

**KENT**  
**POLICE**



## **Statement of Accounts**

2010 - 2011

Kent  
Police  
Authority



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# Foreword

This Statement of Accounts records the expenditure and income of the Kent Police Authority (the Authority) during the financial year 2010/11 and its financial position at the 31 March 2011. The accounts have been prepared in accordance with the 'Code of Practice on Local Authority Accounting', which is the relevant 'Statement of Recommended Practice' (SORP), and the 'Best Value Accounting Code of Practice' published by the Chartered Institute of Public Finance and Accountancy (CIPFA). This is the first year where local authorities (including all Police and Fire Authorities) have to produce their accounts in accordance with International Financial Reporting Standards (IFRS). As such there are a number of significant changes to the accounts and these are summarised below.

The aim of the shift to IFRS is to standardise accounting practices across public and private sectors as well enabling global comparison. No additional resources were employed to complete the accounts although an additional one off £7,000 was incurred as supplementary consultancy fees due to the introduction of componentisation.

The move to IFRS is a change in accounting policy and so requires each change to be applied retrospectively (with the exception of componentisation which is applied prospectively). This has meant all primary statements for 2009/10 are restated to enable comparisons to be made between years.

A brief summary of these changes is as follows:

Change	Description
Short term compensated absences	Leave and time-off-in-lieu balances at the 31 <sup>st</sup> March are quantified financially and charged to the Net Cost of Services. This provision is reversed out through the Movement in Reserves Statement and shown in a Short term Accumulated Compensated Absences Account on the Balance Sheet and a liability shown as a provision.
Government Grants and contributions supporting capital expenditure	Under the previous financial regulations grants and contributions were amortised and credited to the Net Cost of Services to match depreciation charges on assets used within the service. Under IFRS grants and contributions are recognised in the Comprehensive Income and Expenditure Statement as they are received and any conditions fulfilled.
The Statement of Recognised Gains and Losses no longer exists but is embedded at the foot of the Comprehensive Income and Expenditure Statement	
Componentisation	Assets which are made up of more than one component have been reviewed to establish whether each significant component has a usual life different to the parent asset. Where this has been found to be the case a sub asset has been created with a separate depreciation charge being posted to the Net Cost of Services. Due to the complexity of this and the number of assets Authorities have, this change is applied for assets purchased or revalued from 1 <sup>st</sup> April 2010.
Non-current assets	Formerly called Fixed Assets
Investment properties	This is a new class of assets and covers those properties which the Authority is holding either as rental properties or those which are no longer required but are being held until the market prices increases.
Cash Equivalents	Any short-term investment with a bank, building society, local authority or the Bank of England which has a term of less than three months is classified as a cash equivalent rather than a short-term investment on the balance sheet.
Assets held for sale	This is a new classification and shows non-current assets which the Authority is actively marketing and reasonably expect to complete the sale within one year.
The Movement in Reserves Statement	This is new and replaces the Statement of Movement in the General Fund Balance. It and its supporting notes provide a useful and informative guide to the use of the Authority's funds over the year.

The Accounts begins with a statement of the responsibilities of the Authority and the Treasurer in relation to the management and reporting arrangements for the Authority's resources (page 8). The Authority's 'Annual Governance Statement', which is produced for the fourth time this year, and broadens the coverage of the previous Statement of Internal Control to enforce all of the organisation's key governance processes and safeguards, is shown starting on page 9. The Auditor's Report appears at page 16 and the Summary of Accounting Policies as note 1 on page 24.

The main financial statements comprise:

- The Comprehensive Income and Expenditure Statement - This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different to the accounting cost. The taxation position is shown in the Movement in Reserves Statement.
- The Balance Sheet - shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories: The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the authority is not able to use to provide services. This category includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.
- The Cashflow Statement - shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which operations of the authority are funded by way of taxation and grant income or from the recipients of the services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (ie borrowings) to the authority.
- The Movement in Reserves Statement - shows the movement in year on the different reserves held by the authority, analysed into 'useable' (ie those that can be applied to fund expenditure or reduce local taxation) and other reserves. The surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the authority.

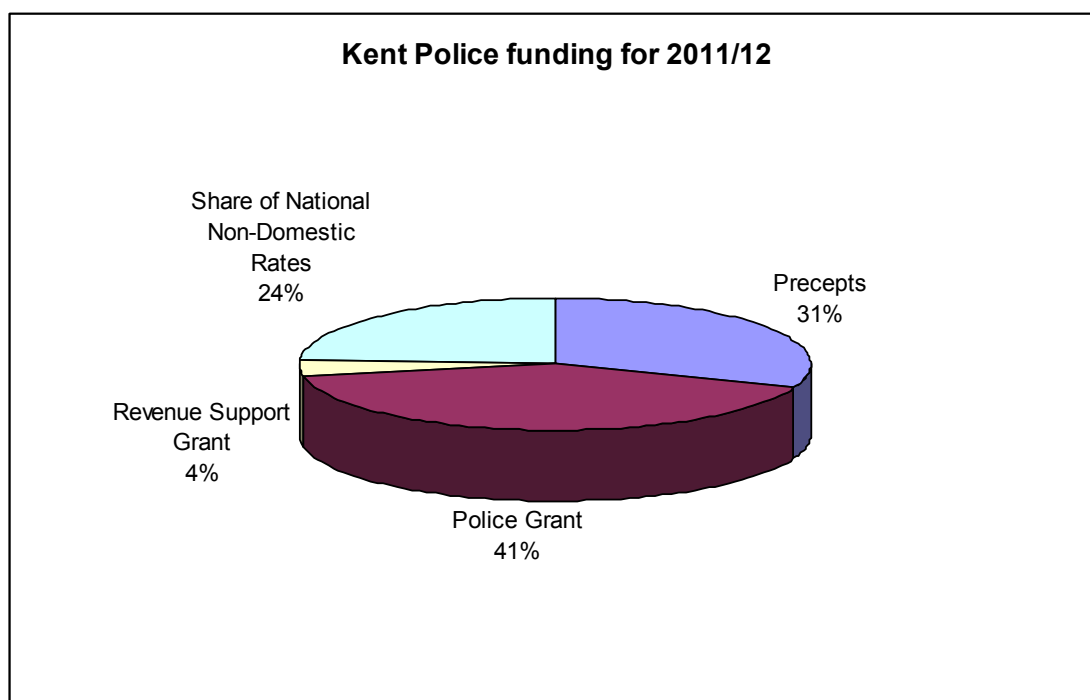
In addition to these primary statements there are a number of notes which help explain the figures, including a set of accounting policies showing the approach the Authority has taken in compiling the accounts.

## **General**

Kent Police is facing a period of unprecedented change following the Government's Emergency Budget in June 2010. The police service nationally is required to find its share of the national deficit and make stringent cuts to its budgets without compromising front-line services. Kent Police has to make £50m recurrent savings over the next four years, 2011/12 – 2014/15 against a back-drop of rising prices and increasing demand for visible, neighbourhood policing.

The Authority is well placed to respond to these demands being free from debt and reliant only on Government Grants and Precepts as its main sources of funding. The Police Authority and Chief Officer team understand the challenges ahead and have set in place a re-structuring programme to achieve the necessary cost reductions whilst still maintaining a first class service for the people who live, work and travel in Kent.

The chart below shows the proportions of funding received by Kent Police in terms of grants and contributions.



Police Grant, Revenue Support Grant and the KPA share of National non-domestic rates are aggregated together and distributed jointly on a single national formula.

This chart helps illustrate that Kent Police is primarily funded from central government grants with a lower proportion from precepts through the Council Tax. This means any reductions in Government grant are felt acutely and have a significant impact on the Authority.

The years 2011/12 through to 2013/14 will see significant restructuring across the Authority with consolidation from six geographical Basic Command Units to three, and cross boundary tactical and operational support. All this is designed to enhance the service, strengthen community engagement, drive down crime and the fear of crime, all with reduced costs.

Kent is a pioneering police force along with Essex Police in leading the way on collaborative working practices. The Kent Police and Essex Police Serious Crime Directorate is one such example where the two forces combine expertise and experience to investigate and reduce serious and organised crime. Such collaborative arrangements are increasing around the country and offer real opportunities to deliver an increased level of service at a combined lower cost.

### **The Comprehensive Income and Expenditure Statement**

The Kent Police Authority revenue budget for the year 2010/11 provided for net expenditure of £285m. In the event, actual net expenditure was £279.8m, representing an underspend of £5.2m. Much of this is attributable to pro-active cost reduction initiatives across the Force partially resulting from the Emergency Budget. This level of underspend is similar to that which was anticipated at the time of setting the Revenue Budget for 2011/12, and will be utilised on a planned basis to ease the burden of grant reductions over the medium term. Note 26 to these accounts provides information in a similar format to that received regularly by the Chief Officer team and used to make resourcing decisions. This provides meaningful information to readers of the accounts on where expenditure is incurred and on what.

The final position on Revenue Spending against Budget for the year was, therefore, a satisfactory and favourable one. It has permitted the General Fund Reserve for the time being to remain at £6.0m. This is over 2% of net revenue expenditure, which is the agreed KPA policy. Identified future liabilities (except pensions) are fully covered by separate earmarked Reserves.

International Financial Reporting Standards require that the total future liabilities for the cost of pension payments to past and present employees are fully reflected in the Balance Sheet, and that their change during the year is reflected in the Comprehensive Income and Expenditure Statement. Since the national Police Officers' pension scheme is not backed by any investments, the Authority's future pension liability of £1,928m far exceeds its total assets. Including a smaller deficit on the mainly funded Local Government Scheme for Police Staff, total pension liabilities are £1,979m. Set against £166m of Accounting reserves, £13m Capital Reserves and £21m of Usable Reserves, the Balance Sheet Accounting Deficit is £1,778m.

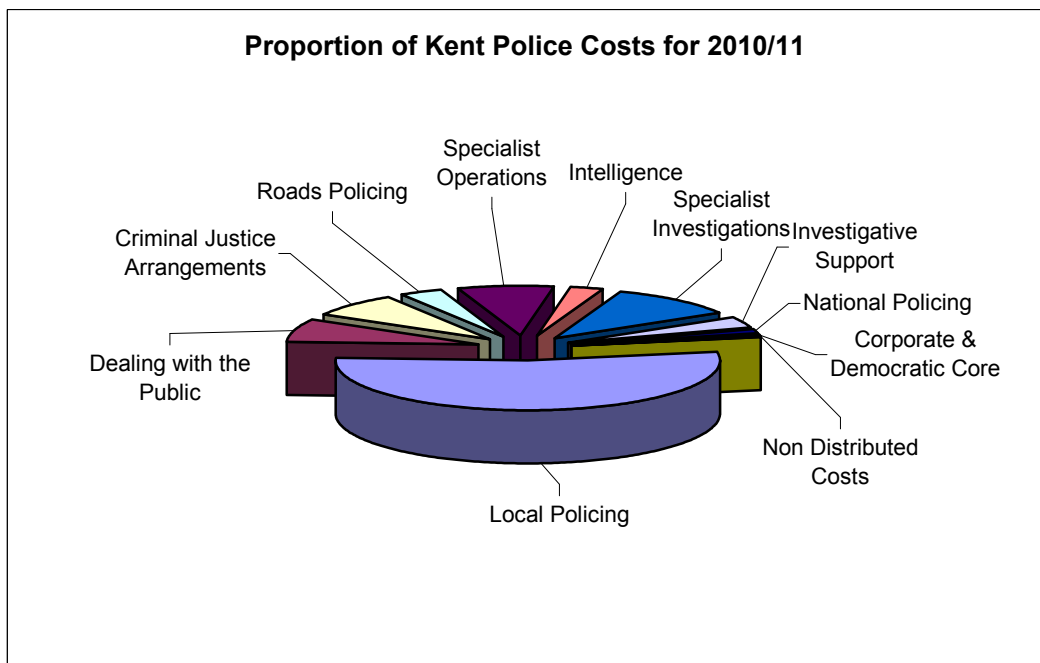
Perhaps the most significant impact of the Emergency Budget on these accounts has been the change in valuing the pensions liability from a Retail Price Index basis to Consumer Price Index. Although this is only around 1% lower the impact on the accounting entries for pensions has been huge. Advice from our actuaries indicates that this change is shown in the Comprehensive Income and Expenditure Statement in 2010/11.

This has meant that an adjustment of £257m has been applied through Past Service costs offsetting the annual charge and resulting in an apparent surplus of £104m for the year. Actuarial gains on the pension fund of £180m are also applied to the Comprehensive Income and Expenditure Statement for 2010/11 resulting in an accounting surplus of £284m against the underspend of £5.2m. This position is replicated in Police Authorities across the country.

Fortunately the application of Past Service Costs is applied through as an exceptional item (see Note 5 page 36) so comparisons with previous years are still possible:

Re-stated 2009/10			2010/11	
Percentage	£'000's		£'000's	Percentage
53.9%	187,607	Local Policing	201,205	57.8%
7.3%	25,375	Dealing with the Public	21,986	6.3%
8.7%	30,272	Criminal Justice	24,190	7.0%
3.5%	12,228	Roads Policing	12,606	3.6%
8.7%	30,371	Specialist Operations	29,953	8.6%
2.9%	10,053	Intelligence	9,057	2.6%
11.1%	38,626	Specialist Investigations	38,059	10.9%
3.9%	13,546	Investigative Support	11,191	3.2%
	<b>348,438</b>	<b>Sub-total</b>	<b>348,247</b>	
-1.2%	-4,188	National Policing	-3,299	-0.9%
0.4%	1,231	Corporate & Democratic Core	1,519	0.4%
0.9%	3,311	Non-distributed costs	1,453	0.4%
		Exceptional items	-257,215	
	<b>348,792</b>	<b>Net Cost of Policing Services</b>	<b>90,705</b>	

This clearly shows the proportion of total expenditure allocated to functions of the service and that these are largely consistent between years although with a small increase in Local Policing which is in-line with Police Authority plans to bolster visible Neighbourhood Policing. Kent Police undertook a complete revaluation of its estate during 2009/10 resulting in substantial changes to the valuation of many of its assets. This is reflected as substantially higher costs in 2009/10 than 2010/11. The 2010/11 net expenditure can be expressed diagrammatically as follows:



The Authority is still awaiting the outcome of legal challenges made to the Icelandic Supreme Court around its preferential creditor status. The outcome of this challenge is by no means certain and the implications for Kent Police Authority are summarised as follows:

Bank	Amount Invested £'000's	Anticipated return £'000's	Percentage return %	Worse case anticipated return £'000's	Percentage return %
Glitnir	2,000	2,000	100.00	580	29.00
Heritable	3,200	2,719	84.97	2,528	79.00
Landsbanki	5,900	5,597	94.86	2,253	38.19
<b>Total</b>	<b>11,100</b>	<b>10,316</b>	<b>92.94</b>	<b>5,361</b>	<b>48.30</b>

The difference between the anticipated return of £10.3m and the amount invested (£11.1m) has been written off through the Comprehensive Income and Expenditure Account in 2010/11. This acknowledges that around 7% of the total original investments are considered irrecoverable. This is based on the latest information from CIPFA and has been agreed by the Audit & Governance Committee in June 2011. Kent Police had provided for this full amount as part of its Budget Equalisation Reserves from previous years underpends so there is no impact on the General Fund and no requirement to fund this write off through the Council Tax.

More information on this can be found in note 14 on page 42.

### Summary

As described earlier the outlook for Kent Police funding in the medium term is not favourable, and this presents KPA with serious challenges. However, a combination of effective systems of internal control and budget monitoring, and a coherent medium term plan, leave the authority in a relatively robust position to address these challenges. The favourable outturn for 2010/11 has contributed to this position.

Whilst the current 'unfunded' Police Officer pension arrangements continue, Annual Financial Statements will always show Balance Sheet deficits. It is right that we are required to be transparent about these deficits, but we should not let this distract us from focusing on our performance in managing our finances against the real parameters set for us. In this latter respect, 2010/11 represented another successful year.

# Statement of Responsibilities for the Statement of Accounts

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. That officer is the Treasurer of the KPA;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Ensure that the statement of accounts is prepared in accordance with the Accounts and Audit Regulations 2011 and to approve the accounts within three months of the end of the period to which they relate.

## The Treasurer's Responsibilities

The Treasurer is responsible for the preparation of the Authority's statement of accounts which, in terms of the CIPFA Code of Practice on Local Authority Accounting in Great Britain ('the Code'), is required to present a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2010. The Treasurer is also responsible for certifying the accounts as correct before being presented for approval by this Authority.

In preparing this statement of accounts, I have:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code (except where relating to writing off impairments on Icelandic Bank deposits);
- Kept proper accounting records which were up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Authority at 31<sup>st</sup> March 2011 and its income and expenditure for that period then ended.



**David Lewis BA MPhil CPFA**  
**Treasurer to the Police Authority**  
**Gail House, Maidstone**

# **Annual Governance Statement**











# **Independent audit's report to Members of Kent Police Authority**

## **Opinion on the Authority and Pension Fund accounting statements**

I have audited the accounting statements and the police pension fund accounting statements of Kent Police Authority for the year ended 31 March 2011 under the Audit Commission Act 1998. The accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the 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. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Kent Police Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

## **Respective responsibilities of the Treasurer and auditor**

As explained more fully in the Statement of the Treasurer's Responsibilities, the Treasurer is responsible for the preparation of the Authority's Statement of Accounts, including the police pension fund accounting statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practice's Board's Ethical Standards for Auditors.

## **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements sufficient to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority and Pension Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authority and the Pension Fund; and the overall

presentation of the accounting statements. I read all the information in the explanatory foreword to identify material inconsistencies with the audited accounting statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

### **Opinion on accounting statements**

In my opinion the accounting statements:  
give a true and fair view of the state of Kent Police Authority's affairs as at 31 March 2011 and of its income and expenditure for the year then ended;  
give a true and fair view of the financial transactions of the police pension fund during the year ended 31 March 2011 and the amount and disposition of the fund's assets and liabilities as at 31 March 2011, other than liabilities to pay pensions and other benefits after the end of the scheme year; and  
have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

### **Opinion on other matters**

In my opinion, the information given in the explanatory foreword for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

### **Matters on which I report by exception**

I have nothing to report in respect of the governance statement on which I report to you if, in my opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

### **Conclusion on Authority's 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 to review regularly the adequacy and effectiveness of these arrangements.

## **Auditor's responsibilities**

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements 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 relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. 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.

## **Basis of conclusion**

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Authority has proper arrangements for:  
securing financial resilience; and  
challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

## **Conclusion**

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, I am satisfied that, in all significant respects, Kent Police Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

## **Certificate**

I certify that I have completed the audit of the accounts, including the police pension fund accounting statements, of Kent Police Authority in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Signature

Darren Wells  
Officer of the Audit Commission  
Audit Commission  
1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

# Comprehensive Income and Expenditure Statement

For the year ended 31st March 2011

The Comprehensive Income and Expenditure Statement - This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different to the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2009/10 Restated			Notes	2010/11		
Gross Expenditure £'000's	Gross Income £'000's	Net Expenditure £'000's		Gross Expenditure £'000's	Gross Income £'000's	Net Expenditure £'000's
224,034	-36,427	187,607	Local Policing	224,942	-23,737	201,205
27,011	-1,636	25,375	Dealing with the Public	23,374	-1,388	21,986
32,606	-2,334	30,272	Criminal Justice Arrangements	25,864	-1,674	24,190
12,929	-701	12,228	Roads Policing	13,767	-1,161	12,606
32,443	-1,712	30,731	Specialist Operations	32,755	-2,802	29,953
10,636	-583	10,053	Intelligence	9,798	-741	9,057
40,782	-2,156	38,626	Specialist Investigations	41,448	-3,389	38,059
14,323	-777	13,546	Investigative Support	11,929	-738	11,191
<b>394,764</b>	<b>-46,326</b>	<b>348,438</b>	<b>Sub-total</b>	<b>383,877</b>	<b>-35,630</b>	<b>348,247</b>
10,847	-15,035	-4,188	National Policing	12,353	-15,652	-3,299
1,231	0	1,231	Corporate & Democratic Core	1,519	0	1,519
3,311	0	3,311	Non-Distributed Costs	1,453	0	1,453
0	0	0	Exceptional Items – Past Service Costs	-257,215	0	-257,215
<b>410,153</b>	<b>-61,361</b>	<b>348,792</b>	<b>Net Cost of Policing Services</b>	<b>141,987</b>	<b>-51,282</b>	<b>90,705</b>
			<b>Other Operating Expenditure</b>			
		-230	Gain/loss on disposal of non-current assets			-321
		0	Gain/loss on disposal of assets held for sale			-71
			<b>Financing &amp; Investment Income &amp; Expenditure</b>			
		59	Interest Element of Finance Leases			59
		4,686	Interest payable on PFI unitary payments			4,635
		102,368	Expected return on pensions assets			109,477
		-1,544	Investment interest income			-918
			<b>Taxation &amp; Non-specific Grant Income</b>			
		-3,520	Recognised capital grants & contributions			-3,431
		-83,349	Precept Income			-90,293
		-118,504	Non-service related Government Grants			-121,946
		-14,882	Revenue Support Grant			-10,293
		-64,479	National Non-Domestic Rates			-70,881
		-10,082	Home Office Pension Grant			-9,724
		<b>159,315</b>	<b>(Surplus) / deficit for the year</b>			<b>-103,002</b>
		-39,129	(Surplus) deficit arising on revaluation of non-current assets			375
		-259	(Surplus) deficit arising on revaluation of available –for-sale financial assets			-50
		648,817	Actuarial (gains) / losses on pension fund assets & liabilities			-182,910
		<b>768,744</b>	<b>Total Comprehensive Income &amp; Expenditure</b>			<b>-285,587</b>

## The Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories: The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the authority is not able to use to provide services. This category includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Re-stated as at 1 <sup>st</sup> April 2009 £'000's	Re-stated as at 31 <sup>st</sup> March 2010 £'000's		Notes	As at 31 <sup>st</sup> March 2011 £'000's
		<b>Property Plant &amp; Equipment</b>		
190,187	191,613	Land & Buildings		180,819
17,590	16,532	Vehicles, Plant & Equipment	11	14,685
9	444	Assets under construction		401
10,857	1,165	Surplus Assets		2,012
21,717	20,241	Investment Properties	12	15,767
		<b>Intangible Assets</b>		
6,861	4,922	Software	13	3,502
<b>247,221</b>	<b>234,917</b>			<b>217,186</b>
		<b>Long Term Investments</b>		
8,795	6,032	Non-property investments		2,973
605	773	Long term Debtors		736
<b>256,621</b>	<b>241,722</b>	<b>Total Long Term Assets</b>		<b>220,895</b>
7,993	638	Short Term Investments		10,581
222	176	Inventories	15	255
20,589	19,379	Short term debtors	16	14,878
22,518	29,464	Cash & cash equivalents	17	31,435
319	619	Assets held for sale	18	1,060
<b>51,641</b>	<b>50,276</b>	<b>Total Current Assets</b>		<b>58,209</b>
-28,850	-26,845	Short term creditors	19	-22,079
-2,416	-2,812	Provisions falling due within 1 year	20	-2,565
<b>-31,266</b>	<b>-29,657</b>	<b>Total Current Liabilities</b>		<b>-24,644</b>
-52,524	-51,586	Long term creditors	33,34	-50,704
-1,705	-2,666	Provisions falling due after 1 year	20	-2,788
		<b>Other Long Term Liabilities</b>		
-1,512,652	-2,266,762	Net Pensions Liability	37	-1,979,517
<b>-1,566,881</b>	<b>-2,321,014</b>	<b>Total Long Term Liabilities</b>		<b>-2,033,009</b>
<b>-1,289,885</b>	<b>-2,058,660</b>	<b>Net Assets</b>		<b>-1,778,549</b>

**Balance Sheet continued.**

Re-stated as at 1 <sup>st</sup> April 2009 £'000's	Re-stated as at 31 <sup>st</sup> March 2010 £'000's		Notes	As at 31 <sup>st</sup> March 2011 £'000's
		<b>Usable Reserves</b>		
5,994	5,994	General Fund		5,994
9,380	5,117	Earmarked Reserves	21	10,898
10,148	11,035	Capital Receipts Reserve		13,249
731	321	Capital Contributions Unapplied Reserve		239
6,372	4,809	Insurance Fund		3,708
<b>32,625</b>	<b>27,276</b>			<b>34,088</b>
		<b>Unusable Reserves</b>		
17,585	50,310	Revaluation Reserves		42,100
-1,512,652	-2,266,761	Pensions Reserve		-1,979,517
178,001	134,233	Capital Adjustment Account	22	127,200
-2,168	-2,245	Financial Instruments Adjustment Account		-1,435
-860	1,339	Collection Fund Adjustment Account		1,580
-2,416	-2,812	Short term Accumulated Compensated Absences Account		-2,565
<b>-1,322,510</b>	<b>-2,085,936</b>			<b>-1,812,637</b>
<b>-1,289,885</b>	<b>-2,058,660</b>	<b>Total Reserves</b>		<b>-1,778,549</b>

I confirm that the Authority approved these accounts.



Date: .....8<sup>th</sup> July 2011.....

Signed on behalf of the Kent Police Authority:  
Chair of the meeting approving the accounts:

## The Cash Flow Statement

The Cashflow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which operations of the authority are funded by way of taxation and grant income or from the recipients of the services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (ie borrowings) to the authority.

<b>Re-stated 2009/10 £'000's</b>		<b>2010/11 £'000's</b>
159,315	Net (surplus) or deficit on the provision of services	-103,002
-159,842	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 23)	90,998
	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	
-1,488	Net cash flows from Operating Activities (Note 23)	-836
1,077	Investing Activities (Note 24)	11,957
938	Financing Activities (Note 25)	883
<b>6,946</b>	<b>Net increase or decrease in cash and cash equivalents</b>	<b>1,971</b>
22,518	Cash and cash equivalents at the beginning of the reporting period	29,464
<b>29,464</b>	<b>Cash and cash equivalents at the end of the reporting period (Note 17)</b>	<b>31,435</b>

## The Movement in Reserves Statement

This statement shows the movement in year on the different reserves held by the authority, analysed into 'useable' (ie those that can be applied to fund expenditure or reduce local taxation) and other reserves. The surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the authority.

	Note	General Fund	Capital Receipts Reserve	Earmarked Reserves	Total Usable Reserves	Unusable Reserves	Total Reserves
		£'000's	£'000's	£'000's	£'000's	£'000's	£'000's
<b>Balance as at 1<sup>st</sup> April 2010</b>	*	<b>5,994</b>	<b>11,356</b>	<b>9,926</b>	<b>27,276</b>	<b>-2,085,936</b>	<b>-2,058,660</b>
Surplus / (deficit) on the Provision of Services on an accounting basis		103,002	0	0	<b>103,002</b>	0	<b>103,002</b>
Other Comprehensive Income & Expenditure		182,585	0	0	<b>182,585</b>	0	<b>182,585</b>
<b>Total Comprehensive Income &amp; Expenditure</b>		<b>285,587</b>	<b>0</b>	<b>0</b>	<b>285,587</b>	<b>0</b>	<b>285,587</b>
Adjustments between accounting basis and funding basis under regulations	7	-280,907	0	0	<b>-280,907</b>	280,907	<b>0</b>
Insertion of items not credited to the Comprehensive Income and Expenditure Statement	21 & 22	0	2,132	0	<b>2,132</b>	-7,608	<b>-5,476</b>
<b>Net increase / decrease before transfers to Earmarked Reserves</b>		<b>4,680</b>	<b>2,132</b>	<b>0</b>	<b>6,812</b>	<b>273,299</b>	<b>280,111</b>
Transfers to / from Earmarked Reserves	8	-4,680	0	4,680	<b>0</b>	0	<b>0</b>
Increase / (decrease) in year		0	2,132	4,680	<b>6,812</b>	273,299	<b>280,111</b>
<b>Balance as at 31<sup>st</sup> March 2011</b>		<b>5,994</b>	<b>13,488</b>	<b>14,606</b>	<b>34,088</b>	<b>-1,812,637</b>	<b>-1,778,549</b>

\* The Capital Receipts reserve in the table above incorporates the Capital Contributions Unapplied Reserve for clarity. Note 21 includes additional information on the Capital Contributions Unapplied Reserve.

## Note 1 – Accounting Policies

### i. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. The Accounts and Audit Regulations 2011 require the Authority to prepare an annual Statement of Accounts in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 and the Best Value Accounting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act. The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

### ii. 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:

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies 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 inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

### iii. Acquisitions and Discontinued Operations

The Authority has not acquired or discontinued any operations in 2010/11.

### iv. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature within three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

### v. Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

## vi. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, ie in the current and future years affected by the change and do not give rise to a prior period adjustment. The shift from using retail price index to consumer price index in calculating the pensions liability is an accounting estimate so affects the Statement of Accounts from 1<sup>st</sup> April 2010 onwards.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

## vii. Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service;
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off;
- amortisation of intangible fixed assets attributable to the service.

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

## viii. Employee Benefits

### **Benefits Payable During Employment**

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (eg cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, eg time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Short-term compensated absence are those periods in which an employee does not provide services to the employer but continues to be paid. Compensated absences may be accumulating or non-accumulating.

Accumulating absences are those that are carried forward and can be used in future periods if the current entitlement is not used in full. For Kent Police this includes annual leave, flexi-leave and time off in lieu. Accumulating absences may be vesting or non-vesting. Where vesting, employees who leave are entitled

to a cash payment in respect of any unused entitlement; where non-vesting, benefits lapse if an employee leaves before the vesting date.

For Kent Police vesting accumulated short term compensated absences are annual leave and time off in lieu only. Flexi-time is non-vesting. Short term accumulating compensated absences shall be:

- Recognised when employees render services that increases their entitlement to future compensated absences
- Measured as the additional amount that the authority expects to pay as a result of unused entitlement that has accumulated at the Balance Sheet date including associated employer's national insurance contributions.

### **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an employees contract before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

### **Post Employment Benefits**

The Authority participates in two different types of pension schemes for police officers and a single scheme for police staff:

- The Police Pension Scheme (PPS), regulated under the Police Pensions Act 1976.
- The New Police Pension Scheme (NPPS), regulated under the Police Pension Regulations 2006.
- The Local Government Pensions Scheme, administered by Kent County Council.

Both police schemes are contributory occupational pension schemes with officers making contributions of 11% of pensionable pay for members of the PPS and 9.5% for the NPPS.

A Police Pension Account was set up on 1<sup>st</sup> April 2006 to administer both of the police pension schemes.

The NPPS and PPS are defined benefit schemes (without managed pension assets). The employer's contribution for each serving officer is common to both schemes at 24.2% of pensionable pay. This is set nationally and is subject to a three yearly review. Accrued net pension liabilities have been assessed on an actuarial basis in accordance with IAS 19. The net liability and a pensions reserve incorporating both pension schemes have been recognised in the Balance Sheet, as have entries in the Comprehensive Income and Expenditure Account for movements in the asset / liability relating to the defined benefit schemes. Transfers into and out of the schemes representing joining and leaving the police are recorded on a cash basis in the Pension Account as a result of the time taken to finalise the sums involved.

The liabilities of the PPS and NPPS attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method i.e and assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projections of earnings for current employees.

Liabilities as well as anticipated gains and losses are discounted to their value at current prices using a discount rate prescribed by the Fund's Actuaries.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

The liabilities of the pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices. The assets of the pension fund attributable to the Authority are included in the Balance Sheet at their fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value.

The change in the net pensions liability is analysed into seven components:

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- 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 the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- gains or losses on settlements 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 – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
- 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 – debited to the Pensions Reserve;
- contributions paid to the pension fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

## **Discretionary Benefits**

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

## ix. Events After the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events;
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

## x. Financial Instruments

### **Financial Liabilities**

Financial liabilities, which includes trade payables (creditors) are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost.

### **Financial Assets**

Financial assets are classified into two types:

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

The Authority's financial assets include bank deposits, trade receivables (debtors), cash investments and loans which are all classified as loans and receivables, also assets that have fixed or determinable payments but are not quoted in an active market.

### **Loans and Receivables**

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost.

## xi. Foreign Currency Translation

Where the Authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

## xii. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- the Authority will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

### xiii. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (eg software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and for any sale proceeds, the Capital Receipts Reserve.

### xiv. Interests in Companies and Other Entities

Kent Police has a contractual relationship with Kent County Council for some services including Treasury Management and Pensions administration. Collaborative work is on-going with Essex Police aimed at increasing service provision and quality whilst reducing costs where ever possible. Examples of this include payment to Essex Police for a contracted number of hours use of their Air Support Unit; a joint Serious Crime Directorate covering both Kent and Essex and preliminary work on IT infrastructure (see Jointly Controlled Operations policy).

The Authority does not however, have any interests in companies or other entities that have the nature of subsidiaries, associates or joint ventures and so is not required to prepare group accounts.

## xv. Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

For Kent Police this includes specialist equipment such as speedcuffs and asps, as well as vehicles parts and fuel held at the Transport Services workshops. Uniform stores are contracted out to an external supplier with only sizing samples being retained centrally.

## xvi. Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Kent Police Authority have agreed in some instances to retain ownership of premises no longer operationally required by Kent Police until the property market recovers from its current low position. The Authority also has 4 former police houses which it rents to private individuals on short term agreements. These assets are therefore classified as investment properties.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and for any sale proceeds, the Capital Receipts Reserve.

## xvii. Jointly Controlled Operations

Jointly controlled operations are activities undertaken by the Authority in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Authority recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

The Authority has a number of such agreements:

- The Joint Serious Crime Directorate;
- The Joint Procurement Department;
- The Joint Information Services Department.
- The Joint Marine Unit

Each of these are jointly controlled operations between the Police Authorities of Kent and Essex.

## xviii. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

### **The Authority as Lessee**

## Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

## Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg there is a rent-free period at the commencement of the lease).

## The Authority as Lessor

### Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

## xix. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Best Value Accounting Code of Practice 2010/11* (BVACOP).

The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Authority's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

## xx. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment. Spending on these assets is capitalised if the asset will bring benefits to the Authority for more than one year and was in excess of the Authority's agreed de-minimus level for capital expenditure of £12,000. All motorised vehicles are also classified as non-current assets regardless of their cost or value at acquisition.

### Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (ie repairs and maintenance) is charged as an expense to the Comprehensive Income & Expenditure Statement when it is incurred.

### Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value. Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- assets under construction – depreciated historical cost
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

## **Impairment**

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

## **Depreciation**

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (ie freehold land) and assets that are not yet available for use (ie assets under construction).

Depreciation is calculated on the following bases:

- buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment – straight-line allocation over the useful life of each asset, as advised by a suitably qualified officer

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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.

## **Disposals and Non-current Assets Held for Sale**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair

value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets classified as held for sale on the balance sheet satisfy the following criteria laid down by the International Accounting Standards Board:

- The asset must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets.
- The sale must be highly probable, senior management must be committed to the plan to sell the asset and an active programme to locate a buyer and complete the plan must have been initiated.
- The asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value.
- The sale should be expected to be completed within one year of the date of classification.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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 General Fund Balance in the Movement in Reserves Statement.

## xxi. Private Finance Initiative (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Authority is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Authority at the end of the contracts for no additional charge, the Authority carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Authority.

The amounts payable to the PFI operators each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement

- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)
- lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

## xxii. Provisions, Contingent Liabilities and Contingent Assets

### Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (eg from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

### Contingent Liabilities

A contingent liability arises where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

### Contingent Assets

A contingent asset arises where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

## xxiii. Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant policies.

#### xxiv. VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

### **Note 2 - Accounting Standards Issued, Not Adopted**

FRS30 Heritage Assets has been issued but is yet to be adopted by the Code. Although Kent Police has a Museum, [www.kent-police-museum.co.uk](http://www.kent-police-museum.co.uk) with a range of interesting and important documents and exhibits none are of a significant financial value to warrant including with the annual accounts.

### **Note 3 - Critical Judgements in Applying Accounting Policies**

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Authority has £7.9m deposited with the Icelandic banks Glitnir and Landsbanki which are in administration. A decision by the courts is being sought as to whether the Authority will have the status of a preferred creditor or whether the amount will have to be written off. Legal advice has been obtained to support a judgement that this status will be secured and that the full amount of the deposit will be repaid.
- The PFI accounting models which calculate the future liabilities for interest and capital repayments are based on the current retail price index as listed by the Office of National Statistics. This is reviewed annually, with any change affecting the current year and future years charges.
- The Pensions liability relating to both Police Officers and staff has been valued in line with the Consumer Price Index as opposed to the Retail Price Index. This change was introduced by the Chancellor of the Exchequer in his Emergency Budget in June 2010.

### **Note 4 - Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty**

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

### Pension Schemes

The sensitivities regarding the principal assumptions used to measure the Police Pension Schemes' liabilities are set out below:

Change in financial assumption at year ended 31 <sup>st</sup> March 2011	Approximate % increase to Employer Liability	Approximate monetary amount £'000's
0.5% decrease in Real Discount rate	10%	181,000
1 year increase in member life expectancy	3%	54,600
0.5% increase in the salary increase rate	2%	35,400
0.5% increase in the pensions increase rate (CPI)	8%	142,400

The following table sets out the impact of a small change in the discount rates on the defined benefit obligation and projected service cost of the Local Government Pension Scheme along with a +/- year age rating adjustment to the mortality assumption.

Sensitivity analysis	£'000's	£'000's	£'000's
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	238,507	245,306	252,324
Projected service cost	11,657	12,215	12,792
Adjustment to mortality rating assumption	+1 year	None	-1 Year
Present value of total obligation	236,183	245,306	254,542
Projected service cost	11,601	12,215	12,837

### Insurance Provisions

The insurance provision is based on information received from the Authority's insurers and represents claims against which Kent Police reasonably expects to pay out. Many of these potential claims are estimates based on the opinions of experienced professionals within the industry.

### Property Plant and Equipment

Assets are depreciated over useful lives that are dependant on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. If the useful lives are reduced, depreciation increases and the carrying amount of each asset falls.

### Note 5 - Material Items of Income and Expense

Non-Distributed Costs & Exceptional Items in the Net Cost of Services section of the Comprehensive Income and Expenditure Statement are comprised of costs which arise for the Authority but are not attributable to individual service segments. This includes Past Service Costs relating to retirement benefits (decisions made in year whose effects are influenced by employee's service earned in preceding financial years).

The Emergency Budget in June 2010 changed the valuation method of the pension liability from being based on the Retail Price Index to the Consumer Price Index. This has resulted in negative Past Service Costs of £257,238,000.

Exceptional Items and Non-Distributed Costs	£'000's
Past Service Costs relating to retirement benefits	-257,238
Curtailments and settlements relating to retirement benefits	23
<b>Total Exceptional Items</b>	<b>-257,215</b>
Impairment of Icelandic Bank investments	722
Depreciation on surplus assets	24
<b>Total Non-Distributed Costs</b>	<b>746</b>

The Comprehensive Income and Expenditure Statement for the year ended 31<sup>st</sup> March 2011 does not include capital expenditure or show any detail around the income received from disposal of surplus non-current assets. The following table provides analysis of both expenditure and income for the year.

The Authority has a 5-year medium term capital programme that is supported by the Estate and Information Systems Strategies and a vehicle renewal programme. The 5-year programme is funded from capital grants, capital receipts and contributions from the revenue account. Capital expenditure during 2010/11 was £5.1m as follows:

<b>Nature of expenditure</b>	<b>£'000's</b>
Estates	1,450
IT	1,271
Vehicles and equipment	2,410
<b>Total</b>	<b>5,131</b>

<b>Major acquisitions and disposals in 2010/11</b>	<b>£'000's</b>
Acquisitions	
• Vehicle replacement programme	1,232
• Front counters – refurbishment of subsidiary sites	729
• Microsoft Office licences	358
• Plant & equipment replacement programme	281
Disposals	
• Former Police station – Rochester	1,100
• 19 Orchard Road, Otford	320
• The Woodgate, High Street, Wingham	320

## **Note 6 - Events After the Balance Sheet Date**

The Statement of Accounts was authorised for issue by the Treasurer on 29<sup>th</sup> June 2011. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There are no events after the Balance Sheet date which impact these financial statements.

## **Note 7 - Adjustments between Accounting Basis and Funding Basis under Regulations**

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

	2010/11 £'000's	Re-stated 2009/10 £'000's
<b>Total Comprehensive Income and Expenditure</b>	<b>-285,587</b>	<b>768,744</b>
Pensions adjustments in line with IAS 19		
• Current and Past Service costs charged to the Net Cost of Services	171,559	-43,642
• Expected Return on Assets charged to Financing & Investment Income and Expenditure	-109,477	-102,368
• Actuarial gains / losses on pension funds charged to other income and expenditure	182,910	-648,817
Police Officer superannuation contributions payable into the pension fund	31,451	30,740
PSE superannuation contributions payable into the pension fund	10,040	9,977
Depreciation on Non-current and intangible assets charged to the Net Cost of Services	-10,446	-15,045
Impairments of Non-current & intangible assets charged to the Net Cost of Services	-4,544	-35,296
Impairments on investments charged to the Net Cost of Services	-645	-3,311
Interest on Icelandic investments credited to Financing & investment income	658	1,098

Reduction of impairment on Police Pay Loan	13	0
Capital Grants and Contributions credited to Taxation and non-specific grant income	3,431	3,520
Donated assets credited to the Net Cost of Services	3	32
Short term compensated absences credited to the Net Cost of Services	247	-396
Kent Police's share of amounts owing on the Precept credited to Taxation and non-specific grant income	2,580	-999
Reversal of previous impairments affecting the Net Cost of Services	3,387	1,564
Surplus / deficit arising on revaluation of assets charged to other income and expenditure	-375	39,129
Surplus / deficit arising on revaluation of financial instruments charged to other income and expenditure	50	259
Additional IFRS adjustments not affecting the General Fund	65	0
<b>Sub-total</b>	<b>280,907</b>	<b>-763,555</b>
Movements in reserves		
Transfer to Earmarked Reserves	10,380	3,978
Transfer from Earmarked Reserves	-5,700	-9,167
<b>Total movement in Reserves</b>	<b>4,680</b>	<b>-5,189</b>
<b>Total impact on General Fund</b>	<b>0</b>	<b>0</b>

This shows that due to prudent management of the Authority's financial resources there is no impact on the General Fund balance for the year. Net expenditure for the year is therefore covered by non-specific grants and taxation.

## Note 8 - Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2010/11.

	At 1 <sup>st</sup> April 2009 Re-stated £'000's	Transfers in £'000's	Transfers out £'000's	As at 31 <sup>st</sup> March 2010 Re-stated £'000's	Transfers in £'000's	Transfers out £'000's	As at 31 <sup>st</sup> March 2011 £'000's
General Fund	<b>5,994</b>	0	0	<b>5,994</b>	0	0	<b>5,994</b>
Other Earmarked Reserves							
• Budget Roll Forward / PSA1	<b>0</b>	1,329	0	<b>1,329</b>	1,191	-1,961	<b>559</b>
• Invest to save	<b>531</b>	500	-531	<b>500</b>	0	0	<b>500</b>
• Desktop Migration	<b>994</b>	0	-408	<b>586</b>	286	0	<b>872</b>
• POCA Incentivisation	<b>355</b>	510	-854	<b>11</b>	1,745	-788	<b>968</b>
• Budget Equalisation	<b>7,500</b>	1,001	-5,810	<b>2,691</b>	5,250	-1,850	<b>6,091</b>
• Redundancy & Relocation	<b>0</b>	0	0	<b>0</b>	1,908	0	<b>1,908</b>
• Insurance	<b>6,372</b>	0	-1,563	<b>4,809</b>	0	-1,101	<b>3,708</b>
<b>Total</b>	<b>21,746</b>	<b>3,340</b>	<b>-9,166</b>	<b>15,920</b>	<b>10,380</b>	<b>-5,700</b>	<b>20,600</b>

## Note 9 - Financing and Investment Income and Expenditure

	2010/11 £'000's	2009/10 £'000's
Interest payable and similar charges	4,694	4,745
Pensions interest cost and expected return on pensions assets	109,477	102,368
Interest receivable and similar income	-918	-1,544
<b>Total</b>	<b>113,253</b>	<b>105,569</b>

## Note 10 - Taxation and Non-Specific Grant Income

	2010/11 £'000's	2009/10 £'000's
Council tax income	90,293	83,349
National non-domestic rates	70,881	64,479
Non-ringfenced Government grants	132,239	133,386
Home Office Pensions Grant	9,724	10,082
Capital grants and contributions	3,431	3,520
<b>Total</b>	<b>306,568</b>	<b>294,816</b>

## Note 11 - Property, Plant and Equipment

	Land & Buildings £'000's	Vehicles, Plant & Equipment £'000's	Surplus Assets £'000's	Assets under Construction £'000's	<b>Total</b> £'000's
<b>Cost or Valuation</b>					
At 1 <sup>st</sup> April 2010	205,574	65,520	1,268	444	<b>272,806</b>
Additions	337	2,854	151	901	<b>4,243</b>
Donations	0	0	0	0	<b>0</b>
Revaluation increases / (decreases) recognised in the Revaluation Reserve	-7,021	0	6	0	<b>-7,015</b>
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	-255	0	0	0	<b>-255</b>
Derecognition – disposals	0	-15,576	0	-944	<b>-16,520</b>
Derecognition – other	0	0	0	0	<b>0</b>
Assets reclassified (to) / from Held for Sale	0	0	-850	0	<b>-850</b>
Other movements in cost or valuation	-1,968	0	1,538	0	<b>-430</b>
<b>As at 31<sup>st</sup> March 2011</b>	<b>196,667</b>	<b>52,798</b>	<b>2,113</b>	<b>401</b>	<b>251,979</b>
<b>Accumulated Depreciation &amp; Impairment</b>					
At 1 <sup>st</sup> April 2010	-13,969	-48,988	-103	0	<b>-63,060</b>
Depreciation charge	-3,847	-4,281	-17	0	<b>-8,145</b>
Depreciation written out to the Revaluation Reserve	0	0	0	0	<b>0</b>
Surplus / Deficit on the Provision of Services	0	0	0	0	<b>0</b>
Impairment losses / (reversals) recognised in the Revaluation Reserves	0	0	0	0	<b>0</b>
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	0	0	0	0	<b>0</b>
Derecognition - disposals	0	15,156	0	0	<b>15,156</b>
Derecognition – other	0	0	0	0	<b>0</b>
Other movements in depreciation and impairment	1,968	0	19	0	<b>1,987</b>
<b>At 31<sup>st</sup> March 2011</b>	<b>-15,848</b>	<b>-38,113</b>	<b>-101</b>	<b>0</b>	<b>-54,062</b>
<b>Net Book Value</b>					
<b>At 31<sup>st</sup> March 2011</b>	<b>180,819</b>	<b>14,685</b>	<b>2,012</b>	<b>401</b>	<b>197,917</b>
<b>At 31<sup>st</sup> March 2010</b>	<b>191,613</b>	<b>16,532</b>	<b>1,165</b>	<b>444</b>	<b>209,754</b>

## Comparative Movements in 2009/10 – re-stated

	Land & Buildings £'000's	Vehicles, Plant & Equipment £'000's	Surplus Assets £'000's	Assets under Construction £'000's	Total £'000's
<b>Cost or Valuation</b>					
At 1 <sup>st</sup> April 2009	200,938	62,076	11,627	9	<b>274,650</b>
Additions	23	4,873	221	1,695	<b>6,812</b>
Donations	0	0	0	0	<b>0</b>
Revaluation increases / (decreases) recognised in the Revaluation Reserve	4,901	0	-10,487	-1,263	<b>-6,849</b>
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	0	0	0	0	<b>0</b>
Derecognition – disposals	-280	-1,446	-73	0	<b>-1,799</b>
Derecognition – other	0	0	0	0	<b>0</b>
Assets reclassified (to) / from Held for Sale	0	17	-20	3	<b>-23,197</b>
Other movements in cost or valuation	0	0	0	0	<b>0</b>
<b>As at 31<sup>st</sup> March 2010</b>	<b>205,582</b>	<b>65,520</b>	<b>1,268</b>	<b>444</b>	<b>272,814</b>
<b>Accumulated Depreciation &amp; Impairment</b>					
At 1 <sup>st</sup> April 2009	-10,766	-44,486	-770	0	<b>-56,022</b>
Depreciation charge	-4,573	-5,561	-34	0	<b>-10,168</b>
Depreciation written out to the Revaluation Reserve	1,343	0	648	0	<b>1,991</b>
Surplus / Deficit on the Provision of Services	0	0	0	0	<b>0</b>
Impairment losses / (reversals) recognised in the Revaluation Reserves	0	0	0	0	<b>0</b>
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	0	0	0	0	<b>0</b>
Derecognition - disposals	27	1,059	53	0	<b>1,139</b>
Derecognition – other	0	0	0	0	<b>0</b>
Other movements in depreciation and impairment	0	0	0	0	<b>0</b>
<b>At 31<sup>st</sup> March 2010</b>	<b>-13,969</b>	<b>-48,988</b>	<b>-103</b>	<b>0</b>	<b>-63,060</b>
<b>Net Book Value</b>					
<b>At 31<sup>st</sup> March 2010</b>	<b>191,613</b>	<b>16,532</b>	<b>1,165</b>	<b>444</b>	<b>209,754</b>

The entire Kent Police estate was revalued for the 2009/10 Statement of Accounts and 20% revalued for the 2010/11 accounts as part of the 5 year rolling programme of revaluations as specified by CIPFA.

The valuations have been made in accordance with the RICS Valuation Standards 6<sup>th</sup> Edition (the Red Book) as published by the Royal Institution of Chartered Surveyors, so far as these are consistent with Kent Police accounting policy. The valuation was prepared by S P Conrathe BSc(Hons) BSc(Surv) MRICS of the company Mouchel who are an external organisation and have no ties to Kent Police.

The effective date of the valuation is 1<sup>st</sup> April 2010.

Componentisation has been introduced under International Financial Reporting Standards with effect from 1<sup>st</sup> April 2010. This affects all Property, Plant and Equipment purchased or re-valued since that date. Componentisation has resulted in different useful lives and therefore depreciation costs within a parent asset where separate, identifiable sub-assets can be valued. This adds accuracy to the depreciation charges made to the Comprehensive Income and Expenditure Statement.

## Note 12 - Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	2010/11 £'000's	2009/10 £'000's
Rental income from investment properties	37	34
Net gain / (loss)	468	0

The Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

	2010/11 £'000's	2009/10 £'000's
<b>At 1<sup>st</sup> April</b>	<b>20,241</b>	<b>21,717</b>
Additions:		
- Purchases	0	0
- Subsequent expenditure	9	0
Disposals		
Net gain / loss from fair value adjustments	564	0
Transfers:		
- to / from inventories	0	0
- to / from Property, Plant & Equipment	-1,721	0
- to / from Assets held for sale		-619
Other Changes – sale of properties	-3,326	-857
<b>At 31<sup>st</sup> March</b>	<b>15,767</b>	<b>20,241</b>

## Note 13 - Intangible Assets

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both purchased licenses and internally generally software.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. The useful lives assigned to the major software suites used by the Authority are:

	Internally Generated Assets	Other Assets
0 - 3 years		Genesis (The Authority's crime recording database)
4 - 6 years	Sprint 2 (Network management software)	Genesis, Kestral (Microsoft Office upgrade), SAP (encompassing Payroll, Finance, HR and Duty Management systems)
7 - 10 years	Locard (the Authority's forensic management system); Disaster Recovery	Airwaves
11 – 15 years		ANPR (Automatic Number Plate Recognition), NSPIS Broker

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £2,300,000 charged to revenue in 2010/11 was charged to the IT cost centres and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. IT costs are apportioned according to the number of computers used by each segment of service so the proportions are as follows:

	Percentage	Amount £'000's
Local Policing	43%	988
Dealing with the public	7%	162
Criminal Justice	13%	297
Roads Policing	3%	73
Specialist Operations	4%	82
Intelligence	2%	54
Specialist Investigations	14%	323
Investigative Support	4%	90
National Policing	9%	214
Corporate & Democratic Core	1%	17
Non-distributed costs	0	0
<b>Total</b>		<b>2,300</b>

The movement on Intangible Asset balances during the year is as follows:

	2010/11			2009/10		
	Internally generated assets £'000's	Other Assets £'000's	Total £'000's	Internally generated assets £'000's	Other Assets £'000's	Total £'000's
At 1 <sup>st</sup> April						
Gross carrying amounts	1,908	14,500	16,408	1,899	14,197	16,096
Accumulated amortisation	-1,701	-9,784	-11,485	-1,571	-7,664	-9,235
<b>Net carrying amount at the start of year</b>	<b>207</b>	<b>4,716</b>	<b>4,923</b>	<b>328</b>	<b>6,533</b>	<b>6,861</b>
Additions:						
Internal development	59	821	880	0	0	0
Purchases	0	0	0	9	303	312
Assets reclassified as held for sale	0	0	0	0	0	0
Other disposals	0	-527	-527	0	0	0
Revaluation increases or decreases	0	0	0	0	0	0
Impairment losses recognised or reversed directly in the Revaluation Reserve	0	0	0	0	0	0
Impairment losses recognised in the Surplus / Deficit on the Provision of Services	0	0	0	0	0	0
Reversals of past impairment losses written back to the Surplus / Deficit on the Provision of Services	0	0	0	0	0	0
Amortisation for the period	-124	-2,176	-2,300	-130	-2,121	-2,251
Other changes	0	526	526	0	0	0
<b>Net carrying amount at the end of the year</b>	<b>142</b>	<b>3,360</b>	<b>3,502</b>	<b>207</b>	<b>4,715</b>	<b>4,922</b>
Comprising						
Gross carrying amounts	1,967	14,794	16,761	1,908	14,500	16,408
Accumulated amortisation	-1,825	-11,434	-13,259	-1,701	-9,785	-11,486

## Note 14 - Financial Instruments

The term financial instrument refers to any contract that gives rise to a financial asset or liability within an authority. For Kent Police this includes temporary investments, trade debtors and creditors as well as the Insurance Provision and Finance Leases.

## Financial Instruments Balances

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

At 31/03/10			At 31/03/11	
Long Term £'000	Current £'000		Long Term £'000	Current £'000
0	(26,845)	Financial liabilities at amortised cost	0	(22,079)
0	0	Financial liabilities at fair value through profit and loss		
<b>0</b>	<b>(26,845)</b>	<b>Total Borrowings</b>	<b>0</b>	<b>(22,079)</b>
At 31/03/10			At 31/03/11	
Long Term £'000	Current £'000		Long Term £'000	Current £'000
0	30,102	Cash and Cash Equivalents	0	41,939
6,805	20,379	Loans and receivables	3,709	12,298
<b>6,805</b>	<b>50,481</b>	<b>Total Investments</b>	<b>3,709</b>	<b>54,237</b>

## Financial Instruments Gains / Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

	Financial Liabilities	Financial Assets		Total
	Liabilities measured at amortised cost	Loans and receivables	Available-for-sale assets	
	£'000	£'000	£'000	£'000
Interest expense	4,635	0	0	4,635
Loss on derecognition	0	0	0	0
Impairment losses	0	0	0	0
<b>Interest payable and similar charges</b>	<b>4,635</b>	<b>0</b>	<b>0</b>	<b>4,635</b>
Interest income	0	0	-918	-918
Discounting of financial assets	0	19	0	19
Impairment of assets (see below)	0	0	4,033	4,033
<b>Interest and investment income</b>	<b>0</b>	<b>19</b>	<b>3,115</b>	<b>3,134</b>

Early in October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration. The authority had £11.1m deposited across three of these institutions, with varying maturity dates and interest rates as follows:

Bank	Date Invested	Maturity Date	Amount Invested (£'000)	Interest Rate	Carrying Amount (£'000)	Impairment (£'000)
Glitnir	28/08/08	26/11/08	2,000	6.00%	2,501	630
Heritable	30/09/08	24/10/08	2,000	6.15%	850	223
Heritable	25/09/08	12/12/08	1,200	6.18%	515	139
Landsbanki	30/09/08	24/10/08	2,000	6.15%	2,492	1,042
Landsbanki	18/09/08	16/01/08	1,000	6.00%	1,244	513
Landsbanki	08/02/08	06/02/09	2,900	5.40%	3,728	1,486
<b>Total</b>			<b>11,100</b>		<b>11,330</b>	<b>4,033</b>

Interest accruing against these investments has been credited to the Comprehensive Income and Expenditure Statement as Investment interest income. This has been calculated in accordance with the latest CIPFA guidance and is as follows:

Bank	Interest credited to the Comprehensive Income and Expenditure Statement £'000's
Glitnir	311
Heritable	494
Landsbanki	951
<b>Total</b>	<b>1,756</b>

The impairment loss recognised in the Comprehensive Income and Expenditure Statement in 2010/11, £3.9m, is comprised of two elements: The anticipated non-recoverable amount based on the information given below (£0.8m); and an amount calculated by discounting the assumed cash flows at the effective interest rate of the original deposits in order to recognise the reduction in value of the deposits over time (£3.1m).

Adjustments to the assumptions will be made in future accounts as more information becomes available.

The Authority has taken treated this investment as a Financial Instrument and a sum of £3.1m has been transferred to the Financial Instruments Adjustment Account. With only the non-recoverable amount being written off through the Comprehensive Income and Expenditure Account.

All monies within these institutions are currently subject to the respective administration and receivership processes. The amounts and timing of payments to depositors such as the Authority will be determined by the administrators / receivers.

The current situation with regards to recovery of the sums deposited varies between each institution. Based on the latest information available the Authority considers that it is appropriate to consider an impairment adjustment for the deposits, and has taken the action outlined below. As the available information is not definitive as to the amounts and timings of payments to be made by the administrators / receivers, it is likely that further adjustments will be made to the accounts in future years.

These figures are based on the position as at the end of May and incorporate the latest guidance from CIPFA's Local Authority Accounting Panel. The situation is still very fluid and will be for some time. It is however likely that there will be additional developments over the next couple of months/years affecting these investments.

### Glitnir Bank hf

Glitnir Bank hf is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008 its domestic assets and liabilities were transferred to a new bank (new Glitnir) with the management of the affairs of Old Glitnir being placed in the hands of a resolution committee. Old Glitnir's affairs are being administered under Icelandic law. The latest financial information available regarding Glitnir was presented to the creditors meeting on 6<sup>th</sup> August 2010. On 1<sup>st</sup> April 2011 the Reykjavik District Court issued a verdict confirming that local authorities' claims (including Kent Police's) qualified for priority under Article 112 of Icelandic Bankruptcy legislation although this decision is being appealed in the Icelandic Supreme Court.

If local authority deposits do not enjoy priority status, the expected recovery is approximately 29% with payment being made no earlier than October 2011. The following table illustrates the expected repayment amounts and schedule for each scenario.

Date	Priority Status		No Priority Status	
	Percentage	Amount	Percentage	Amount
October 2011	-	-	4.35%	£87,000
December 2011	100%	£2,000,000	-	-
October 2012	-	-	4.35%	£87,000
October 2013	-	-	4.35%	£87,000
October 2014	-	-	4.35%	£87,000
October 2015	-	-	11.60%	£232,000
<b>Total</b>	<b>100%</b>	<b>£2,000,000</b>	<b>29.00%</b>	<b>£580,000</b>

Following guidance from CIPFA and consultation with Kent County Council who manage investments on our behalf, Kent Police have elected to treat these investments as though priority status is awarded as this is considered to be the most likely result of the appeal to the legal case. The impairment therefore reflects the loss of interest to the authority until the funds are repaid. Readers of the accounts should note however that priority creditor status is by no means a certainty and if not granted will affect the amount of recovery significantly.

### Heritable Bank

Heritable bank is a UK registered bank under Scots law. The company was placed in administration on 7 October 2008. The latest Administrators report, issued in February 2011 noted that current projections suggest a return to creditors of 79% – 85% of the original investment plus interest. To date five repayments have been made to Kent Police. The amounts shown below represent the cash received against the original investment and this amount expressed as a percentage of the total sum invested in Heritable Bank.

Date	Amount repaid	Percentage
30 <sup>th</sup> July 2009	£516,032	16.13%
18 <sup>th</sup> December 2009	£405,120	12.66%
30 <sup>th</sup> March 2010	£198,178	6.19%
16 <sup>th</sup> July 2010	£200,781	6.27%
18 <sup>th</sup> October 2010	£132,397	4.14%
14 <sup>th</sup> January 2010	£150,943	4.72%
<b>Total</b>	<b>£1,603,451</b>	<b>50.11%</b>

Guidance from CIPFA in Local Authority Accounting Panel Bulletin 82 – update no. 4 recommends the following repayment schedule be used. The schedule is based on expected total dividends of 84.98% of the claim. Although this is at the top end of the expected range quoted by the administrators, this is in line with previous CIPFA advice.

Date	Repayment	Date	Repayment
April 2011	6.25%	April 2012	5.00%
July 2011	5.00%	July 2012	5.00%
October 2011	5.00%	October 2012	3.62%
January 2011	5.00%		

Recoveries are expressed as a percentage of the authority's claim in the administration.

### Landsbanki

Landsbanki Islands hf is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008 its domestic assets and liabilities were transferred to a new bank (new Landsbanki) with the management of the affairs of Old Landsbanki being placed in the hands of a resolution committee. Old Landsbanki's affairs are being administered under Icelandic law. The latest public presentation of its affairs was made to creditors on 23 August 2010 and confirms that a settlement has been reached between Landsbanki and the successor bank in Iceland (NBI) about the way in which the successor will compensate Landsbanki for the assets taken over.

The Local Authority Accounting Panel considers, on the basis of legal advice obtained by local authorities and advice provided by the Local Government Association, that the most likely outcome is that Kent Police will enjoy priority status for its claim. Such status would result in an estimated 94.85% return, if however priority status is not awarded this return rate will drop to 38.21% with payments being made much later.

Readers of the Statement of Accounts should be aware that the result of legal proceedings is by no means guaranteed and should priority status not be awarded the impairment of investments will be significantly greater.

The following table illustrates the difference in repayment profile and amount dependent on whether the Authority is given priority status or not:

Date	Priority Status		No Priority Status	
	Percentage	Amount	Percentage	Amount
December 2011	22.17%	£1,308,030	8.93%	£526,870
December 2012	8.87%	£523,330	3.57%	£210,630
December 2013	8.87%	£523,330	3.57%	£210,630
December 2014	8.87%	£523,330	3.57%	£210,630
December 2015	8.87%	£523,330	3.57%	£210,630
December 2016	8.87%	£523,330	3.57%	£210,630
December 2017	8.87%	£523,330	3.57%	£210,630
December 2018	19.47%	£1,148,730	7.84%	£462,560
<b>Total</b>	<b>94.86%</b>	<b>£5,596,740</b>	<b>38.19%</b>	<b>£2,253,210</b>

A summary of the total amounts invested in the three Icelandic Banks, anticipated return and worse case return is shown in the table below:

Bank	Amount Invested	Anticipated return	Percentage return	Worse case anticipated return	Percentage return
	£'000's	£'000's	%	£'000's	%
Glitnir	2,000	2,000	100.00	580	29.00
Heritable	3,200	2,719	84.97	2,528	79.00
Landsbanki	5,900	5,597	94.86	2,253	38.19
<b>Total</b>	<b>11,100</b>	<b>10,316</b>	<b>92.94</b>	<b>5,361</b>	<b>48.30</b>

This table does not include any discounting or interest accruing or potentially lost so shows different figures to the table at the start of this section showing the impairment calculated on an accounting basis.

To mitigate the risk of potential future losses on investments the Authority has agreed to invest only in UK banks, building societies and the Debt Management Office.

## Note 15 - Inventories

	Consumable stores	
	2010/11 £'000's	2009/10 £'000's
<b>As at 1<sup>st</sup> April</b>	176	222
Purchases	5,063	4,115
Recognised as an expense / income in the year	-4,985	-4,156
Written (off) / back balances	1	-5
<b>At as 31<sup>st</sup> March</b>	<b>255</b>	<b>176</b>

## Note 16 - Debtors

	31 <sup>st</sup> March 2011 £'000's	31 <sup>st</sup> March 2010 Re-stated £'000's
Central Government bodies	5,703	9,560
Other local authorities	3,044	3,092
Payments in advance	1,841	1,259
Staff advances	5	1,300
Other entities and individuals	4,285	4,168
<b>Total</b>	<b>14,878</b>	<b>19,379</b>

The decrease in debtors of £4.5m is primarily due to timings of the receipt of the Neighbourhood Policing and Specific Operations grants from the Home Office. These were outstanding at 31<sup>st</sup> March 2010 and therefore regarded as debtors whereas they were received in year in 2010/11.

Staff advances of £1,265,000 relating to Police Officer commutations were outstanding as at 31<sup>st</sup> March 2010. Although these had been paid in March they related to retirements in April. There were no such payments at 31<sup>st</sup> March 2011.

## Note 17 - Cash and Cash Equivalents

The balance of cash and cash equivalents is made up of the following elements:

	31 <sup>st</sup> March 2011 £'000's	31 <sup>st</sup> March 2010 £'000's
Cash held by the Authority and Bank current accounts	35	1,155
Short term deposits held by banks, local authorities and Building Societies	31,400	28,309
<b>Total Cash &amp; Cash Equivalents</b>	<b>31,435</b>	<b>29,464</b>

## Note 18 - Assets Held for Sale

	Current	
	2010/11 £'000's	2009/10 £'000's
<b>As at 1<sup>st</sup> April</b>	<b>619</b>	<b>319</b>
Assets newly classified as held for sale		
• Property, Plant & Equipment	994	619
Revaluation losses	0	0
Revaluation gains	66	0
Impairment losses	0	
Assets declassified as held for sale		
• Property, Plant & Equipment	0	0
Assets sold	-619	-319
Transfers from non-current to current	0	0
Other movements	0	0
<b>As at 31<sup>st</sup> March</b>	<b>1,060</b>	<b>619</b>

## Note 19 - Creditors

	31 <sup>st</sup> March 2011 £'000's	31 <sup>st</sup> March 2010 Re-stated £'000's
Central Government Bodies	121	91
Other Local Authorities	2,077	1,988
NHS Bodies	1	0
Receipts in Advance	1,319	2,058
Other entities and individuals	18,561	22,708
<b>Total</b>	<b>22,079</b>	<b>26,845</b>

The reduction in creditors of £4.7m is primarily related to a quicker turnover of invoices within the Authority's payments processing department combined with a decrease in volume of invoices brought about by Government reduction in funding.

## Note 20 – Provisions

A provision is a liability representing an amount set aside by the Authority for specific events or known costs which can be quantified with a degree of accuracy and which the Authority is reasonably certain it will have to pay. Specific provisions have been made for insurance claims and short term compensated absences as follows:

	Outstanding legal cases, injury & damage compensation claims £'000's	Short-tem accumulating compensated absences provision £'000's	Total £'000's
Balance at 1 <sup>st</sup> April	<b>2,666</b>	<b>2,812</b>	<b>5,478</b>
Additional Provisions made in 2010/11	1,316	1,756	3,072
Amounts used in 2010/11	-1,194	-137	-1,331
Unused amounts reversed in 2010/11	0	-1,866	-1,866
<b>Balance at 31<sup>st</sup> March</b>	<b>2,788</b>	<b>2,565</b>	<b>5,353</b>

## Note 21 - Usable Reserves

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement on page 22 and note 8.

	31 <sup>st</sup> March 2011 £'000's	31 <sup>st</sup> March 2010 Re-stated £'000's
General Fund	5,994	5,994
Earmarked Reserves		
Budget Roll Forward & PSA1	559	1,329
Invest to Save	500	500
Desktop Replacement	872	586
Proceeds of Crime Act Incentivisation	968	11
Budget Equalisation	6,091	2,691
Redundancy and re-location	1,908	0
Capital Receipts Reserve	13,249	11,035
Capital Contributions Unapplied Reserves	239	321
Insurance Fund	3,708	4,809
<b>Total</b>	<b>34,088</b>	<b>27,276</b>

<b>Capital Receipts Reserve</b>	31 <sup>st</sup> March 2011 £'000's	31 <sup>st</sup> March 2010 Re-stated £'000's
<b>Balance at 1<sup>st</sup> April</b>	<b>11,035</b>	<b>10,148</b>
Receipts and transfers during the year	2,903	4,047
Proceeds of disposals	4,778	2,067
Financing of non-current assets	-5,467	-5,227
<b>Balance at 31<sup>st</sup> March</b>	<b>13,249</b>	<b>11,035</b>

<b>Capital Contributions Unapplied Reserve</b>	31 <sup>st</sup> March 2011 £'000's	31 <sup>st</sup> March 2010 Re-stated £'000's
<b>Balance at 1<sup>st</sup> April</b>	<b>321</b>	<b>731</b>
Receipts and transfers during the year	150	0
Financing of non-current assets	-232	-410
<b>Balance at 31<sup>st</sup> March</b>	<b>239</b>	<b>321</b>

### General Fund

The General Fund Reserve is set at a minimum of 2% of net revenue expenditure.

### Budget Roll Forward & PSA1

The Authority has held a proportion of a previous year's underspend in this reserve in order to fund projects that either straddle financial years or did not start until 2010/11. PSA1 is a reward grant to fund crime reduction projects.

## Invest to Save

This reserve will be used to fund projects or schemes which yield savings for the Authority in excess of the cash outlay required to deliver the savings. These projects are agreed at a strategic level and deliver on-going cashable savings.

## Desktop Replacement

The Authority has a four year replacement programme for desktop and laptop computers. The reserve has been set up to ensure that the revenue account is not affected by the large variances in the number of computers required each year.

## Proceeds of Crime Act Incentivisation

This reserve shows the amount the Authority has received from the Government as a proportion of the assets seized under the Proceeds of Crime Act 2002. It has been agreed that this money will be used to fund additional resources to increase asset seizures.

## Budget Equalisation

The Authority has transferred a proportion of the year's underspend to this reserve in order to provide for anticipated budget shortfalls over the medium term. This reserve also includes an amount representing the estimated cash shortfall between the amount invested in Icelandic Banks and that which we expect to receive back. This amount has been calculated based on the anticipated returns forecast in note 14 but does not incorporate any discount factors so represents a real cash shortfall.

## Redundancy and re-location

The Authority has agreed to create a reserve to off-set potential costs relating to the re-structuring of the Service following significant budget reductions over the medium term. See note 38, Contingent Liabilities.

## Capital Receipts

The reserve is built up from contributions from revenue, the sale of surplus non-current assets and assets held for sale. Under the Local Government and Housing Act 1989 this reserve can only be used to fund capital expenditure.

## Insurance

This reserve has been set up to provide for any additional insurance costs falling on the Authority over and above those already specifically provided for. See note 20.

## Note 22 - Unusable Reserves

Movements in the Authority's unusable reserves are detailed in the Movement in Reserves Statement on page 22.

	31 <sup>st</sup> March 2011 £'000's	31 <sup>st</sup> March 2010 Re-stated £'000's
Revaluation Reserve	42,100	50,310
Pensions Reserve	-1,979,517	-2,266,761
Capital Adjustment Account	127,200	134,233
Financial Instruments Adjustment Account	-1,435	-2,245
Collection Fund Adjustment Account	1,580	1,339
Short term accumulated compensated absences account	-2,565	-2,812
<b>Total</b>	<b>-1,812,637</b>	<b>-2,085,936</b>

## Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment [and Intangible Assets]. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	2010/11 £'000's	2009/10 Re-stated £'000's
<b>At 1<sup>st</sup> April</b>	<b>-50,310</b>	<b>-17,585</b>
Upward revaluation of assets	-570	-46,074
Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on the Provision of Services	7,585	12,696
Difference between fair value of depreciation and historical cost depreciation	600	63
Accumulated gains on assets sold or scrapped	0	0
Amount written off to the Capital Adjustment Account	595	0
Correction to Donated Assets	0	-25
Additional adjustments - Gravesend	0	615
<b>At 31<sup>st</sup> March</b>	<b>-42,100</b>	<b>-50,310</b>

## Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2010/11 £'000's	2009/10 £'000's
<b>At 1<sup>st</sup> April</b>	<b>-2,266,761</b>	<b>-1,512,652</b>
Actuarial gains or losses on pensions assets and liabilities	182,910	-648,136
Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the Provision of Services in the Comprehensive Income & Expenditure Account	62,082	-146,010
Employer's pension contributions and direct payments to pensioners payable in the year	42,252	40,037
<b>At 31<sup>st</sup> March</b>	<b>-1,979,517</b>	<b>-2,266,761</b>

## Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2010/11 £'000's	2009/10 Re-stated £'000's
<b>At 1<sup>st</sup> April</b>	<b>-134,233</b>	<b>-178,001</b>
Additional adjustment for IFRS	-347	-768
Reversal of items of capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
• Charges for depreciation and impairment of non-current assets	8,146	12,794
• Revaluation losses on Property, Plant & Equipment	255	34,651
• Amortisation of intangible assets	2,301	2,251
• Amount of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	4,387	1,840
• Assets under construction which did not add value	945	1,263
Adjusting amounts written out of the Revaluation Reserve		
Net written out amount of the cost of non-current assets consumed in the year	-1,195	-682
Capital financing applied in the year:		
• Use of Capital Receipts Reserve to finance new capital expenditure	-2,510	-2,117
• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	-3,512	-3,607
• Capital repayment on PFI	-805	-1,827
Movements in the market value of debited or credited to the Comprehensive Income & Expenditure Statement		
Investment Properties	-468	0
Assets Held for Sale	-162	0
Movement in the Donated Assets Account credited to the Comprehensive Income & Expenditure Statement	-2	-30
<b>At 31<sup>st</sup> March</b>	<b>-127,200</b>	<b>-134,233</b>

### Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

	2010/11 £'000's	2009/10 Re-stated £'000's
<b>At 1<sup>st</sup> April</b>	<b>-2,245</b>	<b>-2,168</b>
Reversal of prior year entries		
• Discounting Police Pay Loan	33	292
• Interest accrual on frozen Icelandic bank deposits	-1,098	-442
• Impairment in frozen Icelandic bank deposits	3,310	2,318
Current year entries		
• Discounting Police Pay Loan	-19	-33
• Interest accrual on frozen Icelandic bank deposits	1,756	1,098
• Impairment in frozen Icelandic bank deposits	-3,956	-3,310
• Actual Impairment written out	784	
<b>At 31<sup>st</sup> March</b>	<b>-1,435</b>	<b>-2,245</b>

## Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund. This reflects the Authority's share of the any under or over payments and potential bad debts relating to non-payment of Council Tax to Local Authorities.

	2010/11 £'000's	2009/10 £'000's
<b>At 1<sup>st</sup> April</b>	<b>1,339</b>	<b>-860</b>
Amount by which Council Tax Income credited to the Comprehensive Income & Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements.	241	2,199
<b>At 31<sup>st</sup> March</b>	<b>1,580</b>	<b>1,339</b>

## Short-term Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, eg annual leave entitlement and time off in lieu of payment carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2010/11 £'000's	2009/10 £'000's
<b>At 1<sup>st</sup> April</b>	<b>-2,812</b>	<b>-2,416</b>
Settlement of annual leave or time off in lieu in year	137	151
Unused amounts reversed in year	1,866	2,061
Additional liability calculated in year	-1,756	-2,608
<b>At 31<sup>st</sup> March</b>	<b>-2,565</b>	<b>-2,812</b>

## Note 23 – Cash Flow Statement

	2010/11 £'000's	2009/10 £'000's
Adjustments to net surplus / deficit on the provision for non-cash movements		
Depreciation on non-current assets	-8,146	-12,794
Amortisation of intangible assets	-2,301	-2,250
Impairments and downward valuations	-4,544	-35,295
Increase / (decrease) in impairment provisions for bad debts	-27	13
Increase / (decrease) in creditors	4,766	-2,029
Increase / (decrease) in debtors	4,538	635
Increase / (decrease) in stock	-79	46
Pensions liability	103,573	-103,585
Carrying amount of non-current assets sold	-4,386	-1,837
Other non-cash items to be charged to the net surplus on the provision of services	-2,396	-2,746
<b>Total</b>	<b>90,998</b>	<b>-159,842</b>

## Operating Activities

The cash flows for operating activities include the following items:

	2010/11 £'000's	2009/10 Re-stated £'000's
Interest received	-918	-1,544
Interest paid	82	56
Dividends received	0	0
<b>Net cash flows from operating activities</b>	<b>-836</b>	<b>-1,488</b>

## Note 24 – Cash Flow Statement - Investing Activities

	2010/11 £'000's	2009/10 Re-stated £'000's
Purchase of property, plant & equipment, investment assets and intangible assets	6,128	6,292
Purchase of short-term and long-term investments	400,751	417,685
Other payments for investing activities	0	0
Proceeds from the sale of property, plant & equipment, investment property and intangible assets.	-4,778	-2,067
Proceeds from short-term and long-term investments	-390,144	-420,833
Other receipts from investing activities	0	0
<b>Net cash flows from investing activities</b>	<b>11,957</b>	<b>1,077</b>

## Note 25 – Cash Flow Statement - Financing Activities

	2010/11 £'000's	2009/10 Re-stated £'000's
Cash payments for the reduction of outstanding liabilities relating to finance leases and PFI contracts	883	938
<b>Net cash flows from financing activities</b>	<b>883</b>	<b>938</b>

## Note 26 - Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Best Value Accounting Code of Practice*. However, decisions about resource allocation are taken by the Authority's Chief Officer Team and / or the full Police Authority on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- expenditure on some support services is budgeted for centrally and not charged to directorates.

The following tables show expenditure for Kent Police for the financial years 2009/10 and 2010/11 analysed subjectively and grouped based on operational policing units or directorates. This information is reported to the Chief Officer team on a month by month basis and used to inform resource allocation and other strategic decisions.

North Kent, West Kent, Mid Kent, Medway, East Kent and South Kent are Basic Command Units (BCUs) aligned to local authority boundaries and form geographic policing units. Specialist Operations, Force Control Centre and Operational Support are centralised specialist functions providing support to the entire county.

Kent Police Authority is the statutory body appointed to hold Kent Police to account, set its budget and ensure the views of communities in Kent determine the priorities for the policing service in the county. Although the Police Authority represents less than one percent of the total expenditure of the Force including it with the segmental reports is felt to be useful and informative.

Segmental reports are intended to show detail only for parts of the organisation comprising over 10% of the total expenditure. There are a number of departments therefore, including Information Services, HR and Training that fall beneath this de-minimus level and are not listed individually. These departments are grouped together and shown as 'Other' in the following reports.

Specific Grant income is also included within this group. This can be seen within the Reimbursements, Grants and Contributions line of the following reports.

## Income & Expenditure as reported to senior management for the year ended 31<sup>st</sup> March 2011

	North Kent	West Kent	Mid Kent	Medway	East Kent	South Kent	Specialist Operation	Force Control Centre	Operational Support	Kent Police Authority	Other	Force Total
	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's
Police Pay	18,998	19,779	21,052	20,346	21,774	24,718	12,135	3,755	27,861	0	16,178	<b>186,596</b>
Police Overtime	347	288	312	365	269	445	207	2,428	409	0	-19	<b>5,051</b>
PSE Pay	4,481	4,908	5,199	4,949	5,494	5,979	11,320	14,214	3,148	551	27,496	<b>87,739</b>
PSE Overtime	28	11	10	19	28	56	86	452	24	7	133	<b>854</b>
Pensions Costs	0	0	0	0	0	0	0	0	0	0	4,120	<b>4,120</b>
Misc Employee Costs	-1	1	5	-1	0	-1	1	16	-4	7	224	<b>247</b>
Training	8	3	1	2	2	1	-7	-1	13	8	341	<b>371</b>
Premises	5,705	713	589	3,626	648	979	337	35	954	73	4,540	<b>18,199</b>
Transport	375	479	393	324	428	628	876	126	863	49	2,509	<b>7,050</b>
Equipment & Supplies	111	72	173	55	62	80	391	91	291	31	512	<b>1,869</b>
Provisions	17	12	20	22	23	28	15	13	50	28	259	<b>487</b>
Uniforms, clothing etc	70	55	54	42	55	70	11	25	204	0	284	<b>870</b>
Printing, copying etc	89	53	58	73	62	76	86	14	46	100	290	<b>947</b>
Services	273	145	133	122	121	198	2,774	575	283	200	3,588	<b>8,411</b>
Support costs	0	0	0	0	0	0	0	0	0	0	158	<b>158</b>
Communications & computing	150	137	136	120	161	153	801	681	244	87	6,025	<b>8,695</b>
Small, supplies & fees	30	12	26	20	16	28	103	47	142	337	460	<b>1,221</b>
Third Party Payments	47	38	69	60	56	33	610	764	91	12	827	<b>2,606</b>
Transfer Payments & Banking Costs	464	0	4	389	5	0	-784	27	43	100	-621	<b>-371</b>
<b>Total Expenditure</b>	<b>31,192</b>	<b>26,706</b>	<b>28,234</b>	<b>30,533</b>	<b>29,204</b>	<b>33,471</b>	<b>28,962</b>	<b>23,262</b>	<b>34,662</b>	<b>1,590</b>	<b>67,305</b>	<b>335,121</b>
Reimbursements & contributions	-4,339	-133	-282	-2,398	-117	-191	-496	-302	-3,034	-40	-38,907	<b>-50,239</b>
Sales	0	0	-3	0	-4	0	-1	0	0	0	-50	<b>-58</b>
Fees & Charges	-64	-79	-99	-123	-44	-44	-37	-63	-973	0	-1,564	<b>-3,090</b>
Other Income	-15	-2	-15	-56	-18	-4	-19	-46	-26	-1	-1,819	<b>-2,021</b>
<b>Total Income</b>	<b>-4,418</b>	<b>-214</b>	<b>-399</b>	<b>-2,577</b>	<b>-183</b>	<b>-239</b>	<b>-553</b>	<b>-411</b>	<b>-4,033</b>	<b>-41</b>	<b>-42,340</b>	<b>-55,408</b>
<b>Overall Position</b>	<b>26,774</b>	<b>26,492</b>	<b>27,835</b>	<b>27,835</b>	<b>29,021</b>	<b>33,233</b>	<b>28,409</b>	<b>22,851</b>	<b>30,629</b>	<b>1,549</b>	<b>24,965</b>	<b>279,713</b>
<b>Budget</b>	27,121	26,890	28,720	28,443	29,266	34,024	28,635	23,382	31,331	1,557	25,631	285,000
<b>(Over) / underspend</b>	<b>347</b>	<b>398</b>	<b>885</b>	<b>487</b>	<b>245</b>	<b>791</b>	<b>226</b>	<b>531</b>	<b>702</b>	<b>8</b>	<b>666</b>	<b>5,287</b>

## Reconciliation to Total Comprehensive Income & Expenditure Statement

Depreciation	8,146
Amortisation of Intangible Assets	2,300
Impairments of non-current assets	4,544
Impairments of financial assets	645
Interest Element on Finance Lease and PFI	-4,694
Short term compensated absences	2,565
Donated Assets	-3
Transfers from Reserves	588
Pensions adjustment – IAS 19	-161,835
Police Officer Superannuation	-31,451
Police Staff Superannuation	-10,040
<b>Net Cost of Policing Services</b>	<b>90,705</b>
<b>Other Operating Expenditure</b>	
Gain / loss on disposal of non-current assets	-321
Gain / loss on disposal of Assets Held For Sale	-71
<b>Financing &amp; Investment Income and Expenditure</b>	
Interest element of Finance Leases	59
Interest Payable on PFI unitary payments	4,635
Expected return on pension assets	109,477
Investment interest income	-918
<b>Taxation and Non-specific grant income</b>	
Recognised capital grants and contributions	-3,431
Precept income	-90,293
Non-service related government grants	-121,946
Revenue Support Grant	-10,293
National Non-Domestic Rates	-70,881
Home Office Pension Grant	-9,724
<b>(Surplus) / deficit for the year</b>	<b>-103,002</b>
(Surplus) deficit arising on revaluation of fixed assets	375
(Surplus) deficit arising on available for sale financial instruments	-50
Actuarial (gains) / losses on pension fund assets and liabilities	-182,910
<b>Total Comprehensive Income and Expenditure</b>	<b>-285,587</b>

## Income & Expenditure as reported to senior management for the year ended 31<sup>st</sup> March 2010

	North Kent £'000's	West Kent £'000's	Mid Kent £'000's	Medway £'000's	East Kent £'000's	South Kent £'000's	Specialist Operations £'000's	Force Control Centre £'000's	Operational Support £'000's	Kent Police Authority £'000's	Other £'000's	Force Total £'000's
Police Pay	18,929	19,259	20,218	20,206	20,683	23,665	11,685	3,303	29,324	0	17,577	<b>184,848</b>
Police Overtime	758	682	635	663	737	861	1,265	71	1,085	0	298	<b>7,055</b>
PSE Pay	4,524	5,131	5,714	5,198	6,007	6,369	11,629	13,687	2,922	478	25,874	<b>87,532</b>
PSE Overtime	47	38	19	35	71	65	396	566	55	9	295	<b>1,597</b>
Pensions Costs	0	0	0	0	0	0	0	0	0	0	2,994	<b>2,994</b>
Misc Employee Costs	1	1	3	4	1	0	6	9	0	2	329	<b>357</b>
Training	19	17	8	15	16	21	272	28	103	6	249	<b>752</b>
Premises	5,575	701	650	3,609	733	1,048	342	152	582	73	5,283	<b>18,748</b>
Transport	361	491	404	320	426	552	865	121	1,019	60	3,194	<b>7,811</b>
Equipment & Supplies	209	190	163	172	125	211	484	126	385	40	920	<b>3,024</b>
Provisions	35	17	27	46	32	49	27	31	87	27	413	<b>704</b>
Uniforms, clothing etc	91	80	70	75	91	78	18	37	147	0	324	<b>1,011</b>
Printing, copying etc	78	71	81	82	89	82	106	34	77	104	810	<b>1,616</b>
Services	231	205	139	207	160	233	4,540	600	266	228	6,198	<b>13,005</b>
Support costs	0	0	0	0	5	0	0	0	0	0	160	<b>164</b>
Communications & computing	159	151	142	139	182	208	1,299	656	306	106	7,055	<b>10,401</b>
Small, supplies & fees	49	33	48	50	55	43	225	60	422	335	581	<b>1,901</b>
Third Party Payments	22	94	76	88	110	47	1,085	735	85	13	1,123	<b>3,476</b>
Transfer Payments & Banking Costs	0	12	1	13	7	0	1	0	7	127	64	<b>231</b>
<b>Total Expenditure</b>	<b>31,086</b>	<b>27,171</b>	<b>28,398</b>	<b>30,921</b>	<b>29,529</b>	<b>33,530</b>	<b>34,244</b>	<b>20,213</b>	<b>36,786</b>	<b>1,607</b>	<b>73,743</b>	<b>347,227</b>
Reimbursements & contributions	-917	-395	-339	-533	-405	-374	-1,894	-546	-4,063	-8	-43,626	<b>-53,100</b>
Sales	0	0	0	0	-2	0	-7	0	-5	0	-145	<b>-160</b>
Fees & Charges	-198	-132	-110	-243	-67	-97	-54	-14	-878	-2	-2,130	<b>-3,926</b>
Other Income	-70	-16	-28	-689	-23	-34	-20	-17	-123	-3	-2,295	<b>-3,316</b>
<b>Total Income</b>	<b>-1,185</b>	<b>-543</b>	<b>-476</b>	<b>-1,465</b>	<b>-497</b>	<b>-497</b>	<b>-1,975</b>	<b>-577</b>	<b>-5,070</b>	<b>-12</b>	<b>-48,196</b>	<b>-60,502</b>
<b>Overall Position</b>	<b>29,901</b>	<b>26,629</b>	<b>27,992</b>	<b>29,457</b>	<b>29,032</b>	<b>29,032</b>	<b>32,269</b>	<b>19,636</b>	<b>31,716</b>	<b>1,595</b>	<b>25,547</b>	<b>286,725</b>

Reconciliation to Total Comprehensive Income & Expenditure Statement.

Depreciation	12,793
Amortisation of Intangible Assets	2,251
Impairments of non-current assets	35,914
Impairments of financial assets	3,311
Interest elements on Finance Lease & PFIs	-4,745
Short term compensated absences	396
Donated Assets	-30
Pensions adjustment – IAS 19	53,724
Police Officer Superannuation	-30,740
Police Staff Superannuation	-9,977
<b>Net Cost of Policing Services</b>	<b>349,622</b>
<b>Other Operating Expenditure</b>	
Gain / loss on disposal of non-current assets	-230
Gain / loss on disposal of intangible assets	0
<b>Financing &amp; Investment Income and Expenditure</b>	
Interest element of Finance Leases	59
Interest Payable on PFI unitary payments	4,686
Expected return on pension assets	102,368
Investment interest income	-1,544
<b>Taxation and Non-specific grant income</b>	
Recognised capital grants and contributions	-3,520
Precept income	-83,349
Non-service related government grants	-118,504
Revenue Support Grant	-14,882
National Non-Domestic Rates	-64,479
Home Office Pension Grant	-10,082
<b>(Surplus) / deficit for the year</b>	<b>160,145</b>
(Surplus) deficit arising on revaluation of fixed assets	-39,129
(Surplus) deficit arising on available for sale financial instruments	-259
Actuarial (gains) / losses on pension fund assets and liabilities	648,817
<b>Total Comprehensive Income and Expenditure</b>	<b>769,574</b>

## Note 27 - Members' Allowances

A total of £254,815 (£253,824) was paid in 2010/12 (2009/10) for members' allowances and expenses. The annual allowances paid to members are as follows:

Post	Basic Allowance	Special Responsibility Allowance	Total
Chair	9,234	20,520 (100%)	29,754
Vice-Chair	9,234	10,260 (50%)	19,494
Committee Chair	9,234	6,156 (30%)	15,390
Member	9,234	-	9,234

## Note 28 - Officers' Remuneration

In accordance with Regulation 4 of the Accounts and Audit Regulations 2009 the Authority has a specific requirement to disclose the number of employees whose taxable remuneration falls within certain brackets. Accordingly the number of employees whose remuneration, excluding pension contributions was £50,000 or more in bands of £5,000 was:

Remuneration Band (£)	Number of Employees	
	2010/11	2009/10
50,000 – 54,999	140	198
55,000 – 59,999	150	120
60,000 – 64,999	46	27
65,000 – 69,999	11	8
70,000 – 74,999	9	14
75,000 – 79,999	11	10
80,000 – 84,999	13	11
85,000 – 89,999	7	4
90,000 – 94,999	6	3
95,000 – 99,999	2	1
100,000 – 104,999	2	-
105,000 – 109,999	-	2
110,000 – 114,999	1	1
115,000 – 119,999	2	1
120,000 – 124,999	-	-
125,000 – 129,999	-	-
130,000 – 134,999	-	-
135,000 – 139,999	-	-
140,000 – 144,999	-	-
145,000 – 149,999	1	1
150,000 – 154,999	-	-
155,000 – 159,999	-	-
160,000 - 164,999	-	-
165,000 – 169,999	-	-
170,000 – 174,999	-	-
175,000 – 179,999	1	1

The amended Regulations introduce a new requirement to disclose individual remuneration details for senior employees whose salary is £50,000 or more per year but less than £150,000. For these employees their salaries are listed individually by way of job title. Additionally persons whose salary is £150,000 or more per year must be identified by name.

A senior employee is considered one whose salary is greater than £50,000 per year (calculated pro rata for part time employees) and who is responsible for the management of Kent Police to the extent that the person has power to control the major activities of the service, in particular activities involving the expenditure of money, whether solely or collectively with other persons.

This includes the authority's Chief Executive and Treasurer, all Association of Chief Police Officer (ACPO) ranking police officers and the Director of Finance and Administration.

2010/11										
Post Title	Note	Salary including allowances	Perf'nce. Related Pay	Expenses Allowances	Compensation for loss of office	Benefits in kind	Other Payments (Police Offices only)	<b>Total remuneration (excl pension contributions)</b>	Pension contributions	<b>Total remuneration (including pension contributions)</b>
Chief Executive		101,763	0	10,704	0	750	-	<b>113,217</b>	15,684	<b>128,901</b>
Treasurer	1	53,244	0	0	0	0	-	<b>53,244</b>	8,146	<b>61,390</b>
Chief Constable, Mr Ian Learmonth	2	113,821	0	0	0	0	0	<b>113,821</b>	23,745	<b>137,566</b>
Temporary Chief Constable	3	38,357	0	0	0	2,182	0	<b>40,539</b>	8,921	<b>49,460</b>
Deputy Chief Constable	3	63,639	0	0	0	4,364	3,926	<b>71,929</b>	15,280	<b>87,209</b>
Temporary Deputy Chief Constable	4	32,401	0	0	0	2,340	0	<b>34,741</b>	7,773	<b>42,514</b>
Temporary Deputy Chief Constable	4	32,888	0	0	0	2,636	0	<b>35,524</b>	7,547	<b>43,071</b>
Assistant Chief Constable (Specialist Operations)	5	78,536	0	0	0	7,907	2,370	<b>88,813</b>	17,771	<b>106,584</b>
Assistant Chief Constable (Operational Support)		102,431	0	0	0	10,618	1,421	<b>114,470</b>	23,822	<b>138,292</b>
Assistant Chief Constable (Area Operations)	4	78,025	0	0	0	7,021	2,959	<b>88,005</b>	7,814	<b>95,819</b>
Assistant Chief Constable (Area Operations)	6	23,239	0	0	0	1,974	0	<b>25,213</b>	5,352	<b>30,565</b>

2010/11 continued.										
Post Title	Note	Salary including allowances	Perf'nce. Related Pay	Expenses Allowances	Compensation for loss of office	Benefits in kind	Other Payments (Police Offices only)	<b>Total remuneration (excl pension contributions)</b>	Pension contributions	<b>Total remuneration (including pension contributions)</b>
Assistant Chief Constable (Personnel & Training)		110,725	0	0	0	10,561	3,973	<b>125,259</b>	25,350	<b>150,609</b>
Director of Finance & Administration		104,753	0	10,704	0	750	-	<b>116,207</b>	16,142	<b>132,349</b>

Notes:

1. The Treasurer is part time (0.60 FTE)
2. The Chief Constable, Mr Ian Learmonth commenced employment with Kent Police on 7<sup>th</sup> August 2010
3. Prior to Mr Learmonth joining Kent Police the then Deputy Chief Constable was promoted to the role of Temporary Chief Constable. This covered the period 1<sup>st</sup> April to 4<sup>th</sup> July 2010.  
The Deputy Chief Constable left Kent Police on 4<sup>th</sup> January for a promotion in another Police Force.
4. Whilst the substantive Deputy Chief Constable held the role of Temporary Chief Constable the Assistant Chief Constable (Area Operations) was promoted to the role of Temporary Deputy Chief Constable. This covered the period 1<sup>st</sup> April to 4<sup>th</sup> July 2010 after which he reverted to his previous position.
5. Following the departure of the substantive Deputy Chief Constable on the 4<sup>th</sup> January 2011, the Assistant Chief Constable (Specialist Operations) was appointed to Temporary Deputy Chief Constable. This covered the period 4<sup>th</sup> January to 20<sup>th</sup> March. The T/Deputy Chief Constable was appointed to the role of Deputy Chief Constable on a permanent basis on 21<sup>st</sup> March 2011.
6. Whilst the Assistant Chief Constable (Area Operations) was covering the role of Temporary Deputy Chief Constable (see note 4 above) a Chief Superintendent was appointed to the position of Assistant Chief Constable (Area Operations). This covered the period 1<sup>st</sup> April to 11<sup>th</sup> July 2010.

2009/10										
Post Title	Note	Salary including allowances	Perf'nce. Related Pay	Expenses Allowances	Compensation for loss of office	Benefits in kind	Other Payments (Police Offices only)	<b>Total remuneration (excl pension contributions)</b>	Pension contributions	<b>Total remuneration (including pension contributions)</b>
Chief Executive		91,660	0	10,704	0	750	0	<b>103,114</b>	14,380	<b>117,494</b>
Treasurer	1	34,607	0	0	0	0	0	<b>34,607</b>	5,295	<b>39,902</b>
Chief Constable, Mr Michael Fuller		152,826	8,982	0	0	8,729	7,453	<b>177,990</b>	35,307	<b>213,297</b>
Deputy Chief Constable		127,167	7,410	0	0	9,532	3,847	<b>147,956</b>	29,329	<b>177,285</b>
Assistant Chief Constable (Specialist Operations)	2	87,433	0	0	0	7,037	0	<b>94,470</b>	19,725	<b>114,195</b>
Assistant Chief Constable (Specialist Operations)	2	15,849	0	0	0	1,109	3,885	<b>20,843</b>	3,654	<b>24,497</b>
Assistant Chief Constable (Operational Support)	3	86,791	0	0	0	2,823	0	<b>89,614</b>	20,144	<b>109,758</b>
Assistant Chief Constable (Area Operations)		97,576	0	181	0	3,829	2,958	<b>104,544</b>	22,539	<b>127,083</b>
Assistant Chief Constable (Personnel & Training)		108,100	0	200	0	6,630	3,960	<b>118,890</b>	24,715	<b>143,605</b>
Director of Finance & Administration		99,067	0	10,704	0	1,125	0	<b>110,896</b>	15,272	<b>126,168</b>

Notes:

1. The Treasurer is a part time post at 0.40 FTE.
2. Two Assistant Chief Constables (Specialist Operations) are shown as one retired to be replaced in May 2009.
3. Assistant Chief Constable (Operational Support) is as new post and the post holder commenced employment with Kent Police in May 2009.

## Note 29 - External Audit Costs

In 2010/11 the following fees were incurred relating to external audit and inspection, carried out by our appointed external auditors, the Audit Commission:

	2010/11 £'000's	2009/10 £'000's
Fees payable in respect to External Audit Fees	96	101
Fees payable to the Audit Commission in respect of other Services	1	1
<b>Total</b>	<b>97</b>	<b>102</b>

## Note 30 - Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010/11:

	2010/11 £'000's	2009/10 Re-stated £'000's
Credited to Taxation and Non-specific Grant Income		
• Non-service related Government Grant	121,946	118,504
• National Non-Domestic Rates	70,881	64,479
• Revenue Support Grant	10,293	14,882
• Home Office Pension Grant	9,724	10,082
• Capital Grant	3,281	3,520
• Contributions to capital	150	87
<b>Total</b>	<b>216,275</b>	<b>211,554</b>
Credited to Net Cost of Services		
• Counter Terrorism	13,147	13,443
• Designated Security Post Grant	382	812
• Neighbourhood Policing	7,892	7,842
• Crime Fighting Fund	7,634	7,634
• BCU Grant	841	841
• Rule 2 Grants	4,452	6,964
• Other grants	753	152
<b>Total</b>	<b>35,101</b>	<b>37,688</b>

All grants are analysed for outstanding conditions which would require any unspent amounts to be repaid. The conditions of the Neighbourhood Policing Grant requires a total of £162,000 to be treated as income in advance and offset against the 2011/12 grant. This is reflected in the total above as follows:

Full grant	£8.054m
less Income in advance	£0.162m
Neighbourhood Policing Grant recognised in the Total Income and Expenditure Statement	£7.892m.

## Note 31 - Related Parties

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

### Central Government

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, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (eg council tax bills).

## Members

Police Authority Members have direct control over the Authority's financial and operating policies. The total of members' allowances paid in 2010/11 is shown in Note 27. There are 17 members of the Kent Police Authority, 8 of whom are members of Kent County Council or Medway Unitary Authority. The Chief Executive has written to all members and there are no related party transactions to disclose for 2010/11.

## Officers

The Kent Police Chief Officer team lead by the Chief Constable has direct control over all operational decisions and the day-to-day running of the Authority as well strategic decision making in conjunction with the Police Authority. All Chief Officers have been contacted and there are no related party transaction to disclose for 2010/11.

## Other Public Bodies

The Authority has a number of business relationships with public organisations such as local authorities in Kent and other Police Authorities in England and Wales mainly Kent County Council and Essex Police.

Kent County Council provide Treasury Management and Pensions services to Kent Police and also provide a range of supplies and services through their commercial services departments. These include provision of utilities such as gas and electricity as well as photocopier agreements and printing. The total paid to Kent County Council in 2010/11 was £17.7m (£1.3m was owing at the Balance Sheet date) although £14.4m was paid as pension contributions leaving £0.7m for printing services and photocopying, £0.5 for the provision of a pension service, Treasury Management, contributions to partnership programmes for crime reduction and £2.2m for gas and electricity.

Kent Police has four main collaborative agreements with Essex Police covering Marine Services, Air Support, Information Services and Procurement. Each of these are categorised as jointly controlled operations as each Authority uses and retains its own assets in the provision of the joint service rather than creating a legal entity separate to Kent Police and Essex Police. The amount paid to Essex Police for the year 2010/11 for Air Support and as contributions to joint heads of department was £0.7m of which £0.02m remained owing at the Balance Sheet date.

Jointly Controlled Operations are further explained in note 41.

## Note 32 - Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

	2010/11 £'000's	2009/10 Re-stated £'000's
Opening Capital Financing Requirement	0	0
Capital Investment		
• Property, Plant & Equipment	4,220	6,812
• Investment Properties	0	0
• Intangible Assets	913	312
Sources of Finance		
• Capital Receipts	-1,437	-2,039
• Government Grants and other contributions	-3,512	-3,607
• Direct Revenue Contributions	-184	-667
• Increase in capital creditors	0	-811
Closing Capital Financing Requirement	<b>0</b>	<b>0</b>

## Note 33 – Leases

### Authority as Lessee

#### Finance Leases

Kent Police has acquired one building, the Transport Workshops at Quarry Wood, Aylesford, under a finance lease. This contract was entered into in June 2000 for a period of 21 years. Historic costs for the building were £1.6m.

The asset acquired under this lease is carried as Property, Plant and Equipment in the Balance Sheet at the following net amount:

	2010/11 £'000's	2009/10 £'000's
Property, Plant & Equipment	798	855

The Authority is committed to making annual repayments consisting of interest and repayment of capital, as the asset is classified as a Finance Lease only the interest of £59,000 per annum is charged to the Comprehensive Income and Expenditure Statement. As the Transport Department is a support service this cost is apportioned across the objective analysis categories according to the number of vehicles.

The future minimum lease payments due under the contract in future years are:

	2010/11 £'000's	2009/10 £'000's
Not later than one year	137	137
Later than one year and not later than five years	684	684
Later than five years	548	684
<b>Total</b>	<b>1,369</b>	<b>1,505</b>

#### Operating Leases

The Authority has contractual arrangements in place for the following:

- vehicles for Chief Inspectors, Superintendents and Chief Officers
- a number of premises across the county where it has either been impossible or impracticable to purchase operational property
- photocopiers

These are classified as operating leases with the full lease amount being charged to the Net Cost of Services in the Comprehensive Income and Expenditure Statement as follows:

	2010/11 £'000's	2009/10 £'000's
Vehicle leases	557	401
Premises	658	476
Photocopiers	201	213
<b>Total</b>	<b>1,416</b>	<b>1,090</b>

The future minimum lease payments due under the contracts in future years are:

	2010/11 £'000's	2009/10 £'000's
Premises		
• Not later than one year	425	424
• Later than one year and not later than five years	881	1,185
• Later than five years	155	277
Vehicles		
• Not later than one year	63	94
• Later than one year and not later than five years	301	169
• Later than five years	0	0

The pattern for lease payments decreasing as time progresses in the above table is due because it does not allow for the renewal of leases or for taking on new agreements as existing ones come to an end. For example new vehicle leases will be entered into as new staff become eligible or an existing contract expires.

All values relating to leases on the Balance Sheet are at present value and not discounted due to the relative short term duration of the lease agreements and the materiality of the amounts involved.

### Authority as Lessor

The Authority leases out property under operating leases for the following purposes:

Housing – the Authority has five houses that it lets to individuals. These were returned to us by Kent County Council in 1995 complete with sitting tenants. The terms of each agreement is such that either party can terminate the agreement with a months notice.

Telecoms masts – The Authority rents space on either buildings or its own masts to telecommunications providers such as mobile phone companies. These are long contracts but can be terminated at short notice by either party. There is a drive within the mobile telecommunications industry to collaborate / merge so it is possible or indeed likely that some of this revenue may be withdrawn in future as companies merge.

Premises – There are currently three instances where Kent Police leases out part of its premises to partners such as the Crown Prosecution Service or highways Agency for a commercial rent. Such agreements are only undertaken where space is available, such an undertaking is mutually beneficial and would not compromise Kent Police's impartiality or provision of service.

The future minimum lease payments receivable under leasing agreements in future years are set out in the table below. Readers of the accounts should be aware that these figures may change year on year as each agreement is cancellable by either party at short notice.

	2010/11 £'000's
Not later than one year	34
Later than one year and not later than five years	35
Later than five years	240
<b>Total</b>	<b>309</b>

### Note 34 – Public Finance Initiative (PFI) funded schemes

Kent Police has two properties funded through PFI arrangements: North Kent Police station and Medway Police station, brought into service in May 2008 and December 2006 respectively. The Authority shows these assets on its Balance Sheet and that they are depreciated and otherwise accounted for in line with other building assets in line with accounting regulations.

Note 11, Property, Plant & Equipment includes the asset values for both North Kent and Medway police stations along with depreciation charges and where these are included on the Authority's Balance Sheet on page 19.

The following tables show the value of the assets held under PFI schemes, the liabilities arising from these schemes along with depreciation charges for the assets.

	North Kent £'000's	Medway £'000's	Total £'000's
Asset value recognized in the Balance Sheet	32,365	21,053	53,418
Depreciation charges			
2006/07	0	(234)	(234)
2007/08	0	(702)	(702)
2008/09	(989)	(702)	(1,691)
2009/10	(1,079)	(702)	(1,781)
Impairment following revaluation in 2010/11	(8,311)	-	(8,311)
<b>Revised Net Book Value following revaluation</b>	<b>21,986</b>	<b>18,713</b>	<b>40,699</b>
Depreciation charges for 2010/11	(436)	(702)	(1,138)
<b>Total</b>	<b>21,550</b>	<b>18,011</b>	<b>39,561</b>
<b>Net Book Value of assets shown in the Balance Sheet as at 31<sup>st</sup> March 2011</b>	<b>21,550</b>	<b>18,011</b>	<b>39,561</b>
Balance Sheet liability resulting from PFI arrangements			
On recognition	32,365	21,053	53,418
Capital Repayment			
2006/07	0	(730)	(730)
2007/08	0	(296)	(296)
2008/09	(478)	(323)	(801)
2009/10	(564)	(296)	(860)
2010/11	(464)	(341)	(805)
<b>Net Balance Sheet liability resulting from PFI arrangements as at 31<sup>st</sup> March 2011</b>	<b>30,859</b>	<b>19,067</b>	<b>49,926</b>

Although the payments made to the contractors are described as unitary payments, they have been calculated to compensate the contractors for the fair value of the services they provide over the life of the contracts, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The amounts due for the remainder of the contracts are shown in the table below.

	Within one year £'000's	Within 2 to 5 years £'000's	6 to 10 years £'000's	11 to 15 year £'000's	16 to 20 years £'000's	21 to 25 years £'000's	25 to 30 years £'000's
North Kent							
Repayments of liability	558	1,866	3,148	5,153	6,815	12,300	1,021
Interest	2,848	10,944	12,427	10,663	8,160	4,174	94
Service Charges	1,636	6,962	9,728	11,006	12,452	14,088	952
<b>Total</b>	<b>5,042</b>	<b>19,772</b>	<b>25,303</b>	<b>26,822</b>	<b>27,427</b>	<b>30,562</b>	<b>2,067</b>
Medway							
Repayments of liability	406	1,741	1,374	3,493	5,066	6,085	0
Interest	1,715	6,463	7,358	6,325	4,521	1,830	0
Service Charges	1,032	4,395	6,004	6,793	7,686	6,893	0
<b>Total</b>	<b>3,153</b>	<b>12,599</b>	<b>14,736</b>	<b>16,611</b>	<b>17,273</b>	<b>14,808</b>	<b>0</b>

### Note 35 - Impairment Losses

Details of impairment losses are consolidated in Notes 11 and 12 reconciling the movement over the year in the Property, Plant and Equipment and Intangible Asset balances.

Full details on the impairment relating to Kent Police's investments in Icelandic banks is in note 14.

### Note 36 - Termination Benefits

The Authority terminated the contracts of a number of employees in 2010/11, incurring liabilities of £92,000 (£0 in 2010/11). These payments were made to staff who were made redundant as part of the Authority's rationalisation of the Service. See note 38 on Contingent Liabilities for more details.

## Note 37 - Defined Benefit Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the authority has committed to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The authority participates in two pension schemes:

- The Local Government Pension Scheme for police staff employees, administered by Kent County Council – this is a funded scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets
- The Police Pensions Scheme for police officers – this is an unfunded scheme, meaning that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due. Under the Police Pension Fund Regulations 2007, if the amount receivable by the pensions account for the year is less than the amounts payable, the Police Authority must transfer an amount required to meet the deficit to the pensions account. Subject to parliamentary scrutiny and approval, up to 100% of this cost is met by central government pension top-up grant. If, however, the pensions account is in surplus for the year, the surplus is required to be transferred from the pensions account to the Police Authority which then must repay this amount to central government. There are currently two separate police pension schemes, both meeting the above criteria but with different contribution rates and benefits:
  - Police Pension Scheme (PPS), governed by the Police Pensions Regulations 1987 (as amended) which currently has an officer contribution rate of 11%. This scheme is no longer available to new members;
  - New Police Pension Scheme (NPPS), which started from 1 April 2006 and is governed by the Police Pensions Regulations 2006 and has an officer contribution rate of 9.5%.

The pension related costs charged to the income and expenditure account in addition to the IAS 19 calculated costs for police officers and staff are shown below.

	<b>2010/11 £'000</b>	<b>2009/10 £'000</b>
Police Staff Retirement Enhancements	0	0
Police Staff Redundancy Payments	92	0
Police Staff Pension Enhancements	27	50
Officers Annual Pension and Commutations Payments	187	164
Officers Injury & Ill Health payments	2,780	2,604
Officers 30+ Scheme	126	176
	<b>3,212</b>	<b>2,994</b>

### Police Officers

In April 2006 the new Police Pension scheme came into force and the employer's contributions that are transferred into the fund are 24.2% of Police Pay. Employers pension contributions and employees' contributions are paid into the new pension fund.

	<b>Year to 31/03/11 (£'000)</b>
<b><u>Income</u></b>	
Officers contributions	13,984
Employers contributions	31,447
Transfers in	452
Capital-equivalent charge payments for ill-health early retirements	371
<b>Sub-total</b>	<b>46,254</b>
<b><u>Expenditure</u></b>	
Pension payments	(46,989)
Refund of pension contributions	(23)
Transfers out	(1,218)
Commutations	(7,615)
Death Grants	(135)
<b>Sub Total for year before transfer from Police Fund</b>	<b>(9,726)</b>
Transfer from Police Fund	9,276
<b>Net Amount receivable</b>	<b>0</b>

Prior to 2006 the Police Authority was responsible for paying the pensions of officers who retired from the Force on a pay-as-you-go basis. Officer's contributions were paid into the Authority's operating account from which the pension payments were made. Funding towards this from Central Government was made via the Principal Police Grant.

As from 1<sup>st</sup> April 2006 officers contributions and a new employer's contribution have been paid into a pension account from which the pension payments are made. The account is funded from the Authority Income & Expenditure account, but the Home Office covers this expenditure if the contributions are insufficient to meet the cost of pension payments (any surplus would be recouped by the Home Office). As such the pension element of the Principal Police Grant has been removed. It should be noted that this method of accounting for the pension payment is not in line with the SORP but does comply with regulations.

#### **Police Pension Fund Net Current Assets and Liabilities**

The table below shows the Police Pension Fund assets and liabilities that are included in the Authority's Balance Sheet.

	<b>2010/11 £'000's</b>	<b>2009/10 £'000's</b>
Pension top-up grant receivable	3,194	2,571
Cash overdrawn	3,194	2,571

The accounting policies used in calculating the Pensions Fund Account are those that are applicable to the accounts as a whole.

The funds financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The accounting treatment for funding of future retirement benefits is detailed below.

## Police Staff Employees

In 2010/11 (2009/10) the Police Authority paid an employer's contribution of £10.0m, (£10.0m) into the Kent County Council Superannuation Fund, representing 15.3% (15.3%) of pensionable pay. The employer's contribution rate is determined by the Fund's actuary.

An actuarial valuation was carried out as at 31 March 2010 and alterations to the contributions made were necessary as shown above. In addition the Police Authority is responsible for all pension payments relating to added years benefits it has awarded, together with the related increases.

The capital cost of discretionary increases in pension payments was £27k (£50k) in the year and there were no payments being made with regard to earlier years. Further information can be found in Kent County Council's Superannuation Fund's Annual Report that is available upon request from the Investment Section, County Hall, Maidstone, Kent, ME14 1XQ.

## Transactions Relating to Retirement Benefits

The Authority recognise 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. However, the charge the Authority is required to make against council tax is based on the cash payable in the year, so the real cost of retirements is reversed out in the Statement of Movement in the General Fund Balance.

The Chancellor of the Exchequer announced in the Emergency Budget of 22<sup>nd</sup> June 2010 that the consumer price index rather than the retail price index will be the basis of future public sector pension increases. This change accounts for the change between actuarial loss and gain between 2010/11 and 2009/10 and therefore the majority of the decrease in deficit.

The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year:

Income & Expenditure Account	Local Government Pension Scheme		Police Pension Schemes		Total	
	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10
	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's
<i>Net Cost of Services:</i>						
Current Service Cost	15,856	5,827	69,800	37,200	85,656	43,027
Past Service Cost / (Gain)	(25,015)	15	(232,200)	600	(257,215)	615
<i>Net Operating Expenditure:</i>						
Interest Cost	15,389	11,824	106,000	98,400	121,389	110,224
Expected return on scheme assets	(11,912)	(7,856)	0	0	(11,912)	(7,856)
<b><i>Net charge to the Income &amp; Expenditure Account</i></b>	<b>(5,682)</b>	<b>9,810</b>	<b>(56,400)</b>	<b>136,200</b>	<b>(62,082)</b>	<b>146,010</b>

Current Service Cost: the increase in the authority's liability to pay pensions benefits in the future which is expected to arise as a result of employee service in the current period.

Past Service Cost: the increase in the authority's liability to pay pension benefits in the future expected to arise from decisions taken in the current year to introduce improvements to benefits earned in prior periods.

Interest cost: the expected increase in the present value of the pension scheme liabilities that arise because benefits are one year closer to being paid.

Expected return on scheme assets: the average rate of return expected on the investment assets held by the pension scheme.

Impact on the General Fund	Local Government Pension Scheme		Police Pension Schemes		Total	
	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10
	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's
Reversal of net charges made for retirement benefits in accordance with FRS 17	5,682	(9,810)	56,400	(136,200)	62,082	(146,010)
<i>Actual amount charged against the General Fund Balance for Pensions in the year:</i>						
Employer's contributions payable to scheme	10,040	9,978	31,447	30,740	41,487	40,718
<b>Net retirement benefits in accordance with FRS 17</b>	<b>15,722</b>	<b>168</b>	<b>87,847</b>	<b>(105,460)</b>	<b>103,569</b>	<b>(105,292)</b>

#### Assets and liabilities in relation to retirement benefits

Reconciliation of present value of scheme liabilities:

	Funded Liabilities: Local Government Pension Scheme		Unfunded Liabilities: Police Pension Schemes		Total Liabilities	
	2010/11 £'000's	2009/10 £'000's	2010/11 £'000's	2009/10 £'000's	2010/11 £'000's	2009/10 £'000's
1 <sup>st</sup> April	<b>287,443</b>	<b>168,970</b>	<b>2,101,600</b>	<b>1,428,500</b>	<b>2,389,043</b>	<b>1,597,470</b>
Current Service Cost	(9,182)	5,827	69,800	37,200	60,618	43,027
Interest Cost	15,389	11,824	106,000	98,400	121,389	110,224
Contributions by scheme participants	4,354	4,252	13,900	13,700	18,254	17,952
Cumulative adjustment to Police Pension liability to recognise the difference between actuarial assessment and actual contributions	-	-	66,713	51,025	66,713	51,025
Actuarial (gains) and losses	(47,927)	101,765	(136,100)	581,600	(184,027)	683,365
Benefits paid	(4,794)	(5,210)	(61,800)	(58,400)	(66,594)	(63,610)
Past Service Costs	23	15	(232,200)	600	(232,177)	615
31 <sup>st</sup> March	<b>245,306</b>	<b>287,443</b>	<b>1,927,913</b>	<b>2,152,625</b>	<b>2,173,219</b>	<b>2,440,068</b>

Reconciliation of present value of scheme liabilities – Injury pensions for Police Officers only (included within the table above but shown below for additional clarity).

	Unfunded liabilities: Police Pension	
	2010/11 £'000's	2009/10 £'000's
1 <sup>st</sup> April	<b>79,600</b>	<b>56,500</b>

Current Service Cost	4,000	0
Interest Cost	4,100	3,900
Contributions by scheme participants	0	0
Actuarial (gains) and losses	17,400	22,200
Benefits paid	(3,400)	(3,400)
Past Service Costs	(7,000)	400
31 <sup>st</sup> March	<b>94,700</b>	<b>79,600</b>

Reconciliation of fair value of scheme assets:

	Local Government Pension Scheme	
	2010/11 £'000's	2009/10 £'000's
1 <sup>st</sup> April	<b>172,389</b>	<b>120,230</b>
Expected rate of return	11,912	7,856
Actuarial (gains) and losses	(1,117)	35,229
Employer contributions	10,303	10,032
Cumulative adjustment to LGPS assets to recognise the difference between Actuarial and actual employer contributions	14	277
Valuation adjustment on opening asset balance	640	640
Contributions by scheme participants	4,354	4,252
Benefits paid	(4,794)	(5,210)
31 <sup>st</sup> March	<b>193,701</b>	<b>173,306</b>

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

Scheme History:

	2010/11 £'000's	2009/10 £'000's	2008/09 £'000's	2007/08 £'000's	2006/07 £'000's
<b>Present value of liabilities:</b>					
Local Government Pension Scheme	(245,306)	(287,443)	(168,970)	(168,100)	(187,230)
Police Pension Schemes	(1,927,913)	(2,152,635)	(1,464,815)	(1,401,910)	(1,627,605)
Fair value of assets in the Local Government Pension Scheme	193,701	173,306	121,133	140,120	146,540
<b>Surplus / (deficit) in the scheme:</b>					
Local Government Pension Scheme	(51,605)	(114,137)	(47,837)	(27,207)	(40,030)
Police Pension Scheme	(1,927,913)	(2,152,625)	(1,464,815)	(1,401,910)	(1,627,605)
<b>Total</b>	<b>(1,979,518)</b>	<b>(2,266,762)</b>	<b>(1,512,652)</b>	<b>(1,429,117)</b>	<b>(1,667,635)</b>

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £1,979m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a negative overall balance of £1,778m.

However, statutory arrangements for funding the deficit 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
- Finance is only required to be raised to cover police pensions when the pensions are actually paid.

	Local Government Pension Scheme	
	2010/11 £'000's	2009/10 £'000's
<b>Opening fair value of scheme assets at 1<sup>st</sup> April</b>	<b>172,389</b>	<b>120,230</b>
Expected return on scheme assets	11,912	7,856
Actuarial gains (losses)	(1,117)	35,229
Contributions by employer	10,303	10,032
Net transfers	0	0
Contributions by scheme participants	4,354	4,252
Estimated benefits paid	(4,794)	(5,210)
<b>Fair value of scheme assets at 31<sup>st</sup> March</b>	<b>193,047</b>	<b>172,389</b>

The return on the Fund for the year to 31<sup>st</sup> March 2011 is estimated to be 8.4%. This is based on the estimated Fund value used at the previous accounting date and the estimated Fund Value used at this date. The actual return on the Fund assets over the year may be different.

The estimated asset allocation for the Local Government Pension Scheme for Kent Police as at 31<sup>st</sup> March is as follows:

	31 <sup>st</sup> March 2011		31 <sup>st</sup> March 2010	
	£'000's	%	£'000's	%
Equities	146,716	76	127,568	74
Gilts	1,930	1	1,724	1
Other Bonds	23,166	12	24,134	14
Property	17,374	9	12,067	7
Cash	3,861	2	6,896	4
<b>Total</b>	<b>193,047</b>	<b>100</b>	<b>172,389</b>	<b>100</b>

#### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Police Pension Schemes has been assessed by Hymans Robertson LLP and the Local Government Pension Scheme (LGPS) liabilities by Barnett Waddingham, both independent firms of actuaries. Estimates for the LGPS scheme are based on the latest full valuation of the scheme as at 31 March 2010.

The principal assumptions used in their calculations have been:

	Local Government Pension Scheme		Police Pension Schemes	
	2010/11 £'000's	2009/10 £'000's	2010/11 £'000's	2009/10 £'000's
Long term expected rate of return on assets in the scheme:				
Equity investments	7.4%	7.5%	-	-
Gilts	4.4%	4.5%	-	-
Other Bonds	5.5%	5.5%	-	-
Property	5.4%	5.5%	-	-
Cash	3.0%	3.0%	-	-
Mortality assumptions:				
Longevity at 65 (60 for Police Officers) for current pensioners:				
Men	19.8	21.5	27.9	27.6
Women	23.9	24.4	30.8	31.0
Longevity at 65 (60 for Police Officers) for future pensioners:				
Men	21.9	22.6	29.5	29.2
Women	25.8	25.5	32.3	32.7

Rate of inflation	3.5%	3.9%	3.6%	3.8%
Rate of increase in salaries	5.0%	5.4%	4.6%	5.3%
Rate of increase on pensions	2.7%	3.9%	2.8%	3.8%
Rate of discounting for scheme liabilities	5.5%	5.5%	5.5%	5.5%
Take up of option to convert annual pension into retirement lump sum	50%	50%	90%	90%

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

	31 <sup>st</sup> March 2011 %	31 <sup>st</sup> March 2010 %
Equities	76	74
Gilts	1	1
Other Bonds	12	14
Property	9	7
Cash	2	4
	100	100

Contributions to the Pension funds in 2011/12 are expected to be in line with 2010/11 levels as follows:

	Police Pension fund £'000's	LGPS £'000's
Employer Contributions	44,400	10,303
Contributions by scheme participants	13,900	4,354
<b>Total</b>	<b>58,300</b>	<b>14,657</b>

### Note 38 - Contingent Liabilities

At 31<sup>st</sup> March 2011 the Authority is part way through a restructure affecting both Police Officers and Staff across the organisation. This follows Government announcements in the Budget of significant funding reductions to the Police Service over the next four years.

In order to meet the challenge of a reduced budget the Police Authority and Chief Officer team agreed to embark on a rigorous review of all services. This review recommended a reduction in staff numbers of 500 Police Officers and 1,000 civilians over the next four years whilst maintaining front-line services. Despite the stated objective of managing these reductions through natural wastage as people voluntarily leave the organisation there will, undoubtedly, be some redundancies or, in the case of Police Officers forced retirements through implementation of little used regulations A19 and A20.

Although a precise financial cost of redundancy cannot be established the Authority has set aside £2.0m in a Redundancy and Relocation Reserve (see note 21) to meet these costs and is anticipating making these payments in 2011/12 although some may carry over into the following year.

Further detail will be added to future year's Statement of Accounts as this re-structure develops.

### Note 39 - Contingent Assets

There are no material contingent assets for the Authority at 31<sup>st</sup> March 2010.

### Note 40 - Nature and Extent of Risks Arising from Financial Instruments

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

**Credit risk** – the possibility that other parties might fail to pay amounts due to the Authority.

**Liquidity risk** – the possibility that the authority might not have funds available to meet its commitments to make payments to its suppliers and creditors.

**Price risk** – there are three types of price risk: currency risk, interest rate risk and market risk.

- Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Authority does not have any such instruments
- Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Authority does not have any such instruments
- Market risk - the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates.

Risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. This service is undertaken by Kent County Council Treasury Management Department on behalf of the Authority.

The Authority does not generally allow credit for general debtors beyond 30 days, such that of the £1.6m, £0.3m is past its due date for payment, and can be analysed by age as follows.

	<b>2010/11</b>	<b>2009/10</b>
	<b>£000</b>	<b>£000</b>
Less than three months	230	353
Three to six months	11	91
Six months to one year	44	24
More than one year	66	24
<b>Total</b>	<b>351</b>	<b>492</b>

A total of £94,000, incorporating many of the older debts, has been included in the 2010/11 accounts as a provision for debt impairment effectively reducing the value of debtors on the Balance Sheet.

Following the economic downturn and events in the financial markets, the requirement for Governments to guarantee support for their banks and the performance of rating agencies particularly concerning Icelandic Banks, the Treasury Management Strategy was revised in November 2008 and carried through to subsequent years.

### **Credit risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers. Deposits are made with banks and financial institutions by the Treasury Management department of Kent County Council in accordance with their risk based investment strategy and on advice from ratings companies who specialise in analysing financial institutions for investment purposes. Additionally in view of guaranteed support from their Central Governments, only UK and Eurozone banks will be considered as suitable counterparties and where the sovereign rating is AAA.

### **Liquidity risk**

As Kent Police remains debt free and is predominantly funded through grants and income from the precept to local authorities there is no significant risk that it will be unable to meet its commitments under financial instruments.

Additionally, to cover short-term commitments, the Authority maintains an instant access account and on call deposit accounts in line with a detailed cash management plan, minimising the requirement to realise an investment before it reaches final maturity.

All trade creditors and other payables are due to be paid by the Authority in less than one year.

### **Price risk**

#### Market rate risk

The Authority is exposed to 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 have the following effects:

investments at variable rates - the interest income credited to the Income and Expenditure Account will rise  
 investments at fixed rates - the fair value of the assets will fall

## Note 41 – Jointly Controlled Operations

Jointly controlled operations are explained in Note 1 of the Accounting Policies on page 29. The following table illustrates the net expenditure relating to each of the four operations Kent Police is involved with in partnership with Essex Police.

	2010/11 £'000's	2009/10 £'000's
The joint Serious Crime Directorate	4,169	3,491
The joint Procurement Unit	231	320
The joint Information Services Directorate	11,016	11,290
The joint Marine Unit	205	102
<b>Total</b>	<b>15,621</b>	<b>15,203</b>

The Serious Crime Directorate is working across Kent and Essex to provide intelligence and support to target and tackle anyone involved in serious criminality in our neighbourhoods, from home-grown criminal networks within our own communities, to criminals who travel into Kent and Essex to commit offences.

The Directorate is one of the largest in UK policing dedicated to tackling serious and organised crime, with more than 1,100 officers and staff working together across both counties.

The Directorate consists of the following departments:

- Major Crime – investigating murders, attempted murders, kidnap and extortion as well as any stranger rapes;
- Forensics
- Serious and Organised Crime – protects communities by targeting those involved with importing and distribution of drugs; human trafficking; money laundering and armed robbery
- Intelligence – responsible for co-ordinating intelligence across the counties.

Procurement Services aim to deliver world-class procurement to all our customers while ensuring that both forces obtain value for money. We make sure contracts are in place to deliver a range of services for both Kent Police and Essex Police, from uniforms to printing.

The Information Services Directorate

Information is the lifeblood of policing, it informs activities, increases efficiency and helps make our communities safer. Kestral (Kent and Essex strategic alliance) is the change programme to create an IT Directorate serving Kent and Essex Police, which will be nationally renowned for:

- supporting world class public safety
- its responsiveness to extraordinary operational events
- being highly efficient and cost effective
- creating innovative solutions
- being a trustworthy partner

The new directorate has five areas of activity:

Plans - communicate and deliver a vision and a strategy that depicts an end game driven by operational need, and a route map of how to get there.

People - create a fit-for-purpose directorate that is correctly sized, skilled and structured to deliver the information required by both forces.

Processes - implement effective processes across the directorate that are based on a clear strategy, result in quality outputs and are made at an appropriate level of authority, within an acceptable timescales.

Convergence of technology - to migrate both forces to an effective platform that enables complete interoperability for officers and staff.

Convergence of business applications - to create a set of processes, with supporting software, that enables both forces to become increasingly efficient and effective.

The Marine Unit - Working in regional and international partnership to reassure, build confidence and protect the public by preventing terrorism, serious and organised crime and providing community engagement in the waters of Kent and Essex.

Its key activities include:

- Deliver regular joint maritime operations in collaboration with UK Border Force and Maritime and Coastguard Agency to achieve the National Ports co-ordinators Active Enhancement programme.
- Provide ACPO (TAM) counter Terrorist Maritime tactical options.

- Provide Maritime tactical capability to Regional Maritime Response Team (ReMRET).
- Provide ACPO Firearms Manual of guidance Maritime tactical option.
- Police the waters of the ACPO portal region of Thames and Dover.
- Work in partnership with Aquapol countries, Maritime and Coastguard agency, UK Border Agency and Port Authorities.
- Build public confidence with the wider marine community through community engagement.

## **Note 42 – Impact of the transition to IFRS**

The Code of Practice on Local Authority Accounting requires that a note is included to the 2010/11 Statement of Accounts showing the impact of the transition to IFRS. A summary of the main changes can be found in the Treasurer's Foreword but the following tables give a numerical illustration of the transition showing the Comprehensive Income and Expenditure Statement and Balance Sheet for 2010/11 as presented above with the main changes deducted to show a revised total which would have been disclosed under the Statement of Recommended Practice 2009.

The transition to International Financial Reporting Standards has had a far wider impact than just these two primary statements however as is evidenced by the length and complexity of this document. There are additional notes on Investment Properties, Assets Held for Sale as well as more extensive notes on reserves.

The Statement on Movement on the General Fund Balance has been transformed into the Movement in Reserves Statement whilst the Statement of Total Recognised Gains and Losses has been amalgamated into the Comprehensive Income and Expenditure Statement.

	IFRS	Capital Grants Deferred Account	Investment Properties	Assets Held for Sale	Short term Compensated Absences	Cash Equivalents	Re-stated back to pre-IFRS
	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's
<b>The Comprehensive Income and Expenditure Statement – restated</b>							
For the year ended 31 <sup>st</sup> March 2011							
<b>Net cost of Policing Services</b>	<b>89,998</b>				<b>-247</b>		89,751
<b>Other Operating Expenditure</b>							
Gain / loss on disposal of non-current assets	-321						-321
Gain / loss on disposal of intangible assets	-71						-71
<b>Financing &amp; Investment Income &amp; Expenditure</b>							
Interest element of Finance Leases	59						59
Interest payable on PFI unitary payments	4,635						4,635
Expected return on pensions assets	109,477						109,477
Investment interest income	-918						-918
<b>Taxation &amp; non-specific grant income</b>							
Capital grants & contributions	-3,431	3,431					0
Precepts	-90,293						-90,293
Government Grants	-121,946						-121,946
Revenue Support Grants	-10,293						-10,293
NNDR	-70,881						-70,881
Home Office Pension Grant	-9,724						<b>-9,724</b>
<b>Surplus / deficit for the year</b>	<b>-103,709</b>						<b>-100,525</b>
Surplus arising on revaluation of non-current assets	375						<b>375</b>
Surplus arising on revaluation of available for sale financial assets	-50						<b>-50</b>
Actuarial gains / losses on pension fund assets & liabilities	-182,910						<b>-182,910</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>-286,294</b>						<b>-283,110</b>

<b>The Balance Sheet as at 31<sup>st</sup> March 2011</b>							
	IFRS	Capital Grants Deferred Account	Investment Properties	Assets Held for Sale	Short term Compensated Absences	Cash Equivalents	Re-stated back to pre-IFRS
	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's
<b>Property Plant &amp; Equipment</b>							
Land & Buildings	180,819		15,767				<b>196,586</b>
Vehicles, Plant & equipment	14,685						<b>14,685</b>
Assets under construction	401						<b>401</b>
Surplus Assets	2,012			1,060			<b>3,072</b>
Investment Properties	15,767		-15,767				<b>0</b>
<b>Intangible Assets</b>							
Software	3,502						<b>3,502</b>
	<b>217,186</b>						<b>218,246</b>
<b>Long term investments</b>							
Non-property investments	2,973						<b>2,973</b>
Long term debtors	736						<b>736</b>
<b>Total Long Term Assets</b>	<b>220,895</b>						<b>221,955</b>
Short term investments	10,504					31,400	<b>41,904</b>
Inventories	255						<b>255</b>
Short term debtors	14,878						<b>14,878</b>
Cash & cash equivalents	31,435					-31,400	<b>35</b>
Assets held for sale	1,060			-1,060			<b>0</b>
<b>Total Current Assets</b>	<b>58,132</b>						<b>57,072</b>
Short term creditors	-22,079						<b>-22,079</b>
Provisions falling within 1 year	-2,565				2,565		<b>0</b>
<b>Total Current Liabilities</b>	<b>-24,644</b>						<b>-22,079</b>
Long term creditors	-50,704						<b>-50,704</b>
Provisions falling due after 1 year	-2,788						<b>-2,788</b>
Capital Grants Deferred Account	0	-26,912					<b>-26,912</b>
<b>Other Long Term Liabilities</b>							
Net Pension Liability	-1,979,517						<b>-1,979,517</b>
<b>Total Long Term Liabilities</b>	<b>-2,033,009</b>						<b>-2,059,921</b>
<b>Net Assets</b>	<b>-1,778,626</b>						<b>-1,802,973</b>

<b>Usable Reserves</b>							
General Fund	5,994						5,994
Earmarked Reserves	11,682						11,682
Capital Receipts Reserve	13,249						13,249
Capital Contributions Unapplied Reserve	239	324					563
Insurance Fund	3,708						3,708
	<b>34,872</b>						<b>35,196</b>
<b>Unusable Reserves</b>							
Revaluation Reserve	42,100	649					42,749
Pensions Reserve	-1,979,517						-1,979,517
Capital Adjustment Account	127,200	-27,885					99,315
Financial Instruments Adjustment Account	-2,296						-2,296
Collection Fund Adjustment Account	1,580						1,580
Short-term Compensated Absences Account	-2,565				2,565		0
	<b>-1,812,498</b>						<b>-1,838,169</b>
<b>Total Reserves</b>	<b>-1,778,626</b>						<b>-1,802,973</b>

## Glossary of Accounting Terms

**PSE** – Police Staff Equivalent, an employee of Kent Police who is not a Police Officer. Police Community Support Officers (PCSOs) are PSEs.

**PCSO** – Police Community Support Officer.

**LGPS** – Local Government Pension Scheme

**Amortisation** – Another term for depreciation and usually applied to Intangible assets

**Cash equivalent** – A financial deposit placed with either a bank, building society, other local authority or the Bank of England for a term of no longer than three months.

**Rule 2 Grants** – Additional grants from the Home Office, these are starting to be subsumed within the main police grant.

**BCU** – Basic Command Unit, a geographical area of Policing. Currently Kent Police has 6 Basic Command Units: North Kent, West Kent, Mid Kent, Medway, East Kent and South Kent. Please refer to the Kent Police home page for more information and for which towns and villages each encompasses. [www.kent.pnn.police.uk](http://www.kent.pnn.police.uk)

**Local policing** - Includes Neighbourhood Policing teams, incident response and management, local investigations, specialist community liaison and local command teams and local support overheads.

**Dealing with the public** - Includes public enquiry officers (front counters), central communications and contact management units.

**Criminal justice arrangements** - Includes custody and prisoner handling, criminal justice, the criminal records bureau, Central Ticket Office for fixed penalty notices and property offices.

**Road Policing** - Includes traffic policing, vehicle recovery and casualty reduction partnerships.

**Specialist operations** - Includes the command team and support overheads, air support, underwater / search / marine support units, dogs sections, public order teams, ports policing units, firearms units and civil contingencies.

**Intelligence** - Includes the Central intelligence unit command team and associated support overheads, intelligence gathering and analysis.

**Specialist investigations** - Includes the crime support command team and associated support overheads, major investigation teams, economic crime, serious & organised crime unit and public protection units.

**Investigative Support** - Includes scenes of crime officers; forensic costs paid to external providers such as Cellmark and the Forensic Science Service; fingerprint / DNA bureau, photographs and all associated local command and support costs.

**National Policing** - Including Counter Terrorism and Special Branch duties

**Non Distributed Costs** - Past Service Pension Costs (IAS19 )

**Corporate and Democratic Core** - All aspects of Kent Police Authority Members' activities including officer time spent providing appropriate advice and support for them. Activities, which provide the infrastructure, which allows services to be provided and the information required for public accountability.