets held by the Authority but not directly occupied or used in the delivery of services. They include surplus properties awaiting disposal and assets that are under construction.

OPERATIONAL ASSETS – Fixed assets held and occupied, used or consumed by the Police Authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

OUTTURN – The actual amount spent in the financial year.

PAST SERVICE COST – For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

PAYMENTS IN ADVANCE – These represent payments prior to 31 March for supplies and services received after 1 April.

PENSION FUND – A fund which makes pension payments on retirement of its participants.

POLICE GRANT – A grant paid by the Government to Police Authorities as a proportion of the Formula Spending Share or FSS.

Glossary of Terms

PRECEPT – The income which the Authority requires the District Council to raise from Council Tax on its behalf.

PROJECTED UNIT METHOD – An accrued benefits valuation method in which the scheme liabilities make allowances for projected earnings. The scheme liabilities at the valuation date relate to:

- a) the benefits for pensioners and deferred pensioners and their dependants, allowing where appropriate for future increases.
- b) the accrued benefits for members in service at the valuation date.

PROVISION – An amount set aside to provide for a liability that is likely to be incurred but the exact amount and the date on which it will arise is uncertain.

PUBLIC WORKS LOAN BOARD (PWLB) – A government agency which provides longer term loans to local authorities at interest rates only slightly higher than those at which the government itself can borrow.

RECEIPTS IN ADVANCE – These represent income received prior to 31 March for supplies and services provided by the Authority after 1 April.

RESERVES – Monies set aside by the Authority either to be earmarked for specific purposes, or generally held to meet unforeseen or emergency expenditure (General Reserve).

RETIREMENT BENEFITS – All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

REVALUATION RESERVE – The account records unrealised net gains (if any) from revaluations made after 1 April 2007.

REVENUE EXPENDITURE AND INCOME – Day to day expenses mainly salaries and wages, general running expenses and the minimum revenue provision cost. Charges for goods and services.

REVENUE CONTRIBUTIONS TO CAPITAL – Contribution from the Income & Expenditure Account to finance capital expenditure and thus reduce the requirement to borrow.

REVENUE SUPPORT GRANT (RSG) - General government grant support towards police authority expenditure.

SCHEME LIABILITIES – The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

SETTLEMENT – An irrevocable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligations and the assets used to effect the settlement.

SPONSORSHIP – The voluntary provision of non-public fund, services, equipment or other resources that enables the police to enhance or extend the normal service provided.

STATEMENTS OF STANDARD ACCOUNTING PRACTICE (SSAP) - These standards were adopted by the Accounting Standards Board (ASB) from its predecessor the Accounting Standards Committee (ASC) and regulate the preparation and presentation of financial statements. Any new Standards are now referred to as Financial Reporting Standards (FRS). The CIPFA Code of Practice on Local Authority Accounting 2006 requires compliance to these Standards or disclosures in the notes if there are any material departures from those Standards.

TRANSFER VALUES – Payment made by one pension scheme to another in respect of accrued pension rights when a member of a scheme changes pensionable employment.

VESTED RIGHTS – In relation to a defined benefit scheme, these are:

- a) for active members, benefits to which they would unconditionally be entitled on leaving the scheme.
- b) for deferred pensioners, their preserved benefits.
- c) for pensioners, pensions to which they are entitled.

Vested rights include where appropriate the related benefits for spouses or other dependants.

WORK IN PROGRESS – The cost of work done on an uncompleted project at the balance sheet date.

Further Information

Further information about the Authority's accounts is available from:

Financial Services Department
Essex Police HQ
PO Box 2
Chelmsford
Essex
CM2 6DA

Telephone 01245 452615
Fax 01245 452568
E-mail: financehelp@essex.pnn.police.uk

This is part of the Authority's policy of providing full information about the Authority's affairs. In addition, members of the public have a statutory right to inspect the accounts before the audit is completed. The availability of the accounts for inspection is advertised in the local press. The audit of the accounts has been formally concluded and this is reflected in the independent auditor's report that appears on pages 8-10.

General information about Essex Police Authority can be obtained from its website: www.essex.police.uk/authority