

# **Northern Joint Police Board**

## **Statement of Accounts 2010 - 2011**



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## **EXPLANATORY FOREWORD BY THE TREASURER TO THE BOARD**

### **Statement of Accounts**

The Statement of Accounts reports on the financial performance of the Northern Joint Police Board for the year ended 31 March 2011.

The Statement of Accounts (the Accounts) comprise:

### **Movement in Reserves Statement**

This statement shows the movement in the year on the different reserves held by the Board, analysed into 'usable reserves' (i.e. 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 Board'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. 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 Board.

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

This statement shows the accounting cost in the year of providing services in accordance with international financial reporting standards (IFRS), rather than the amount to be funded from requisitions from constituent authorities.

### **Balance Sheet**

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Board. The net assets of the Board (assets less liabilities) are matched by the reserves held by the Board. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Board 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 is those that the Board is not able to use to provide services. This category of reserves 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'.

### **Cash Flow Statement**

The Cash Flow Statement shows the changes in cash and cash equivalents of the Board during the reporting period. The statement shows how the Board 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 the operations of the Board are funded by way of requisitions and grant income or from the recipients of services provided by the Board. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Board's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Board.

## **Accounting Policies and Notes to the Accounts**

Explanations are provided for the basis of the figures included within the Accounts and the policies adopted particularly where there is more than one acceptable basis. Notes are included to provide detail of certain aspects contained within the core financial statements.

### **Changes in accounting policies**

The Statement of Accounts for 2010/11 is the first to be prepared under International Financial Reporting Standards (IFRS). Adoption of the IFRS code has necessitated changes in accounting policy as follows:

#### **Property, plant and equipment**

Tangible fixed assets are now classified as "Property, plant and equipment". Where assets include a number of components with significantly different asset lives, then these components are treated as separate assets and depreciated over their own useful economic lives.

All property, plant and equipment assets are measured initially at cost, representing costs directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management.

#### **Asset valuation**

Assets under construction are measured at historical cost.

All other classes of assets are measured at fair value being the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's-length transaction. For land and buildings this is interpreted as the amount that would be paid for an asset in its existing use.

Subsequent expenditure incurred to enhance, replace part of or service assets is capitalised when it is probable that the future economic benefits associated with the item will flow to the Council over more than one year and the cost can be measured reliably. Where these criteria are not met expenditure is charged to the Comprehensive Income and Expenditure Statement.

Where assets include a number of components with significantly different asset lives, then these components are treated as separate assets and depreciated over their own useful economic lives.

#### **Assets held for sale**

The code requires that assets held for sale should be presented separately on the face of the Balance Sheet and should be measured at the lower of carrying amount and fair value, less costs to sell. Depreciation on these assets should cease. At 1 April 2009 assets which met the criteria were transferred to this category and revalued as necessary. Depreciation previously charged on such assets in 2009/10 has been removed.

#### **Leasing**

Under IFRS the criteria for determining whether a lease is classified as a finance lease or an operating lease have changed.

### Government Grants

Government Grants were previously held in a grants deferred account and recognised as income over the life of the assets which they were used to fund. Under IFRS grants are recognised as income when they become receivable and all conditions attached have been met.

### Short-term employee benefits

Under IFRS the cost of annual leave and flexible working time entitlement earned but not taken by employees at the end of the year is recognised in the financial statements.

The accounts for 2009/10 have been restated. The impact of the adoption of IFRS is shown in note 4 to the financial statements.

### Summary of financial results

The movements and balances on the Board's revenue reserves for 2010/11 are summarised below:

	Balance at 01/04/10 £000	Use of earmarked balances £000	Surplus/ (Deficit) 2010/11 £000	Balance at 31/03/11 £000
<b>Non-earmarked balances</b>	1,450	-	1,014	2,464
<b>Earmarked balances</b>				
Commuted sums	2,128	(2,128)	-	-
Contributions to national projects	254	-	-	254
Operational incidents	342	-	-	342
<b>Total earmarked balances</b>	2,724	(2,128)	-	596
<b>General Fund total</b>	<b>4,174</b>	<b>(2,128)</b>	<b>1,014</b>	<b>3,060</b>

## Revenue Budget Performance

The Board's financial results for the year, compared against budget are as shown below. This presentation differs from that shown in the Comprehensive Income and Expenditure Statement on page 21, which is set out in accordance with IFRS.

### BUDGET PERFORMANCE 2010/11

	Budget £000	Actual £000	Variance £000
Direct staff costs	44,132	42,488	(1,644)
Pensions costs	12,666	12,666	-
Indirect staff costs	1,316	1,545	229
Property costs	3,642	3,517	(125)
Supplies and services	5,134	5,162	28
Transport and plant	1,856	1,792	(64)
Capital charges	1,683	1,599	(84)
<b>Gross expenditure</b>	<b>70,429</b>	<b>68,769</b>	<b>(1,660)</b>
Pension contributions and transfer values	(5,938)	(3,218)	2,720
Interest on revenue balances	(20)	(47)	(27)
Specific grants	(9,435)	(10,538)	(1,103)
Other income	(3,010)	(4,202)	(1,192)
<b>Gross income</b>	<b>(18,403)</b>	<b>(18,005)</b>	<b>398</b>
<b>Net operating expenditure</b>	<b>52,026</b>	<b>50,764</b>	<b>(1,262)</b>
Police grant	26,718	26,947	229
Requisitions	25,308	22,703	(2,605)
Transfer from reserves	-	1,114	1,114
<b>Total funding</b>	<b>52,026</b>	<b>50,764</b>	<b>(1,262)</b>

The Comprehensive Income and Expenditure statement on page 21 shows net cost of services of £21.267m. The difference of £29.497m from the £50.764m reported above is explained in note 18 to the financial statements.

### Budget Variances

The budgeted net operating expenditure for 2010/11 was £52.026m (2009/10 £59.469m). Actual expenditure was £50.764m (2009/10 £58.048m) creating a net underspend of £1.262m (2009/10 £1.421m).

The new funding arrangements for Police pensions came into effect on 1 April 2010, the costs of which are included under "Pensions" on the Budget Performance table. The corresponding income received by way of specific grant is under the heading "Specific Grants". The Scottish Government have contributed £7.321m as a grant to fund pensions.

The underspend on staff costs of £1.644m arose due to controlled management of vacancies which will allow the Force to position itself for the financial challenges to come. Indirect staff costs are overspent by £0.229m, mainly due to the costs incurred as a result of the Voluntary Redundancy Programme undertaken in 2010/11, and offset slightly by less than expected ill health retirements.

The £0.125m underspend in property costs arose mainly due to savings in renegotiated leases for hill top sites, and new procurement contracts providing better value for both electricity and gas. This underspend has been partially offset by increased rates bills as a result of a recent revaluation exercise and the cessation of rural relief for some properties.

Transport costs are underspent by £0.064m, mainly due to reduced travel costs as a result of an initiative undertaken by the Force to increase the use of Video Conferencing as opposed to actually attending meetings both within and outwith the Force area.

The servicing of debt provided by the Highland Council produced an underspend of £0.084m on capital charges.

Specific Grant Income includes ring-fenced funding received from the Scottish Government for pension contributions for police officers which were higher than anticipated. Also included here is specific grant funding for additional officers which was £0.429m greater than expected.

Other Income was £1.192m greater than expected due to increased funding for seconded officers (£0.698m), additional income from services of police (£0.107m), increased rental income for hill top sites (£0.131m) and miscellaneous income (£0.126m).

The Efficiency Savings Scrutiny undertaken in 2009/10 was continued into 2010/11, and this review identified a further 9% cash savings in Support Services. A significant part of these savings were realised from a further Voluntary Redundancy Programme, with 31 police staff posts being removed from the structure as at 31 March 2011.

#### **Expenditure to be met by Constituent Authorities**

	Budget £000	Actual £000	Variance £000
Net Operating Expenditure	52,026	50,764	(1,262)
Funded by Police Grant	(26,718)	(26,947)	(229)
Transfer from reserves	-	(1,114)	(1,114)
<b>Net expenditure to be met by constituent authorities for the year</b>	<b>25,308</b>	<b>22,703</b>	<b>(2,605)</b>

#### **Underspend**

The board is usually entitled to carry forward an underspend of contributions made by Constituent Authorities in the year of up to 3% and up to 5% cumulatively of contribution made during the year. For the year 2010/11 the Scottish Government has amended the limits in the year to 4% and up to 8% cumulatively. The Board has determined that General Fund balances should be retained for contingencies; to supplement revenue expenditure in future years and to assist with capital expenditure through revenue contributions to capital.

NORTHERN JOINT POLICE BOARD  
STATEMENT OF ACCOUNTS 2010/11

The net expenditure of the Board's service is funded by Police Grant, specific grants and requisitions from Constituent Authorities. Requisitions are allocated between the constituent authorities in line with the Montgomery Committee recommendations and are as follows for 2010/11:

Actual requisition 2009/10		Constituent authority	Actual requisition 2010/11	
£000	%		£000	%
23,498	79.08	Highland Council	18,088	79.67
2,740	9.22	Comhairle Nan Eilean Siar	2,028	8.93
1,614	5.43	Orkney Islands Council	1,191	5.25
1,862	6.27	Shetland Islands Council	1,396	6.15
<u>29,714</u>	<u>100.00</u>		<u>22,703</u>	<u>100.00</u>

#### Statement of Requisitions 2010/11

Constituent authority	Budget requisition £000	Actual requisition £000	Balance due to authority £000
Highland Council	20,077	18,088	(1,989)
Comhairle Nan Eilean Siar	2,218	2,028	(190)
Orkney Islands Council	1,359	1,191	(168)
Shetland Islands Council	1,654	1,396	(258)
	<u>25,308</u>	<u>22,703</u>	<u>(2,605)</u>

#### Capital Expenditure and Borrowing

The Board uses the Highland Council and Shetland Islands Council Loans Funds for their borrowing requirements, and had £17.918m (2009/10 £18.632m) outstanding advances from these Funds as at 31 March 2011.

From 1 April 2004, provisions in the Local Government Scotland Act 2003, replaced the Section 94 consents with cash grants. In addition the Police Board is able to determine the most appropriate level of capital expenditure for the Board's circumstances, being guided by the Prudential Code, which requires the Board to ensure that any borrowing is affordable, prudent and sustainable. To date the Board has not used Prudential Borrowing.

From 1 April 2008, Police Capital Grant is paid by the Scottish Government to the constituent authorities and passported on to the Police Board. In addition the Board can incur the most appropriate level of capital expenditure, guided by the Prudential Code, which requires the Board to ensure that any capital borrowing is affordable, prudent and sustainable.

As shown in note 29 to the accounts, in 2010/11 the Board received capital grant of £1.261m, of which £1.000m was requisitioned from the constituent authorities, £0.117m was paid directly by the Scottish Government and £0.144m of grant given in respect of the Northern Police Share of the projects being carried out at a national level. Capital receipts of £1.226m were generated of which £0.542m were used to fund the capital programme of £1.659m delivered in 2010/11.

During the year a major project to extend the custody suite at Stornoway Police Station and a replacement Police Station at Glencoe were completed. Receipts were generated from the sale of 7 police stations/houses.

## **Injury Benefit**

Tax rules introduced from April 2006 prevent injury awards from being part of the pension scheme regulations where injury awards are payable irrespective of whether an officer is a member of the pension scheme. Injury awards were therefore removed from the police pension scheme regulations and put on a separate statutory basis. The Police (Injury Benefit) (Scotland) Regulations 2007 deals with injury awards for Police Officers, or as the case maybe their qualifying surviving dependents.

When police injury benefits formed part of the police pension schemes, The Local Government Pension Reserve Fund (Scotland) regulations 2003 applied to those costs. These regulations restrict the amount chargeable to the general fund to employer contributions payable (the funded Local Government Pension Scheme) or payments to pensioners in year (the unfunded Police Officer Schemes). This cost is substantially less than the accounting provision (based on benefit entitlements earned by employees) that is required by applying the appropriate accounting standards for pensions.

As injury awards no longer form part of the statutory pension scheme the 2003 Regulations no longer apply to these costs, and there is no statutory basis for them to be charged to the Pension Reserve instead of the General Fund.

Whilst the statutory schemes for injury awards as detailed above are not "pension schemes" they can be considered to constitute a "retirement benefit scheme".

The Scottish Government has issued statutory guidance which requires costs in relation to these schemes to be charged to a statutory mitigation account, i.e. Employee Statutory Adjustment Account, rather than the General Fund.

### **International Accounting Standard 19 (IAS 19) "Employee Benefits"**

IAS 19 prescribes how employing organisations are to account for pension benefits earned by employees in the year and the associated pension assets and liabilities.

The Board participates in two pension schemes:

**a) The Police Officers' Pension Scheme** – this is an unfunded scheme which means that no investment assets are built up to fund future liabilities. Instead, the net cost of pensions and other benefits (after allowing for contributions from police officers) is borne annually by the Board.

From 1 April 2010 new funding arrangements have been put in place with an employer's contribution of 24.7% being introduced. The Scottish Government have provided additional funding to cover this.

**b) The Local Government Pension Scheme** - this is a funded scheme which means that the Board and employees pay contributions into a fund, calculated at a level to balance the pension liabilities with the investment assets.

Note 21 to the Accounts details the expenditure charged to the Comprehensive Income and Expenditure Statement under IAS 19 in respect of both the Police Officers' Pension Scheme and the Local Government Scheme, based upon actuarial valuations.

Note 21 to the Accounts also shows that the Board has a net pension liability of £317.636m as at 31 March 2011 (31 March 2010 £476.479m), comprising net liabilities of £309.539m (31 March 2010 £460.347m) in respect of Police Officers and £8.097m (31 March 2010 £16.132m) in respect of civilian staff. This liability is accounted for within the balance sheet in the pension reserve.

Note 22 to the financial statements details the expenditure charged to the income and expenditure account under IAS 19 in respect of injury benefit for both of the Police Officers Pension Schemes. The Board has a net injury benefit liability of £8.108m as at 31 March 2011 (£5.601m as at 31 March 2010). This liability is accounted for within the balance sheet in the Employee Statutory Adjustment Account.

Due to the accrual of these pension liabilities the balance sheet shows an excess of liabilities over assets of £291.470m (31 March 2010 £447.352m).

The pension liability represents the best estimate of the current value of pension benefits that will have to be funded by the Board. The liability relates to the benefits earned by existing or previous employees up to 31 March 2011.

The Board has adopted a going concern basis of accounting for the preparation of the statement of accounts as future actuarial valuations of the Local Government Pension Scheme will consider the appropriate employer's rate to meet the commitments of the fund and constituent authorities are liable to fund the liabilities of the Board as they fall due.

#### Change in Account Practice

A change in accounting practice has occurred with respect to injury benefits. The actuaries in 2010/11 have included both paid injury benefits and an allowance for future injury benefits. This was a change from the previous year thus there is no similar allowance for future injury benefits disclosed in 2009/10 liabilities. The future allowance made was 0.1% of the liability and is not regarded as being a material amount.



A Geddes CPFA  
Treasurer  
24 June 2011

## STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

### The Board's Responsibilities

The Board is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In the Northern Joint Police Board that officer is the Treasurer to the Board.
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

### The Treasurer's Responsibilities

The Treasurer is responsible for the preparation of the Board's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

In preparing this statement of accounts, the Treasurer has:

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

The Treasurer has also:

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

I, Alan Geddes, Treasurer to the Board, state that the Statement of Accounts for the year ended 31 March 2011 give a true and fair view of the financial position of the Board at that date and its income and expenditure for the year then ended.



**A Geddes CPFA**  
Treasurer  
24 June 2011

## STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

This statement is given in respect of the statement of accounts for Northern Joint Police Board for the year ended 31 March 2011. I acknowledge our responsibility for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources concerned.

The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by management within the Board. In particular, the system includes:

- comprehensive budgeting systems;
- regular reviews of periodic and annual financial reports which indicate financial performance against the forecasts;
- setting targets to measure financial and other performance;
- the preparation of regular financial reports, which indicate actual expenditure against forecasts;
- clearly-defined capital expenditure guidelines; and
- as appropriate, formal project management disciplines.

The Treasurer to the Board has overall responsibility for Internal Audit in Northern Joint Police Board. The Highland Council's Head of Audit and Risk Management is responsible for the day to day management of the service and reports to the Treasurer on management and performance issues. In accordance with the principles of Corporate Governance an audit working group has been established. The remit of this group includes:

- consideration of reports from the internal auditor on the adequacy of the Board's financial systems, policies and practices and their compliance with the relevant statutes, standards and guidance;
- consideration of management reports presented by the external auditor to the Audit Working Group;
- review and approval of the internal audit programme; and
- consideration of Best Value issues.

The Internal Audit Service operates in accordance with the Code of Practice for Internal Audit in Local Government in the United Kingdom and therefore the Head of Audit and Risk Management prepares an Annual Report containing a view on the adequacy and effectiveness of the system of internal control. This report is then presented to the Audit Working Group for its consideration.

My review of the effectiveness of the system of internal control is informed by:

- the work of managers within the Board;
- the work of the internal auditors as described above; and
- the external auditors in their annual audit letter and other reports

During the past number of years, almost all major financial systems utilised by the Board, as provided by the Highland Council, have been the subject of change. Reviews of these systems, undertaken as part of the Council's audit, indicate that improvements have now been made to these systems.

The following audits were carried out in 2010/11:

Area of Concern	Comment	Management agreed action	Target date for implementation
Payroll			
1	In the prior year's audit during a review of audit trails, it was found that payroll staff had processed amendments to their own payroll. Where this occurred, payroll staff had also checked the exception report containing these amendments, generated the BACS payment run and sent the BACS file and the interface file for uploading to the Oracle general ledger. This was still found to be the case this year.	Exception reports and key payroll output reports are now being independently reviewed.	Complete 28.02.11
2	(1) The current process whereby the Payroll Administrators must approve the divisional administration section of SCoPE claims is time consuming and inefficient and the Payroll Administrators do not know whether a claim has been coded correctly.	A Pilot exercise commenced in East Division Business Management Unit (Inverness) on 1 May 2011 to identify a process for the completion of claims at Divisional level.	30.09.11
	(2) There is still no direct interface between SCoPE and Resource Link, as a result the process for preparing a payroll inputting document from SCoPE and re-entering information onto Resource Link is time consuming, and inefficient with the potential for error.	Funding has now been agreed to establish the SCoPE/Resource Link interface and contacts have been arranged between SPSA (Police Service IT) and Fujitsu to agree the technicalities involved.	31.08.11
	(3) There are two systems for processing overtime and expenses claims with approximately 5% of processing still being completed manually.	This will be resolved at the same time as the SCoPE/Resource link interface is completed.	31.08.11

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Area of Concern	Comment	Management agreed action	Target date for implementation
	<p>(4) SCoPE authorisation controls were not working as intended with the result that any member of staff could authorise overtime or expenses for period November 2009 to February 2011.</p> <p>(5) It is not possible to generate a report listing users and their access rights from the system. There is work scheduled by the SCoPE National Implementation Team to review security access of the system. However, having such a report might have identified the issue regarding the authorisation of overtime/expense claims on SCoPE.</p>	<p>SCoPE authorisation controls were immediately restricted. The payroll and Personnel Manager has completed a sample check of the "supervisor claim report" for 2 months and no anomalies have been found.</p> <p>A check of current status of this matter to be undertaken and an update provided to the auditor</p>	<p>30.06.11</p> <p>30.06.11</p>
Corporate Governance			
3	The Force does not currently have a local code of corporate governance or equivalent public document setting out the approach to performing each of the functions of governance.	The Force will develop a corporate governance code in line with the CIPFA guidance.	31.3.11
4	Annual performance reports do not include the key points raised by the external scrutineers.	The Force will include within the 2010/11 Public Performance Report a summary of the external scrutiny conducted within the Force.	30.09.11
Asset Management			
5	Sharer agreements are not in place for all sharers of radio masts.	This issue has been raised with the HC Legal Services who develop the leases – we will discuss issue with the Clerk's office to progress.	01.02.11



**A Geddes CPFA**  
Treasurer  
24 June 2011

## REMUNERATION REPORT

### Northern Joint Police Board

All information disclosed in the tables following in this Remuneration Report below has been audited by Audit Scotland. Other sections of the Remuneration Report have been reviewed by Audit Scotland to ensure that they are consistent with the financial statements.

### Appointments

The appointment of the Chief Constable and Deputy Chief Constable is agreed by the Justice Secretary of the Scottish Government. The Northern Joint Police Board appoints a sub committee and delegates responsibility to this group to manage the appointment process.

### Remuneration Policy

#### Senior Employees

The salary of senior employees is set by reference to national arrangements. The Police Negotiating Board (PNB) sets the salaries for all Chief Officer Ranks including the Chief Constables and Deputy Chief Constables across all the UK forces. PNB circular 09/9 sets the amount of salary for the Chief Constable and Deputy Chief Constable for the period with effect from 1 September 2010. Prior to the appointment of the new Chief Officer team the Chief Constable received a protected salary; the Deputy Chief Constable received 80% of the Chief Constable's salary. This arrangement was agreed after the 2003 review of Chief Officer pay and conditions, and was reported to the Northern Joint Police Board on 24 May 2006.

#### Senior Councillors

The remuneration of councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007 (SSI No. 2007/183). The Regulations provide for the grading of councillors for the purposes of remuneration arrangements, as either the Convener of the Council, The Civic Head, Senior Councillors or Councillors. These regulations also set out the amounts a councillor may be paid for being a convener or vice-convener of a Joint Board. This is inclusive of any amount payable to them either as a councillor or senior councillor.

The Board has an arrangement with Comhairle Nan Eilean Siar and The Highland Council who remunerate the Convener and Vice Convener respectively to reimburse the Council for the additional costs of that councillor from them being a Convener and Vice-Convener of the Board. The disclosures made in this report are limited to the amounts paid to the Council by the Board for remuneration and do not reflect the full value of remuneration that may be paid to the councillor.

### Remuneration of Senior Employees

Senior Employee	Position	Salary, fees and allowances	Taxable expenses£	Total Remuneration 2010 -11£	Total Remuneration 2009-10
Ian J Latimer	Chief Constable	137,261	-	137,261	133,884
Adam G Sutherland	Deputy Chief Constable	119,042	-	119,042	105,758

The senior employees included in the table include any employee:

- Who has responsibility for the management of the Board to the extent that the person has power to direct or control the major activities of the Board (including activities involving the expenditure of money), during the year to which the report relates, whether solely or collectively with other persons;

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- Who hold a post that is politically restricted by reason of section 2(1) (a) (b) or (c) of the Local Government and Housing Act 1989; or
- Whose annual remuneration is £150,000 or more.

The Board also receives services from the Treasurer and the Clerk under a Service Level Agreement with Highland Council. The individuals involved receive no additional payments for carrying out these roles and are included in the Council's Remuneration Report.

The table below provides information on the number of persons whose remuneration was £50,000 or more. The remuneration is for actual remuneration paid to any person. Any starters or leavers in the year are recorded in the remuneration bands that match their actual remuneration in the year.

**General Disclosure by Pay Band**

Remuneration Bands £	Number of Employees	
	2010-11	2009-10
50,000 - 54,999	18	12
55,000 - 59,999	4	-
60,000 - 64,999	2	-
65,000 - 69,999	-	2
70,000 - 74,999	3	3
75,000 - 79,999	2	-
80,000 - 84,999	1	1
85,000 - 89,999	-	-
90,000 - 94,999	-	1
95,000 - 99,999	-	-
100,000 - 104,999	-	-
105,000 - 109,999	1	-
110,000 - 114,999	-	-
115,000 - 119,999	-	-
120,000 - 124,999	-	1
125,000 - 129,999	-	-
130,000 - 134,999	1	-
135,000 - 139,999	-	-
140,000 - 144,999	-	-

**Senior Councillors and Conveners and Vice Conveners of Joint Boards**

The following table provides details of the remuneration paid to the Convener and Vice Convener of the Northern Joint Police Board.

Councillor Name & Responsibility	2010-11			2009-10	
	Salary, fees and allowances	Taxable expenses	Non cash Expenses & benefits in Kind	Total Remuneration 2010 -11	Total Remuneration 2009-10
Norman Macleod Convener	14,994	-	-	14,994	15,058
Ian Ross Vice Convener	-	-	-	-	-

The Vice Convener does not receive a salary for his position on the Board as he is in receipt of an allowance in respect of being chair of the Planning, Environment and Development Committee of The Highland Council.

The Board paid the following salaries, allowances and expenses to all councillors (including the senior councillors above) during the year.

Type of Remuneration	2010-11	2009-10
	£	£
Salaries	£12,176	£12,176
Expenses	£34,106	£31,734
Total	£46,282	£43,910

### Pension Benefits

The Board participates in two different Police Officer Pension Schemes which provide members with defined benefits related to pay and service.

Pension benefits for chief officers are provided through the Police Pension Scheme. This is a scheme that covers the majority of police officers although newer entrants are now members of the new Police Officer Pension Scheme.

The Police Pension Scheme is a contributory scheme; this means that the officer contributes to the scheme from his or her salary. The members of the old scheme pay 11% (2009/10 11%) of salary and members of the new scheme pay 9.5% (2009/10 9.5%). Officers can retire under the current scheme with 30 years service. The accrual rate guarantees a pension based on 1/60<sup>th</sup> of average pensionable service.

Police authority pensions contributions payable are set out in The Police Pension Account (Scotland) 2010 (SSI2010 No 232). With effect from 1 April 2010, there has been an employer's contribution to Police pension scheme which is currently 24.7%. Under the new arrangements, police pension costs are met through a combination of employee contributions, a new actuarially based employer's contribution calculated as a percentage of pensionable pay and as required a "top up" payment from the Scottish Government. Both the employee and employer's contribution are paid into a Service Pension account and the costs of the pensions, when they are taken, are also paid from this account with the net deficit being reimbursed by the Scottish Government. The fixed employers' contribution reflects scheme costs and is based on an agreed percentage of pensionable pay set as a result of actuarial advice following regular valuations of the schemes. The rules governing the pension scheme are contained in regulations made by Parliament and are available at [www.sppa.gov.uk](http://www.sppa.gov.uk).

### Senior Employee Pension Benefits

Name	In year Pension Contributions for year to 31 March 2011	Accrued Benefit 2011	Accrued Benefit 2010	Difference between Accrued benefit as at 31 March 2011 and as at 31 March 2010
Ian J Latimer Chief Constable	£32,527	£87,649	£81,172	£6,477
Adam G Sutherland Deputy Chief Constable	£26,022	£69,734	£66,459	£3,275
<b>Total</b>	<b>£58,549</b>	<b>£157,383</b>	<b>£147,631</b>	<b>£9,752</b>

Employer's pension contributions were not made prior to 1 April 2010.

**Senior Councillors Pension Benefits**

The Convener of the Board is a member of the Comhairle Nan Eilean Siar pension scheme and the Board has made a payment of £1,942 in respect of the employer's pension contribution due.

Mr Ian Latimer retired as Chief Constable on 12 April 2011 and has been succeeded by Mr George Graham.

Signed

A handwritten signature in black ink, appearing to read 'G. Graham', written in a cursive style.

George Graham  
Chief Constable

A handwritten signature in black ink, appearing to read 'Norman Macleod', written in a cursive style.

Norman Macleod  
Convener

**MOVEMENT IN RESERVES STATEMENT 2010/11**

	Unearmarked General Fund £000	Earmarked General Fund £000	Capital receipts reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
<b>Balance at 31 March 2010 brought forward</b>	<b>1,450</b>	<b>2,724</b>	<b>1,833</b>	<b>6,007</b>	<b>(453,359)</b>	<b>(447,352)</b>
<b>Movement in reserves during 2010/11</b>						
Surplus/(deficit) on provision of services	10,256	-	-	10,256	-	10,256
Other Comprehensive Expenditure and Income	-	-	-	-	145,626	145,626
<b>Total Comprehensive Expenditure and income</b>	<b>10,256</b>	<b>-</b>	<b>-</b>	<b>10,256</b>	<b>145,626</b>	<b>155,882</b>
Adjustments between accounting basis and funding basis under regulations (note 6)	(11,370)	-	684	(10,686)	10,686	-
<b>Net Increase/(Decrease) before Transfers to Earmarked and Other Statutory Reserves</b>	<b>(1,114)</b>	<b>-</b>	<b>684</b>	<b>(430)</b>	<b>156,312</b>	<b>155,882</b>
Transfers to/from Earmarked Reserves (note 7)	2,128	(2,128)	-	-	-	-
Increase/(Decrease) in 2010/11	1,014	(2,128)	684	(430)	156,312	155,882
<b>Balance at 31 March 2011 carried forward</b>	<b>2,464</b>	<b>596</b>	<b>2,517</b>	<b>5,577</b>	<b>(297,047)</b>	<b>(291,470)</b>

**MOVEMENT IN RESERVES STATEMENT 2009/10**

	Unearmarked General Fund £000	Earmarked General Fund £000	Capital receipts reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
<b>Balance at 31 March 2009</b>	<b>1,147</b>	<b>2,168</b>	<b>3,937</b>	<b>7,252</b>	<b>(281,274)</b>	<b>(274,022)</b>
<b>Movement in reserves during 2009/10</b>						
Surplus/(deficit) on provision of services	(20,218)	-	-	(20,218)	-	(20,218)
Other Comprehensive Expenditure and Income	-	-	-	-	(153,112)	(153,112)
<b>Total Comprehensive Expenditure and income</b>	<b>(20,218)</b>	<b>-</b>	<b>-</b>	<b>(20,218)</b>	<b>(153,112)</b>	<b>(173,330)</b>
Adjustments between accounting basis and funding basis under regulations (note 6)	21,077	-	(2,104)	18,973	(18,973)	-
<b>Net Increase/(Decrease) before Transfers to Earmarked and Other Statutory Reserves</b>	<b>859</b>	<b>-</b>	<b>(2,104)</b>	<b>(1,245)</b>	<b>(172,085)</b>	<b>(173,330)</b>
Transfers to/from Earmarked Reserves (note 7)	(556)	556	-	-	-	-
<b>Increase/(Decrease) in 2009/10</b>	<b>303</b>	<b>556</b>	<b>(2,104)</b>	<b>(1,245)</b>	<b>(172,085)</b>	<b>(173,330)</b>
<b>Balance at 31 March 2010 carried forward</b>	<b>1,450</b>	<b>2,724</b>	<b>1,833</b>	<b>6,007</b>	<b>(453,359)</b>	<b>(447,352)</b>



**BALANCE SHEET**

01/04/09 £000	31/03/10 £000		Note	31/03/11 £000
46,654	46,899	Property, plant & equipment	25	46,320
112	92	Intangible Assets	27	101
81	8	Long term debtors		-
<u>46,847</u>	<u>46,999</u>	<b>Long term assets</b>		<u>46,421</u>
172	162	Inventories	30	174
2,807	2,188	Short term debtors	31	3,276
12,805	9,940	Cash and cash equivalents	17	10,495
-	1,327	Assets held for sale	26	1,189
<u>15,784</u>	<u>13,617</u>	<b>Current assets</b>		<u>15,134</u>
(800)	(713)	Short term borrowing	36	(687)
(9,241)	(7,004)	Short term creditors	32	(7,430)
(252)	(252)	Provisions	33	-
<u>(10,293)</u>	<u>(7,969)</u>	<b>Current liabilities</b>		<u>(8,117)</u>
(18,632)	(17,919)	Long term borrowing	36	(17,231)
-	-	Long term creditors	32	(1,933)
(303,040)	(476,479)	Other long term liabilities – Pensions	21	(317,636)
(4,688)	(5,601)	Other long term liabilities – Injury Benefits	22	(8,108)
<u>(326,360)</u>	<u>(499,999)</u>	<b>Long term liabilities</b>		<u>(344,908)</u>
<u>(274,022)</u>	<u>(447,352)</u>	<b>Net liabilities</b>		<u>(291,470)</u>
7,252	6,007	Usable reserves	13	5,577
(281,274)	(453,359)	Unusable reserves	14	(297,047)
<u>(274,022)</u>	<u>(447,352)</u>	<b>Total reserves</b>		<u>(291,470)</u>

The unaudited statement of accounts was issued on 24 June 2011 and the audited accounts were authorised for issue on 28 September 2011.



Alan Geddes CPFA  
Treasurer  
24 June 2011

**CASH FLOW STATEMENT**

31/03/10 £000		Note	31/03/11 £000
(20,218)	Net surplus/(deficit) on the provision of services		10,256
21,688	Adjust net surplus/(deficit) on the provision of services for non-cash movements		(8,553)
(1,631)	Adjust for items included in the net surplus/(deficit) that are investing and financing activities		<u>(1,262)</u>
<u>(161)</u>	Net cash flow from operating activities		441
(3,535)	Investing activities	16	(433)
831	Financing activities		<u>547</u>
<u>(2,865)</u>	Net increase/(decrease) in cash and cash equivalents		<u>555</u>
<u>12,805</u>	Cash and cash equivalents at the beginning of the year		<u>9,940</u>
<u>9,940</u>	Cash and cash equivalents at the end of the year	17	<u>10,495</u>

## ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS

### 1. ACCOUNTING POLICIES

#### General principles

The Statement of Accounts summarises the transactions of the Board for the 2010/11 financial year and its position at the year end of 31 March 2011. The Board is required to prepare an annual Statement of Accounts by the Local Authority Accounts (Scotland) Regulations 1985 and section 12 of the Local Government in Scotland Act 2003 requires that they be prepared 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).

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.

#### 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 Board 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 Board
- Revenue from the provision of services is recognised when the Board 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 Board
- 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 those rendered by officers of the Board) are recorded as expenditure when the services are received, rather than when payments are made
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instruments 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 there is evidence that debts are unlikely to be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected

#### Cash and cash equivalents

The Highland Council loans fund provides all the day to day banking requirements of the Board. The balance of £10.495m (2009/10 £9.940m) represents the positive balance in the Board fund that temporarily sits with the Highland Council loans fund.

#### Prior period adjustments and changes in accounting policies and estimates and errors

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 Board's financial position or financial performance. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

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

#### **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 assets attributable to the service

The Board is not required to make requisitions to cover depreciation, revaluation or impairment losses. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement equal to loans fund principal charges. Depreciation, revaluation and impairment losses are therefore replaced by loans fund principal charges 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.

#### **Employee benefits**

Benefits payable during employment

Short-term employee benefits (those that fall due wholly within 12 months of the year-end), such as wages and salaries, bonuses, paid annual leave and paid sick leave for current employees, are recognised as an expense in the year in which the employees render service to the Board. An accrual is made against services in the Surplus or Deficit on the Provision of Services for the cost of holiday entitlements and other forms of leave earned by employees but not taken before the year-end and which employees can carry forward into the next financial year. The accrual is made at the remuneration rates applicable in the following financial year and is required under statute to be reversed out of the General Fund balance by a credit to the Accumulating Compensating Absences Adjustment Account in the Movement in Reserves Statement.

Termination benefits

Termination benefits are amounts payable as a result of a decision by the Board to terminate an officer's employment 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 Board is demonstrably committed to either terminating 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 Board to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movements in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for termination benefits related to pensions enhancements 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

Civilian Staff are admitted to the Highland Council Pension Fund which administers the Local Government Pension Scheme. This is a defined benefit final salary scheme. In addition the Board has liabilities for discretionary pension payments outside the main scheme.

## Discretionary Benefits

The Board 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.

## Local Government Pension Scheme

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

- The liabilities of the Highland Council Pension Fund attributable to the Board are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. 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, etc. and projected earnings of current employees
- Liabilities are discounted to their value at current prices, using a discount rate of 5.5% (based on the indicative rate of return on the iBOxx AA rated over 15 year corporate bond index)
- The assets of the Highland Council Pension Fund attributable to the Board 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/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 Board, based on the expected long term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- Gains/losses on settlements and curtailments – the result of actions to relieve the Board of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited/credited to the Surplus/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 Highland Council 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 Board 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 beneficial impact on 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.

### **Police Officers Pension Scheme**

Police Officers participate in 2 schemes, the 1987 Police Officers' Pension Scheme (old scheme) and the 2006 Police Officers' Pension Scheme (new scheme). The members of the old scheme pay 11% of salary and members of the new scheme pay 9.5%. The schemes are unfunded which means that no investment assets are built up to fund future liabilities. Instead the net cost of pensions and other benefits (after allowing for contributions from police officers) is borne by the Board.

In order to assess the value of the employer's liabilities in relation to the scheme at 31 March 2011, the actuaries have carried out a full valuation as at 31 March 2011.

From 1 April 2010 an employer's contribution is also made into the scheme at a rate of 24.7% of pensionable pay of the relevant officers. Funding for this is provided by the Scottish Government.

### **Injury Benefit**

Tax rules introduced from April 2006 prevent injury awards from being part of the pension scheme regulations where injury awards are payable irrespective of whether an officer is a member of the pension scheme. Injury awards were therefore removed from the fire pension scheme regulations and put on a separate statutory basis. The Police (Injury Benefit) (Scotland) Regulations 2007 deals with injury awards for police officers or as the case may be their qualifying surviving dependents.

When police injury benefits formed part of the police pension schemes, The Local Government Pension Reserve Fund (Scotland) regulations 2003 applied to those costs. These regulations restrict the amount chargeable to the general fund to employer contributions payable (the funded Local Government Pension Scheme) or payments to pensioners in year (the unfunded Police Officer Schemes). This cost is substantially less than the accounting provision (based on benefit entitlements earned by employees) that is required by applying accounting standards for pensions.

As injury awards no longer form part of the statutory pension scheme the 2003 Regulations no longer apply to these costs, and there is no statutory basis for them to be charged to the Pension Reserve instead of the General Fund.

Whilst the statutory schemes for injury awards as detailed above are not "pension schemes" they can be considered to constitute a "retirement benefit scheme". As such they meet the code definition and should continue to be treated as Defined Benefit Schemes under the requirements of the code for retirement benefits in 2010-11.

The Scottish Government has issued statutory guidance which requires costs in relation to these schemes to be charged to a statutory mitigation account, i.e. Employee Statutory Adjustment Account, rather than the General Fund.

The Scheme is funded on a pay as you go basis, with the Employer paying a fixed contribution and the Government meeting the balance of emerging benefit expenditure (net of employee and employer contributions). There are no assets held to back the liabilities of the scheme.

### **Events after the reporting period**

Events after the reporting period 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.

### **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 Board's financial performance.

### **Financial liabilities**

Financial liabilities are recognised on the Balance Sheet when the Board becomes a party to the contractual provisions of a financial instrument and initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Board has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

### **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 Board when there is reasonable assurance that:

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

Amounts recognised as due to the Board are not credited to the Comprehensive Income and Expenditure Account until conditions attaching 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/contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced 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 Account. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied.

### **Inventories**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the weighted average formula.

### **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. The Board does not have any finance leases.

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

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Board as Lessee

#### **Operating Leases**

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting 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 (e.g. there is a rent-free period at the commencement of the lease).

The Board as Lessor

#### **Operating leases**

Where the Board 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 (e.g. 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.

### **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 Board'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.

## **Intangible Assets**

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

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 Board 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).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Board's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Board can be determined by reference to an active market. In practice, no intangible asset held by the Board 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. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted 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 the Capital Receipts Reserve.

## **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.

All fixed assets, which exceed the de minimis level, have been identified, classified and valued. A "de minimis" level of £20,000 has been applied to "Land and Buildings" and "Non Operational Assets" with a £6,000 "de minimis" applying to the "Vehicles, Plant & Equipment".

### **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 Board 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 (i.e. repairs and maintenance) is charged as an expense 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 Board 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, unless the acquisition will not increase the cash flows of the Board. In the latter case, the cost of the acquisition does not have commercial substance (will not lead to a variation in the cash flows of the Board). In the latter case the cost of the acquisition is the carrying amount of the asset given up by the Board.

A revaluation of all buildings was carried out as at 31 March 2007 by Graham & Sibbald (Chartered Surveyors).

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

- assets under construction – historical cost
- operational specialist property – depreciated replacement 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 is used as an estimate of 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.

Where decreases in value are identified, the revaluation loss is accounted for:

- 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 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:

- 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 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.

#### Disposals

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 recognised losses. 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 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 (i.e. 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.

Amounts received for a disposal are categorised as capital receipts. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Board's underlying need to borrow. 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 requisitions, 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.

#### 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 (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- operational buildings – straight-line allocation over the useful life of the property as estimated by the valuer. Assets are depreciated in year following acquisition with full year's depreciation charged in year of disposal. Based on a life span of five to forty years determined by Force Estates Unit Manager.
- vehicles, plant and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer. Assets are depreciated in year following acquisition with full year's depreciation charged in year of disposal. Based on a useful life span of four to ten years for vehicles and plant and five to seven years for IT equipment.

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.

#### Componentisation Policy

- Components of an asset will be separated where their value is significant in relation to the total value of the assets and where those components have different useful lives to the remainder of the asset for depreciation purposes

- A component may be an individual item or similar items with similar lives grouped together
- Where a component is replaced or restored the carrying amount of the old component will be derecognized and the new component added. Where the carrying value of the derecognized/replaced component is not known a best estimate will be determined by reference to the current costs
- Only assets with a gross book value of £0.300m and over will be considered for componentisation
- Of those assets, for the purpose of determining a "significant" component of an asset, components with a value of 10% in relation to the overall value of the asset will be considered and then only if the component has a different useful life for depreciation purposes so as to result in depreciation charges that differ materially from the depreciation charges had the asset not been componentized
- On componentisation any Revaluation Reserve balances will remain with the structure of the building. Any future revaluation gains and losses will be applied across components as appropriate

### **Provisions and Contingent Liabilities**

#### **Provisions**

Provisions are made where an event has taken place that gives the Board 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 Board 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 Board becomes aware of the obligation, and 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 (e.g. 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 Board settles the obligation.

#### **Contingent liabilities**

A contingent liability arises where an event has taken place that gives the Board 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 Board. 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.

#### **Reserves**

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/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 benefits and employee benefits that do not represent usable resources for the Board – these reserves are explained in the relevant policies see note 14 Balance Sheet - unusable reserves.

#### 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.

### 2. Accounting standards that have been issued but have not yet been adopted

There are none that apply to the Board.

### 3. Critical judgements in applying accounting policies

In applying the accounting policies set out in Note 1, the Board 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 Board has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Board might be impaired as a result of a need to close facilities and reduce levels of service provision.

### 4. Adoption of International Financial Reporting Standards

	Notes	As at 31 March 2010	As at 1 April 2009
		£000	£000
<b>Net Assets and Equity under UK GAAP</b>		(453,683)	(280,137)
Treatment of Government Grants	(a)	7,211	6,972
IAS 19 Employee Benefits	(b)	(941)	(857)
Assets held for Sale	(c)	61	-
<b>Net Assets and Equity under IFRS</b>		(447,352)	(274,022)

		Year ended 31 March 2010
		£000
<b>Net Cost of Services under UK GAAP</b>		57,799
Treatment of Government Grants	(a)	1,392
IAS 19 Employee Benefits	(b)	84
Assets held for Sale	(c)	(61)
<b>Net Cost of Services under IFRS</b>		59,214

#### (a) Government Grants

Under the Code, grants and contributions for capital projects are recognised as income when they become receivable. Previously, grants were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund.

As a consequence of adopting the accounting policy required by the Code, the balance on the Government Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 Balance Sheet. Elements of Governments Grants deferred which

had previously been recognised as income in 2009/10 have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.

There is no effect on the General Fund balance, as capital grant income is transferred out of the General Fund under both UK GAAP and IFRS accounting policies.

(b) IAS 19 – Employee Benefits

Previously no provision was made for holiday pay. Under IAS 19 - Employee Benefits the expected cost of compensated short term absences (e.g. holidays) should be recognised when employee render the service that increases their entitlement. As a result, an accrual has been made for holidays earned but not taken.

(c) Assets held for sale

The Code requires that assets held for sale should be presented separately on the face of the Balance Sheet and should be measured at the lower of carrying amount and fair value, less costs to sell. Depreciation on these assets should cease. At 1 April 2009 assets which met the criteria were transferred to this category and revalued as necessary. Depreciation previously charged on such assets in 2009/10 has been removed.

**5. 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 Board 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 Board'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:

	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it difficult for the Board to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £0.041m for every year that useful lives had to be reduced.
Pension Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Board with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. However the assumptions interact in complex ways. During 2010/11, the Board's actuaries advised that the net pensions liability had decreased by £159m, attributable to updating of the assumptions.

	Uncertainties	Effect if Actual Results Differ from Assumptions
Injury Benefits Liability	Estimation of the net liability to pay injury benefits depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages and mortality rates. A firm of consulting actuaries is engaged to provide the Board with expert advice about the assumptions to be applied.	The effect on the net injury benefits liability of changes in individual assumptions can be measured. However, the assumptions interact in complex ways. During 2010/11, the Board's actuaries advised that the net injury benefits liability had increased by £2.507m attributable to the updating of the assumptions.
Arrears	At 31 March 2011 the Board had a balance of sundry debtors for £0.622m. A review of significant balances suggested that an allowance for doubtful debts of 3.7% £0.023m was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of doubtful debts would require an additional £0.046m to be set aside as an allowance.

#### 6. Movement in Reserves Statement – 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 Board in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Board to meet future capital and revenue expenditure.

#### Adjustments in 2010/11

	General Fund £000	Capital receipts reserve £000	Movement in unusable reserves £000	Total 2010/11 £000
<b>Adjustments involving the Capital Adjustment Account</b>				
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</b>				
Charges for depreciation and impairment of non-current assets	2,773	-	(2,773)	-
Amortisation of Intangible assets	33	-	(33)	-
Capital grants and contributions that have been applied to capital financing	(1,261)	-	1,261	-
Amounts 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	(126)	-	126	-

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	General Fund £000	Capital receipts reserve £000	Movement in unusable reserves £000	Total 2010/11 £000
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>				
Statutory provision for the financing of capital investment	(713)	-	713	-
<b>Adjustments involving the Capital Receipts Reserve</b>				
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	1,226	(1,226)	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	(542)	542	-
<b>Adjustments involving the Pensions Reserve</b>				
Reversal of items relating to post employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement (see note 21)	254	-	(254)	-
Employers' pension contributions and direct payments to pensioners payable in the year	(10,994)	-	10,994	-
<b>Adjustments involving the Employee Statutory Mitigation Account</b>				
Reversal of items relating to injury benefits are debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement (see note 22)	(736)	-	736	-
Injury payments to pensioners payable in the year	(630)	-	630	-
<b>Adjustments involving the Accumulating Compensated Absences Adjustment Account</b>				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	30	-	(30)	-
<b>Total adjustments</b>	<b>(11,370)</b>	<b>684</b>	<b>10,686</b>	<b>-</b>

**Adjustments in 2009/10**

	General Fund £000	Capital receipts reserve £000	Movement in unusable reserves £000	Total 2009/10 £000
<b>Adjustments involving the Capital Adjustment Account</b>				
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</b>				
Charges for depreciation and impairment of non-current assets	3,530	-	(3,530)	-
Amortisation of Intangible assets	30	-	(30)	-
Capital grants and contributions that have been applied to capital financing	(1,631)	-	1,631	-
Amounts 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	84	-	(84)	-
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>				
Statutory provision for the financing of capital investment	(800)	-	800	-
<b>Adjustments involving the Capital Receipts Reserve</b>				
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	261	(261)	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	(2,365)	2,365	-
<b>Adjustments involving the Pensions Reserve</b>				
Reversal of items relating to post employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement (see note 21)	28,580	-	(28,580)	-
Employers' pension contributions and direct payments to pensioners payable in the year	(8,806)	-	8,806	-
<b>Adjustments involving the Employee Statutory Mitigation Account</b>				

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	General Fund £000	Capital receipts reserve £000	Movement in unusable reserves £000	Total 2009/10 £000
Reversal of items relating to injury benefits are debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement (see note 22)	304	-	(304)	-
Injury payments to pensioners payable in the year	(298)	-	298	-
<b>Adjustments involving the Accumulating Compensated Absences Adjustment Account</b>				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	84	-	(84)	-
<b>Total adjustments</b>	<b>21,077</b>	<b>(2,104)</b>	<b>(18,973)</b>	<b>-</b>

#### 7. Movements in Reserve Statement – transfers to/from earmarked reserves

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

##### Movements in 2010/11

	Balance at 1 April 2010 £000	Transfers out £000	Transfers in £000	Balance at 31 March 2011 £000
Pension Commuted Sums	2,128	(2,128)	-	-
Other Earmarked Funds	596	-	-	596
<b>Total</b>	<b>2,724</b>	<b>(2,128)</b>	<b>-</b>	<b>596</b>

**Movements in 2009/10**

	Balance at 1 April 2009 £000	Transfers out £000	Transfers in £000	Balance at 31 March 2010 £000
Pension Commuted Sums	2,168	(833)	793	2,128
Other Earmarked Funds	-	-	596	596
<b>Total</b>	<b>2,168</b>	<b>(833)</b>	<b>1,389</b>	<b>2,724</b>

**8. Comprehensive Income and Expenditure Statement – Corporate and democratic core costs**

Corporate and democratic core costs include the costs of democratic representation and management relating to corporate policy making and all other elected member based activities. It also includes the costs of corporate management relating to the activities of the general running of the Board.

2009/10 Net £000		Expenditure £000	2010/11 Income £000	Net £000
45	Democratic representation and management	50	-	50
511	Corporate management	697	(189)	508
<b>556</b>	<b>Total</b>	<b>747</b>	<b>(189)</b>	<b>558</b>

**9. Comprehensive Income and Expenditure Statement – Non- distributed costs**

Non-distributed costs are excluded from individual services and comprise:

2009/10 £000		2010/11 £000
	Pension fund charges for added years and early retirement	
353	Pension fund past service contributions/(gains)	(39,741)
	Injury Benefit past service contributions/(gains)	(1,035)
449	Pension fund settlements and curtailments	359
-	Depreciation of non-operational properties	-
<b>802</b>		<b>(40,417)</b>

**10. Comprehensive Income and Expenditure Statement – Other operating expenditure**

2009/10 £000		2010/11 £000
84	(Gain)/loss on the disposal of non-current assets	(126)

**11. Comprehensive Income and Expenditure Statement – Financing and investment income and expenditure**

2009/10 £000		2010/11 £000
898	Interest payable and similar charges	886
20,298	Pensions interest cost and expected return on pension assets	25,698
304	Pensions interest cost and expected return on injury benefits	299
(42)	Interest and investment income	(47)
<u>21,458</u>		<u>26,836</u>

**12. Comprehensive Income and Expenditure Statement – Taxation and non specific grant income**

2009/10 £000		2010/11 £000
(29,714)	Requisitions	(22,703)
(29,193)	Police Grant	(26,947)
-	Police Pension Grant	(7,322)
(1,631)	Capital Grants	(1,261)
<u>(60,538)</u>		<u>(58,233)</u>

**13. Balance Sheet – usable reserves**

	General Fund (including earmarked balances) £000	Capital Receipts Reserve £000	Total £000
<b>Summary 2010/11</b>			
Balance at 1 April 2010	4,174	1,833	6,007
Movement in the year	(1,114)	684	(430)
<b>Balance at 31 March 2011</b>	<u><b>3,060</b></u>	<u><b>2,517</b></u>	<u><b>5,577</b></u>
<b>Summary 2009/10</b>			
Balance at 1 April 2009	3,315	3,937	7,252
Movement in the year	859	(2,104)	(1,245)
<b>Balance at 31 March 2010</b>	<u><b>4,174</b></u>	<u><b>1,833</b></u>	<u><b>6,007</b></u>

Movements in usable reserves are detailed in the movement in reserves statement on page 19 and in notes 6 & 7.

The Board is entitled carry forward a cumulative underspend on Police Grant and contributions made by the constituent authorities not exceeding 8% of the grant and contributions received in the year. A maximum transfer of 4% of any underspend can be made to the General Reserve in the year.

Capital receipts reserve represents capital receipts available to finance capital expenditure in future years.

**14. Balance Sheet – unusable reserves**

31/03/10 £000		31/03/11 £000
1,472	Revaluation reserve (a)	2,794
28,190	Capital adjustment account (b)	26,874
(476,479)	Pensions reserves (c)	(317,636)
(5,601)	Employee Statutory Mitigation Account (d)	(8,108)
(941)	Accumulated compensated absences adjustment account (e)	(971)
<u>(453,359)</u>	<b>Total unusable reserves</b>	<u>(297,047)</u>

(a) Revaluation reserve

The Revaluation reserve contains the gains made by the Board arising from increases in the value of its property, plant and equipment. 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 revaluation gains which have accumulated since the creation of the reserve on 1 April 2007. Accumulated gains arising up to 31 March 2007 are consolidated into the balance on the Capital Adjustment Account.

2009/10 £000		2010/11 £000
99	Balance at 1 April	1,472
1,460	Upward revaluation of assets	1,396
(87)	Difference between fair value depreciation and historical cost depreciation	(74)
<u>1,472</u>	Balance at 31 March	<u>2,794</u>

(b) Capital adjustment account

The Capital adjustment account absorbs 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 Account (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 Board as finance for the costs of acquisition, construction and enhancement.

The account contains accumulated gains and losses on investment properties and also revaluation gains accumulated on property, plant and equipment prior to the creation of the account on 1 April 2007.

Note 6 provides details of the source of all the transactions posted to the account, apart from any involving the Revaluation Reserve.

2009/10 £000		2010/11 £000
27,213	Balance at 1 April	28,190
<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement</b>		
(3,530)	Charges for depreciation and impairment of non-current assets	(2,773)
(30)	Amortisation of Intangible Assets	(33)
(346)	Amounts 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	(1,101)
87	Adjusting amounts written out of the Revaluation reserve	74
<b>Capital financing applied in the year</b>		
	Capital receipts received in year	-
2,365	Use of the Capital Receipts Reserve to finance new capital expenditure	542
1,631	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	1,261
800	Statutory provision for the financing of capital investment charged against the General Fund and	714
-	Capital expenditure charged against the General Fund balance	-
<u>28,190</u>	Balance at 31 March	<u>26,874</u>

(c) 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 Board 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 Board makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Board 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.

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2009/10 £000		2010/11 £000
(303,040)	Balance at 1 April	(476,479)
(153,665)	Actuarial gains or losses on pension assets and liabilities	148,103
(28,580)	Reversal of items relating to retirement benefits debited or credited to the Surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement	(254)
8,806	Employer's pension contributions and direct payments to pensioners payable in the year	10,994
<u>(476,479)</u>	Balance at 31 March	<u>(317,636)</u>

d) Employee Statutory Adjustment Account

The Employee Statutory Mitigation Account absorbs the timing differences arising from the different arrangements for accounting for injury benefits following accounting standards and for funding benefits in accordance with statutory provisions. The Board accounts for the full cost of future injury benefits as they are awarded and updates post retirement liabilities accordingly. However, injury benefits are financed on a pay as you go basis and this results in timing differences. The debit balance on the Employee Statutory Mitigation Account shows the difference between the amount of benefit awarded and the amount paid. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2009/10 £000		2010/11 £000
(4,688)	Balance at 1 April	(5,601)
(907)	Actuarial gains(losses) on pension assets and liabilities	(3,873)
(304)	Interest cost to retirement benefits debited or credited to the Surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement	736
298	Injury and direct payments to pensioners in the year	630
<u>(5,601)</u>	Balance at 31 March	<u>(8,108)</u>

(e) Accumulated compensated absences adjustment account

The Accumulating compensated absences adjustment 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. Statutory arrangements require that the impact on the general fund balance is neutralised by transfers to or from the account.

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2009/10 £000		2010/11 £000
(857)	Balance at 1 April	(941)
857	Settlement or cancellation of accrual made at the end of the preceding year	941
(941)	Amounts accrued at the end of the current year	(971)
<u>(941)</u>	Balance at 31 March	<u>(971)</u>

**15. Cash flow statement – operating activities**

The cash flows for operating activities include the following items:

2009/10 £000		2010/11 £000
<u>(42)</u>	Interest received	<u>(47)</u>
<u>898</u>	Interest paid	<u>886</u>

**16. Cash flow statement**

**(a) Investing activities**

2009/10 £000		2010/11 £000
3,796	Purchase of property, plant and equipment	1,659
<u>(261)</u>	Proceeds from the sale of property, plant and equipment	<u>(1,226)</u>
<u>3,535</u>	<b>Net cash flows from investing activities</b>	<u>433</u>

**(b) Financing activities**

2009/10 £000		2010/11 £000
(1,631)	Capital Grants Received	(1,261)
<u>800</u>	Repayments of amounts borrowed	<u>714</u>
<u>(831)</u>	<b>Net cash flows from financing activities</b>	<u>(547)</u>

### 17. Cash flow statement – cash and cash equivalents

The balances of cash and cash equivalents comprise:

2009/10 £000		2010/11 £000
20	Cash held by officers	19
9,920	Temporary Advances to Loans Fund	10,476
-	Short term deposits	-
<u>9,940</u>	<b>Total cash and cash equivalents</b>	<u>10,495</u>

### 18. Amounts reported for resource allocation decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Account is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Board on the basis of monitoring reports analysed across the various services. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- the budget performance statement on page 6 gives details in the format reported to Board meetings.
- no charges are made in relation to capital expenditure (whereas depreciation, impairment losses and amortisation are charged to services in the Comprehensive Income and Expenditure Account)
- 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 services

### Reconciliation of Service Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of service income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

2009/10 £		2010/11 £
58,048	Net expenditure in the service analysis	50,764
	Net expenditure of services and support services not included in the analysis	
2,864	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis	(23,747)
(1,698)	Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement	(5,750)
<u>59,214</u>	<b>Cost of services in Comprehensive Income and Expenditure Statement</b>	<u>21,267</u>

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**Reconciliation to subjective analysis**

This reconciliation shows how the figures in the analysis of service income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement:

	Service analysis	Amounts not reported to management	Amounts not included in I & E	Cost of services	Corporate amounts	Total
	£000	£000	£000	£000	£000	£000
<b>2010/11</b>						
Fees, charges & other service income	6,160	-	-	6,160	-	6,160
Interest and investment income	47	-	(47)	-	47	47
Income from requisitions	-	-	-	-	22,703	22,703
Government grants and contributions	11,799	-	(8,583)	3,216	35,530	38,746
<b>Total income</b>	<b>18,006</b>	<b>-</b>	<b>(8,630)</b>	<b>9,376</b>	<b>58,280</b>	<b>67,656</b>
Employee expenses	56,700	(26,479)	(12,781)	17,440	25,997	43,437
Other service expenses	12,070	-	(1,599)	10,471	886	11,357
Depreciation, amortisation and impairment	-	2,732	-	2,732	-	2,732
Gain or loss on disposal of non current assets	-	-	-	-	(126)	(126)
<b>Total expenditure</b>	<b>68,770</b>	<b>(23,747)</b>	<b>(14,380)</b>	<b>30,643</b>	<b>26,757</b>	<b>57,400</b>
<b>(Surplus) or deficit on the provision of services</b>	<b>50,764</b>	<b>(23,747)</b>	<b>(5,750)</b>	<b>21,267</b>	<b>(31,523)</b>	<b>(10,256)</b>

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	Service analysis	Amounts not reported to management	Amounts not included in I & E	Cost of services	Corporate amounts	Total
	£000	£000	£000	£000	£000	£000
<b>2009/10 comparative figures</b>						
Fees, charges & other service income	7,341	-	-	7,341	-	7,341
Interest and investment income	-	(42)	-	(42)	42	-
Income from requisitions	-	-	-	-	29,714	29,714
Government grants and contributions	3,346	-	-	3,346	30,824	34,170
<b>Total Income</b>	<b>10,687</b>	<b>(42)</b>	<b>-</b>	<b>10,645</b>	<b>60,580</b>	<b>71,225</b>
Employee expenses	55,604	654	-	56,258	20,602	76,860
Other service expenses	13,131	-	(1,698)	11,433	898	12,331
Depreciation, amortisation and impairment	-	2,168	-	2,168	-	2,168
Gain or loss on disposal of non current assets	-	-	-	-	84	84
<b>Total expenditure</b>	<b>68,735</b>	<b>2,822</b>	<b>(1,698)</b>	<b>69,859</b>	<b>21,584</b>	<b>91,443</b>
<b>(Surplus) or deficit on the provision of services</b>	<b>58,048</b>	<b>2,864</b>	<b>(1,698)</b>	<b>59,214</b>	<b>(38,996)</b>	<b>20,218</b>

## 19. Agency Services

The Scottish Police Services Authority came into operation on 1 April 2007 and provides the ICT services to the Board. With the transfer of services from the Board to the SPSA, agreement was reached with all of the Scottish Police Forces over the amount of budget which needed to be released. The funding for the purchase of ICT goods and services transferred to the Scottish Government. It was agreed that the SPSA would purchase the goods and services in conjunction with each force, with the force incurring the expenditure in the first instance with the funding being drawn down from the Scottish Government. A total of £1.230m was paid in respect of revenue expenditure and £0.066m in respect of capital expenditure.

## 20. External audit costs

The Board has incurred the following external audit costs.

2009/10		2010/11
	Fees payable to Audit Scotland with regard to external audit services carried out by the appointed auditor for the year	
<u>28,040</u>		<u>27,820</u>
<u>28,040</u>		<u>27,820</u>

## 21. Defined benefit pension schemes

### Participation in pension schemes

As part of the terms and conditions of employment of its officers, the Board makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Board has a commitment to make the payments and this needs to be disclosed at the time that employees earn their future entitlement.

The Board participates in three post employment schemes:

- The Local Government Pension Scheme, administered locally by the Highland Council Pension Fund – this is a funded defined benefit final salary scheme, meaning that the Board and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets
- Police Officers Pension Scheme. Pension benefits for officers are provided through the 1987 Police Pension Scheme which covers the majority of police officers although newer entrants are now members of the 2006 Police Officer Pension Scheme. The Scheme is a contributory scheme; this means that the officer contributes to the scheme from his or her salary. The Schemes are unfunded which means that no investment assets are built up to fund future liabilities. Instead the net cost of pensions and other benefits (after allowing for contributions from police officers) is borne by the Board
- Injury benefits injury awards are payable irrespective of whether an officer is a member of the pension scheme. Injury awards were therefore removed from the police pension scheme regulations and put on a separate statutory basis. The Police (Injury Benefit) (Scotland) Regulations 2007 deals with injury awards for police officers, or as the case maybe their qualifying surviving dependents. The Scheme is funded on a pay as you go basis, with the employer paying a fixed contribution and the Government meeting the balance of emerging benefit expenditure (net of employee and employer contributions). There are no assets held to back the liabilities of the scheme

- Arrangements for the award of discretionary post retirement benefits upon early retirement – this is an unfunded defined benefit final arrangement, under which liabilities are recognised when awards are made. However, 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

In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Price Index (CPI) rather than the Retail Prices Index (RPI).

This has had the effect of reducing the Board's liabilities by £39.741m and has been recognised as a past service gain in accordance with guidance set out in UTIF Abstract 48: the change is considered to be a change in benefit entitlement, there is no impact upon the General Fund.

### Transactions relating to post employment benefits

The Board recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against requisitions is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

Total 2009/10 £000		Support Staff 2010/11 £000	Uniformed Schemes 2010/11 £000	Total 2010/11 £000
	<b>Comprehensive Income and Expenditure Statement</b>			
	Cost of services			
7,480	Current service cost	1,366	12,572	13,938
353	Past service cost	(3,351)	(36,390)	(39,741)
449	Settlements and curtailments	359	-	359
(8,282)		(1,626)	(23,818)	(25,444)
	Financing and investment income and expenditure			
21,747	interest cost	2,632	25,402	28,034
(1,449)	expected return on scheme assets	(2,336)	-	(2,336)
20,298		296	25,402	25,698
28,580	Total post employment benefits charged to the surplus or deficit on the provision of services	(1,330)	1,584	254
153,665	actuarial (gains)/losses	(5,227)	(142,876)	(148,103)
<u>182,245</u>	Total post employment benefits charged to the Comprehensive Income and Expenditure Statement	<u>(6,557)</u>	<u>(141,292)</u>	<u>(147,849)</u>

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Total 2009/10 £000		Support Staff 2010/11 £000	Uniformed Schemes 2010/11 £000	Total 2010/11 £000
<b>Movement in reserves statement</b>				
(28,580)	Reversal of net charges made to the Surplus or deficit on the provision of services for post employment benefits in accordance with the code	1,330	(1,584)	(254)
<u>8,806</u>	Employers contributions payable to the scheme	<u>1,478</u>	<u>9,516</u>	<u>10,994</u>

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement for the period 1 April 2005 to 31 March 2011 is a gain of £56.114m.

**Assets and liabilities in relation to post employment benefits**

**Reconciliation of present value of scheme liabilities (defined benefit obligation)**

31/03/10		Police Officers Pension Scheme £000	LGPS £000	31/03/11 Total £000
324,944	Opening value	460,347	47,641	507,988
7,480	Current service cost	12,572	1,366	13,938
21,747	Interest cost	25,402	2,632	28,034
161,225	Actuarial loss/(gain)	(142,876)	(4,938)	(147,814)
(11,427)	Estimated benefits paid (net of transfers in)	(12,475)	(1,259)	(13,734)
3,251	Contributions by scheme participants	2,959	381	3,340
(34)	Unfunded pension payments		(71)	(71)
353	Past service cost	(36,390)	(3,351)	(39,741)
449	Losses on curtailments		359	359
<u>507,988</u>	Closing value	<u>309,539</u>	<u>42,760</u>	<u>352,299</u>

**Reconciliation of fair value of the scheme assets**

31/03/10		Police Officers Pension Scheme £000	LGPS £000	31/03/11 Total £000
21,904	Opening value	-	31,509	31,509
1,449	Expected return on Scheme assets	-	2,336	2,336
7,560	Actuarial (loss)/gain	-	289	289
1,160	Contributions by employer	-	1,478	1,478
385	Contributions by Scheme participants	-	381	381
(949)	Estimated benefits paid (net of transfers in)	-	(1,330)	(1,330)
31,509	Closing value	-	34,663	34,663
<u>476,479</u>	<b>Net Pension Liability</b>	<u>309,539</u>	<u>8,097</u>	<u>317,636</u>

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.

The actual return on scheme assets in the year was £2.624m (2009/10 £9.008m).

**Scheme history**

Year ended	31/03/11 £000	31/03/10 £000	31/03/09 £000	31/03/08 £000	31/03/07 £000
Present value of liabilities	(352,299)	(507,988)	(324,944)	(354,488)	(374,415)
Fair value of assets	<u>34,663</u>	<u>31,509</u>	<u>21,904</u>	<u>28,640</u>	<u>29,725</u>
Deficit	<u>(317,636)</u>	<u>(476,479)</u>	<u>(303,040)</u>	<u>(325,848)</u>	<u>(344,690)</u>

Assets prior to 31 March 2009 are shown at bid price (estimated where necessary).

The liabilities show the underlying commitments that the Board has in the long run to pay post employment (retirement) benefits. The net liability of £317.636m has a substantial impact on the net worth of the Board as recorded in the Balance Sheet, resulting in a negative overall balance of £291.470m. However statutory arrangements for funding the deficit mean that the financial position of the Board remains healthy. The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.

From 2010/11 new arrangements for Police Officer Pensions have come into effect whereby there is now in addition to the employee contributions of 11% for the old scheme and 9.5% for the new scheme, an actuarially based employer contribution calculated as a percentage of pensionable pay of 24.7% funded by the Scottish Government. In addition a top up payment from the Scottish Government is paid if required.

The total contributions expected to be made to the Local Government Pension Scheme by the Board in the year to 31 March 2012 is £1.104m.

The total contributions expected to be made to the 2 Police Officer Pension Schemes by the Scottish Government in the year to 31 March 2012 is £9.517m.

**Basis for estimating assets and liabilities**

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Local Government Pension Scheme has been assessed by Barnett Waddingham LLP, an independent firm of actuaries, estimates for the Highland Council Pension Fund being based on the latest full valuation of the scheme as at 31 March 2008.

The uniformed police officers pension schemes are based on latest full valuation of scheme as at 31 March 2011.

The principal actuarial assumptions adopted as at 31 March 2011 are as follows:

2009/10		2010/11
<b>Long term expected rate of return on assets in the scheme</b>		
7.9%	Equity investments	7.8%
4.5%	Gilts	4.4%
5.5%	Bonds	5.5%
5.9%	Property	5.8%
3.0%	Cash	3.0%
<b>Longevity assumptions</b>		
Police Board Support Staff		
Longevity at age 65 for current pensioners		
18.9	Men	18.9
21.9	Women	21.9
Longevity at age 65 for future pensioners		
19.9	Men	19.9
23.0	Women	23.0
Police Officers 1987 and 2006 Scheme		
Longevity at age 65 for current pensioners		
18.9	Men	21.5
21.8	Women	24.1
Longevity at age 65 for future pensioners		
19.8	Men	23.4
22.7	Women	25.9

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2009/10		2010/11
<b>Financial assumptions</b>		
Police Board Support Staff		
3.9%	RPI Increases	3.5%
n/a	CPI Increases	2.7%
5.4%	Rate of increase in salaries	5.0%
3.9%	Rate of increase in pensions	2.7%
5.5%	Rate for discounting scheme liabilities	5.5%
50.0%	Take up of option to convert annual pension into retirement lump sum	50.0%
Police Officers 1987 and 2006 Scheme		
3.9%	RPI Increases	3.5%
n/a	CPI Increases	2.7%
5.4%	Rate of increase in salaries	5.0%
3.9%	Rate of increase in pensions	2.7%
5.5%	Rate for discounting scheme liabilities	5.5%
50.0%	Take up of option to convert annual pension into retirement lump sum	50.0%

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held.

2009/10		2010/11
79%	Equities	79%
5%	Gilts	5%
7%	Bonds	6%
8%	Property	9%
1%	Cash	1%
100%	Total	100%

**History of experience gains and losses**

The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011.

**Support Staff LGPS**

	2010/11	2009/10	2008/09	2007/08	2006/07
	%	%	%	%	%
Experience adjustments on scheme liabilities	(0.1)	(1.0)	(5.5)	-	-
Experience adjustments on scheme assets	0.8	24.0	(40.7)	(13.2)	1.6

**Police Officers Scheme**

	2010/11	2009/10	2008/09	2007/08	2006/07
	%	%	%	%	%
Experience gains and losses on liabilities	(39.9)	-	-	1.9	-
Differences between the expected and actual return on assets		-	-	-	-

**22. Injury benefit**

2009/10 £000		2010/11 £000
<b>Comprehensive Income and Expenditure Statement</b>		
	Cost of services	
-	Current service cost	
-	Past service cost	(1,035)
-	Settlements and curtailments	-
-		(1,035)
	Financing and investment income and expenditure	
304	interest cost	299
-	expected return on scheme assets	-
304		299
(304)	Total post employment benefits charged to the surplus or deficit on the provision of services	(736)
907	actuarial (gains) losses	3,873
1,211	Total post employment benefits charged to the Comprehensive Income and Expenditure Statement	3,137

**Movement in reserves statement**

(304)	Reversal of net charges made to the Surplus or deficit on the provision of services for post employment benefits in accordance with the code	736
	Actual amount charged against the General Fund balance for pensions in the year	
298	Employers contributions payable to the scheme	630

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement for period 1 April 2005 to 31 March 2011 is a loss of £4.687m.

**Assets and liabilities in relation to Injury Benefits**

**Reconciliation of present value of scheme liabilities (defined benefit obligation)**

31/03/10		31/03/11
£000		£000
4,688	Opening value	5,601
-	- Current service cost	-
304	Interest cost	299
907	Actuarial loss/(gain)	3,873
-	- Estimated benefits paid (net transfers in)	(315)
-	- Past service cost	(1,035)
(298)	Injury Pension Payments	(315)
<u>5,601</u>	Closing value	<u>8,108</u>

**Scheme history**

Year ended	31/03/11	31/03/10	31/03/09	31/03/08	31/03/07
	£000	£000	£000	£000	£000
Present value of liabilities	(8,108)	(5,601)	(4,688)	(4,498)	-
Fair value of assets	-	-	-	-	-
Deficit	<u>(8,108)</u>	<u>(5,601)</u>	<u>(4,688)</u>	<u>(4,498)</u>	-

Assets prior to 31 March 2009 are shown at bid price (estimated where necessary).

The liabilities show the underlying commitments that the Board has in the long run to pay post employment (retirement) benefits. The total liability of £8.108m has a substantial impact on the net worth of the Board as recorded in the Balance Sheet, resulting in a negative overall balance of £291.470m. However statutory arrangements for funding the deficit mean that the financial position of the Board remains healthy.

**Injury Benefit Scheme**

	2010/11	2009/10	2008/09	2007/08	2006/07
	%	%	%	%	%
Experience adjustments on scheme liabilities	45.7	-	-	1.9	-
Experience adjustments on scheme assets	-	-	-	-	-

### **23. Related parties**

The Board is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Board or to be controlled or influenced by the Board. Disclosure of these transactions allows readers to assess the extent to which the Board 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 Council.

#### **The Highland Council**

The Highland Council provided £18.088m representing 79.67% of the funding of the Board and holds 16 of the 24 seats on the Board. In addition the Highland Council provides administrative and financial services. The Board pays £0.261m in respect of these functions; this cost includes the charges for the statutory functions provided by the Clerk and Treasurer. In addition the authority provided £0.791m towards funding of capital expenditure due to the Police Capital Grant being paid directly to constituent authorities by the Scottish Government.

#### **Comhairle Nan Eilean Siar**

The Comhairle Nan Eilean Siar provided £2.028m representing 8.93% of the funding of the Board and holds 4 of the 24 seats on the Board. In addition the authority provided £0.088m towards funding of capital expenditure due to the Police Capital Grant being paid directly to constituent authorities by the Scottish Government.

#### **Orkney Islands Council**

The Orkney Islands Council provided £1.191m representing 5.25% of the funding of the Board and holds 2 of the 24 seats on the Board. In addition the authority provided £0.055m towards funding of capital expenditure due to the Police Capital Grant being paid directly to constituent authorities by the Scottish Government.

#### **Shetland Islands Council**

The Shetland Islands Council provided £1.396m representing 6.15% of the funding of the Board and holds 2 of the 24 seats on the Board. In addition the authority provided £.0066m towards funding of capital expenditure due to the Police Capital Grant being paid directly to constituent authorities by the Scottish Government.

#### **The Scottish Government**

The Scottish Government provided £26.947m as Police Grant.

#### **Pension Schemes**

The employees of the Board are eligible to join either the Local Government Pension Scheme or the Police Officers Pension Schemes, both of which are locally administered by the Highland Council.

### **24. Operating Leases**

Board as Lessor

The Board leases out radio masts under operating leases

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The future minimum lease payments receivable under non-cancellable leases in future years are:

31/03/10 £000		31/03/11 £000
1,664	Not later than one year	1,743
7,492	Later than one year and not later than five years	7,852
2,103	Later than five years	-
<u>11,259</u>		<u>9,595</u>

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

Board as Lessee

The future minimum lease payments due under non-cancellable leases in future years are

31/03/10 £000		31/03/11 £000
55	Not later than one year	76
64	Later than one year and not later than five years	222
218	Later than five years	313
<u>337</u>		<u>611</u>

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was

31/03/10 £000		31/03/11 £000
<u>85</u>	Minimum lease payments	<u>120</u>
<u>85</u>		<u>120</u>

**25. Property, plant and equipment**

**Movements in 2010/11**

	Other land and buildings £000	Vehicles, plant and equipment £000	Assets under construction £000	Total Property, plant and equipment £000
<b>Cost or valuation</b>				
As at 1 April 2010	46,208	8,308	1,775	56,291
Non current assets transferring in	-	4	140	144
Additions	91	694	797	1,582
Revaluation increases/(decreases) recognised in the Revaluation Reserve	1,396	-	-	1,396
Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services	(246)	-	-	(246)
Derecognition - disposals	-	(469)	-	(469)
Assets reclassified (to)/from Assets Held for Sale	(1,000)	-	-	(1,000)
Other Reclassifications	2,073	18	(2,091)	-
<b>At 31 March 2011</b>	<b>48,522</b>	<b>8,555</b>	<b>621</b>	<b>57,698</b>
<b>Accumulated depreciation and impairment</b>				
As at 1 April 2010	4,007	5,385	-	9,392
Depreciation charge	1,309	1,043	-	2,352
Depreciation written out to the revaluation reserve	74	-	-	74
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-
Derecognition - disposals	-	(350)	-	(350)
Eliminated on reclassification to Assets Held for Sale	(90)	-	-	(90)
<b>At 31 March 2011</b>	<b>5,300</b>	<b>6,078</b>	<b>-</b>	<b>11,378</b>
<b>Net book value</b>				
<b>At 31 March 2011</b>	<b>43,222</b>	<b>2,477</b>	<b>621</b>	<b>46,320</b>
<b>At 1 April 2010</b>	<b>42,201</b>	<b>2,923</b>	<b>1,775</b>	<b>46,899</b>

**Comparative movements in 2009/10:**

	Other land and buildings £000	Vehicles, plant and equipment £000	Assets under construction £000	Total Property, plant and equipment £000
<b>Gross book value</b>				
As at 1 April 2009	43,886	8,796	2,048	54,730
Non current assets				
Transferring in	-	30	164	194
Additions	137	651	3,006	3,794
Revaluation increases/(decreases) recognised in the Revaluation Reserve	1,460	-	-	1,460
Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services	(1,048)	-	-	(1,048)
Derecognition disposals	(150)	(757)	-	(907)
Assets reclassified (to)/from Assets Held for Sale	(1,399)	-	-	(1,399)
Other reclassifications	3,339	104	(3,443)	-
Other movements in cost or Valuation	-	(516)	-	(516)
<b>At 31 March 2010</b>	<b>46,225</b>	<b>8,308</b>	<b>1,775</b>	<b>56,308</b>
<b>Accumulated depreciation and impairment</b>				
As at 1 April 2009	2,851	5,225	-	8,076
Non current assets transferring in	-	56	-	56
Depreciation charge	1,256	1,169	-	2,425
Derecognition disposals	(13)	(549)	-	(562)
Eliminated on reclassification to Assets Held for Sale	(70)	-	-	(70)
Other movements in depreciation and impairment	-	(516)	-	(516)
<b>At 31 March 2010</b>	<b>4,024</b>	<b>5,385</b>	<b>-</b>	<b>9,409</b>
<b>Net book value</b>				
At 31 March 2010	42,201	2,923	1,775	46,899
At 1 April 2009	41,035	3,571	2,048	46,654

**26. Assets Held for Sale**

2009/10 £000		2010/11 £000
	- Balance at 1 April 2010	1,327
1,327	Assets newly classified as held for sale	910
	- Other	35
	- Revaluation losses	(67)
	- Impairment losses	(35)
	- Assets sold	(981)
<u>1,327</u>	Balance at 31 March 2011	<u>1,189</u>

**27. Intangible Assets**

The Board 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 are purchased licenses.

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 Board. The useful lives assigned to the major software suites used by the Board.

There are no internally generated assets.

Other assets have a useful life of 5 Years.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £0.066m charged to revenue in 2010/11 was charged to the IT Administration cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

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

2009/10 £000		2010/11 £000
	Gross book value	
142	At 1 April 2010	152
<u>10</u>	Additions	<u>42</u>
152	At 31 March 2011	194
	Accumulated amortisation	
30	At 1 April 2010	60
<u>30</u>	Charge for the year	<u>33</u>
60	At 31 March 2011	93
<u>92</u>	Net book value	<u>101</u>

There are two items of capitalised software that are individually material to the financial statements:

	Carrying Amount		Remaining Amortisation Period
	31/03/11 £000	31/03/10 £000	
Winscribe system transcription software for voice banking from airwave communication terminals	16	25	2 Years
E-Mail Archive Solution	30	-	5 Years

## 28. Capital commitments

At 31 March 2011 the Board has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2011/12 and future years. Similar commitments at 31 March 2010 were £0.458m. The outstanding commitments total £0.045m in respect of police stations at Glencoe and Stornoway.

## 29. 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 Board, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Board that has yet to be financed. The CFR is analysed in the second part of this note.

2009/10 £000		2010/11 £000
19,432	Opening Capital Financing Requirement	18,632
	Capital investment	
3,997	Property, plant and equipment	1,803
	Sources of finance	
(2,366)	Capital receipts	(542)
(1,631)	Government grants and other contributions	(1,261)
	Sums set aside from revenue	
	- direct revenue contributions	
(800)	- loans fund principal	(714)
<u>18,632</u>	Closing Capital Financing Requirement	<u>17,918</u>
2009/10 £000	Explanation of movements in the year	2010/11 £000
(800)	Repayment of Loans Fund Principal	(714)
<u>(800)</u>	Increase/(decrease) in Capital Financing Requirement	<u>(714)</u>

**30. Inventories**

2009/10 £000		2010/11 £000
172	Balance outstanding at start of year	162
402	Purchases	448
(412)	Recognised as Expense in the year	(434)
-	Written off Balances	(2)
<u>162</u>	<u>Balance at year end</u>	<u>174</u>

**31. Debtors**

1 April 2009 £000	31 March 2010 £000		31 March 2011 £000
1,454	1,547	Central government bodies	2,760
24	208	Other local authorities	13
3	1	NHS bodies	-
-	-	Public corporations	-
1,326	432	Other entities and individuals	503
<u>2,807</u>	<u>2,188</u>	<u>Total</u>	<u>3,276</u>

The Board does not generally have negotiable credit terms for customers as any overdue amount is payable immediately. Sundry debtors can be analysed by age as follows:

	Sundry Debtors £000
Less than three months	326
Three to six months	9
Six to twelve months	271
More than twelve months	16
	<u>622</u>
Bad debt provision	(23)
Total sundry debtors	<u>599</u>

**32. Creditors**

1 April 2009 £000	31 March 2010 £000		31 March 2011 £000
3,827	3,822	Central government bodies	1,213
2,125	942	Other local authorities	3,087
21	6	NHS bodies	18
4	18	Public corporations	7
3,264	2,216	Other entities and individuals	3,105
<u>9,241</u>	<u>7,004</u>	<u>Total</u>	<u>7,430</u>

A long term creditor figure of £1.933m relates to the mobile data project the funding for which is held by Northern Police on behalf of the Scottish forces and will be released as the project proceeds during 2012/13. £0.556m will be paid out in 2011/12 and included in the other entities and individuals figure above.

### 33. Provisions

#### Provisions

	31/03/2010	Movement	31/03/2011
	£000	£000	£000
Police Officers TOIL	252	(252)	-
<b>Total Provisions</b>	<b>252</b>	<b>(252)</b>	<b>-</b>

There is no provision for Police Officers TOIL (Time off in Lieu) in 2010/11 this is now included as an accrual in Creditors within the Accumulated Compensated Absences Adjustment Account note 14e.

### 34. Police Officers' Pension Account

As from 1 April 2010 the Scottish Government has introduced a requirement for each Scottish police authority to maintain a Police Pension Account in respect of its police pension schemes. The requirements are specified in the Police Pension Account (Scotland) Regulations 2010 (SSI232/2010). The regulations specify that a Police Pension Account must be maintained to record the payments made and income received in respect of police pensions.

The Scottish Government now specifically differentiates between funding for "core" police activities and funding for police pensions. For the police authority, however, all Scottish Government funding is credited to the police authority General Fund. The regulations refer to the core (non pension) police activities as the Police Operating Account. Ultimately it remains the responsibility of the police authority to support its pension obligations from the funding it receives.

2010/11 is the first year in which the Police Pension Account has operated. In the first year of operation any balance in the General Fund in respect of pensions is to be contributed to the Police Pension Account. This is most likely to relate to balances earmarked for commuted sums. This requirement exists because the Government has already provided funding for these future pension costs but the General Fund has not yet been charged for these costs. As such, this contribution recognises that the Scottish Government regards this funding as being generally available to meet any pension costs that are chargeable to the General Fund.

This initial contribution which will occur only in the first year is shown under Contributions Receivable - Other.

Where a refund of contributions has been made to an employee, a refund is also due to the Police Operating Account. Such refunds are shown under Contributions Receivable – Other.

NORTHERN JOINT POLICE BOARD  
STATEMENT OF ACCOUNTS 2010/11

		2010/11 £'000
<b>Contributions Receivable:</b>		
Police Authority Contributions based on pensionable pay	(6,834)	
Early retirements	-	
Other	(2,126)	
Officers Contributions	(2,958)	(11,918)
Transfers in from other police authorities		(187)
<b>Benefits payable:</b>		
Pensions	10,290	
Commutations and lump sum retirement benefits	2,273	
Lump sum death benefits	6	12,569
<b>Payments to and on account of leavers:</b>		
Transfer values paid	-	
Refunds of contributions to employees	24	24
<b>Sub-total for the year before transfer from the Police Operating Account of an amount equal to the deficit</b>		488
<b>Additional funding payable by the Police Operating Account to meet the Deficit</b>		(488)
<b>Net Amount payable/ receivable for the year</b>		-

### 35. Grant income

The Board credited the following specific grants to the Comprehensive Income and Expenditure Statement in 2010/11

2009/10 £000		2010/11 £000
	<b>Credited to Services</b>	
1,353	Additional officers	1,570
370	Counter Terrorism, Ports Policing	417
50	Highlands & Islands Emergency Co-ordinating Group	58
-	- Civil Contingency Exercise	20
1,239	ICT Funding	1,118
-	- Keeping Children Safe	4
25	Alcohol, Drugs and Smoking Action Team – Drugs Dog	-
3	Alcohol, Drugs and Smoking Action Team – Choices for Life	-
300	Mountain Rescue	-
4	Gaelic Language Action – Implementation Fund	-
1	Mobile Data Project	26
11	Shetland Safer Streets	-
7	Rockness	2
2	Restorative Cautioning	-
1	Caithness Community Safety	-
-	- Highlands and Islands Strategic Co-ordinating Group	5
3,366		3,220

NORTHERN JOINT POLICE BOARD  
STATEMENT OF ACCOUNTS 2010/11

2009/10 £000		2010/11 £000
<b>Credited to Taxation and Non Specific Grants</b>		
29,193	Police Specific Grant	26,947
1,631	Capital Grants	1,261
-	Police Pension Contributions	7,322
30,824		35,530
34,190	<b>Total</b>	38,750

**36. Borrowing**

The borrowings disclosed in the Balance Sheet are made up of the following categories of financial instruments:

As at 31 March 2010			As at 31 March 2011		
Long term £000	Current £000	Total £000	Long term £000	Current £000	Total £000
			<b>Borrowings</b>		
17,919	713	18,632	17,231	687	17,918
-	-	-	-	-	-
17,919	713	18,632	17,231	687	17,918
			<b>Total</b>		

The Board has access to the Highland Council's Loans Fund and Shetland Islands Council's Loans Fund. As a result there is no significant risk that the Board will be unable to raise finance to meet its commitments under financial instruments. The Board has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future to reduce the financial impact of re-borrowing at a time of unfavourable interest rates.

The maturity structure of the borrowing is as follows:

31/03/10 £000	Loans outstanding	31/03/11 £000
18,617	Highland Council Loans Fund	17,907
15	Shetland Islands Council Loans Fund	11
18,632	<b>Total</b>	17,918
713	Less than 1 year	687
672	Between 1 and 2 years	659
1,765	Between 2 and 5 years	1,546
2,486	Between 5 and 10 years	2,348
12,996	More than 10 years	12,678
18,632	<b>Total</b>	17,918

**37. Events after the Balance Sheet Date**

The Statement of Accounts was authorised for issue by the Treasurer on 24 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.

Since the date of signing the unaudited accounts the Scottish Government on 7 September 2011 announced its plans for legislation to create a single police authority in Scotland; any impact upon the Northern Joint Police Board cannot yet be quantified.

## **INDEPENDENT AUDITORS REPORT**

### **Independent auditor's report to the members of Northern Joint Police Board and the Accounts Commission for Scotland**

I certify that I have audited the financial statements of Northern Joint Police Board for the year ended 31 March 2011 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet, and Cash-Flow Statement, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (the 2010/11 Code).

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 123 of the Code of Audit Practice approved by the Accounts Commission for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

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

As explained more fully in the Statement of Responsibilities [set out on page 10 of the accounts], the Treasurer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Those standards require me to comply with the Auditing Practices 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 financial statements sufficient to give reasonable assurance that the financial 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 body's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Treasurer; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the Explanatory Foreword and the Remuneration Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

### **Opinion on financial statements**

In my opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2010/11 Code of the state of the affairs of Northern Joint Police Board as at 31 March 2011 and of the income and expenditure of Northern Joint Police Board for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2010/11 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973 and the Local Government in Scotland Act 2003.

**Opinion on other prescribed matters**

In my opinion:

- the part of the remuneration report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 1985; and
- the information given in the Explanatory Foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which I am required to report by exception**

I am required to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- the Statement on the System of Internal Financial Control does not comply with the 2010/11 Code; or
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.

*M Tate*

Pearl Tate  
Senior Audit Manager  
Audit Scotland  
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1/5 Osborne Terrace  
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EH12 5HG

28 September 2011

**STATUTORY PERFORMANCE INDICATORS**

**2010/2011**

Crime clear-up rates

Indicator 1: The number and percentage of reported crimes cleared up

Crime Group	Number Reported	% clear-up rate	Reported crimes per 10,000 population
Non-sexual crimes of violence	485	91.3	16.8
Crimes of indecency	414	73.4	14.3
Crimes of dishonesty	5413	50.2	187.4
Fire-raising, vandalism	3726	41.3	129.0
Other crimes	3546	99.3	122.8
Miscellaneous offences	9118	90.8	315.7
Motor Vehicle Offences	16499	98.7	571.2

**2009/2010**

Crime Group	Number reported	% clear-up rate	Reported crimes per 10,000 population
Non-sexual crimes of violence	459	92.40	16.0
Crimes of indecency	321	83.80	11.2
Crimes of dishonesty	5,411	51.00	188.2
Fire-raising, vandalism	4,414	41.30	153.5
Other crimes	3,547	99.50	123.4
Miscellaneous offences	10,005	92.10	348.0
Motor Vehicle offences	18,102	99.10	629.7

**2009/10**

**2010/11**

Response times

Indicator 2 – Proportion of 999 calls answered within 10 Seconds

20,006	a) The number of calls in the sample	18,887
86.2%	b) The percentage answered within 10 second target time	87%

Sickness absence

Indicator 3 – Proportion of working time lost due to sickness absence for

3.1%	a) Police Officers	4.3 %
3.9%	b) Civilian staff	**

\*\* Due to ongoing difficulties with the reporting tool on SCoPE we are unable to provide these figures.

Complaints

Indicator 4 (a) – Complaints about Police Officers and Police Staff

242	(i) Number of complaints received	256
18.2	(ii) Number of complaints per 10,000 incidents recorded	8.9
433	(iii) Number of allegations arising from the complaints	451
97	(iv) Number of allegations where action is taken	69

Indicator 4 (b) – Service Complaints

23	(i) Number of service complaints raised about the force	99
0.8	(ii) Number of service complaints about the Force per 10,000 population	3.43

**Racially motivated incidents – Changed Indicator**

117	Indicator 5 (a) Number of racist incidents recorded	111
86	Indicator 5 (b) Number of racially motivated crimes recorded	78
66	Indicator 5 (c) Number of these crimes cleared up	58
76.74	Indicator 5 (c) Percentage of these crimes cleared up.	74.4

**Drug Offences**

Indicator 6 (a) – Weight of class A drug seizures and the percentage change compared with previous years.

0.86kg	Weight of Class A Drug Seizures	4.56kg
-51.41%	Percentage change in weight of class A drug seizures	430%

Indicator 6 (b) – Number of recorded offences for supply and possession with intent to supply class A drugs and the percentage change compared with previous years

132	Number of Offences in 2010 / 2011	95
-37.44%	Percentage change since previous year	-28%

**Road Policing / Safety**

Indicator 7 – The number of persons killed or injured as a result of road accidents

2010/11

Road Accidents	Number	Number per million vehicle kilometres
All people killed or seriously injured	139	0.059
Children killed or seriously injured	12	0.005
All people slightly injured.	659	0.279

2009/10

Road Accidents	Number	Number per million vehicle kilometres
All people killed or seriously injured	162	0.069
Children killed or seriously injured	11	0.005
All people slightly injured	831	0.352

**Police Reports**

Indicator 8 – The number and percentage of police reports sent to the Children’s Reporter within 14 calendar days of caution / charge

822	Total Number of Police Reports sent to Children’s Reporter	686
77.3%	Percentage sent to Children’s Reporter within 14 days	82.4%

Indicator 9 – The number and percentage of police reports sent to the Procurator Fiscal within 28 calendar days of caution / charge

12,971	Number of Police Reports sent to Fiscal	12052
78%	Percentage sent to Fiscal within 28 days	87.7

