



SOUTH YORKSHIRE  
POLICE  
AUTHORITY

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# **STATEMENT OF ACCOUNTS**

**2010/11**

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# SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2010/11

## EXPLANATORY FOREWORD

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### 1. Introduction

The Statement of Accounts is a statutory publication required under the Accounts and Audit Regulations and prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011 (the Code), published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Code specifies the principles and practices of accounting required to give a true and fair view of the Authority's financial position at the end of the year and the transactions of the Authority during the year.

The information contained in the various statements and notes are of a highly technical nature and it may be useful to refer to the Glossary on page 93 for further explanation.

The 2010/11 Accounts are based on International Financial Reporting Standards (IFRS) for the first time. As a result, there have been a number of significant changes to accounting policies and to the format of the financial statements and the disclosure requirements set out in the Notes. A summary of these changes is set out in section 3 of this Foreword.

### 2. Explanation of Financial Statements

The Authority's Accounts consist of the following Financial Statements:

- ***Movement in Reserves Statement***

This shows the movement of the Authority's reserves during the year, analysed into usable and unusable reserves. Usable reserves can be used by the Authority to fund expenditure or reduce taxation. Unusable reserves are those that have been created to reconcile the accounting entries required to comply with the Code with those that the Authority must statutorily charge to the General Fund Balance for council tax setting purposes. They are not therefore available to spend in the future.

The Adjustments between the Accounting Basis and Funding Basis under Regulations line within the Statement consolidates all the adjustments needed to convert the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement to the movement in the General Fund Balance for the year.

- ***Comprehensive Income and Expenditure Statement***

This shows the accounting cost for the year of providing services in accordance with generally accepted accounting practices. The Surplus or Deficit on the Provision of Services within the Statement shows the increase or decrease in net worth of the Authority as a result of incurring expenses and generating income. The Other Comprehensive Income and Expenditure shows any changes in net worth which have not been reflected in the above Surplus or Deficit, for example increases or decreases as a result of movements in asset values or because of actuarial gains or losses on pensions assets and liabilities.

The Statement does not match with the Authority's revenue expenditure to be funded from taxation and the reconciliation to this taxation position is shown in the Movement in Reserves Statement.

- ***Balance Sheet***

This sets out the financial position of the Authority and shows the value of assets and liabilities recognised by the Authority at 31 March each year (together with an opening position at 1 April 2009 due to the introduction of IFRS). The net assets (assets less liabilities) are matched by the reserves held by the Authority, split between usable and unusable reserves

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- **Cash Flow Statement**

This summarises the movements in cash and cash equivalents during the year. It shows how the Authority uses and generates cash and cash equivalents in its operating, investing and financing activities.

These Accounts are supported by the **Statement of Responsibilities**, and the **Notes to the Accounts** which include the accounting policies adopted (Note 1). An **Annual Governance Statement** is also published with the Accounts which sets out the Authority's governance framework and the review of its effectiveness.

In addition, there is a supplementary accounting statement for the **Pension Fund Account** which shows the transactions, as determined by regulation, for the two Police Pension Schemes (1987 and 2006).

### 3. Adoption of International Reporting Standards

The Authority is required to prepare its financial statements in accordance with IFRS from 1 April 2010. The changes in accounting policies are required to be applied retrospectively, and therefore the financial statements for 2009/10 have been restated to provide comparative information. An opening Balance Sheet as at 1 April has also been prepared.

The most significant changes to accounting policies are related to:

- **Employee Benefits**

Costs of employee benefits for untaken leave and other compensated absences have been recognised as a liability in a provision on the Balance Sheet. The Government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until such benefits are used.

- **Capital Grants**

Capital grants used to fund capital assets are no longer held in a Government Grants Deferred Account and released as income over the life of the assets they were used to fund. Instead, they are now recognised as income in the Comprehensive Income and Expenditure Statement when they are received (unless there is an outstanding condition) and then reversed out through the Movement in Reserves Statement so they have no impact on the General Fund Balance.

- **Revenue Grants**

Revenue grants are now recognised as income when they are received and not held on the Balance Sheet to be matched to related expenditure, unless there is an outstanding condition potentially requiring repayment if not spent in accordance with the funder's requirements. A contribution is now made to a revenue grant reserve so that income can be carried forward to meet expenditure when it is incurred.

- **Injury Awards**

The liability expected to arise due to injury awards relating to service prior to the Balance Sheet date has been recognised for the first time, in addition to the liability already recognised for injury awards currently in payment.

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## EXPLANATORY FOREWORD

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- **Cash Equivalents**

Temporary investments that are short term and highly liquid and readily convertible to known amounts of cash, with insignificant risk of change in value have been reclassified to cash equivalents in the Balance Sheet. The Authority has defined investments held in call accounts and money market funds as cash equivalents.

- **Componentisation**

The introduction of component accounting requires the Authority to account separately for different components of assets that have materially different lives. It also requires derecognition of parts of assets that have been replaced during the year following capital investment. This is applied prospectively from 1 April 2010 and so has no impact prior to 2010/11.

#### **4. Revenue Budget**

Each year, the Authority sets a revenue budget and funds it by a combination of internal reserves, government grant and income raised from council tax.

The budget for 2010/11 was set in February 2010 against an uncertain future funding position for the Authority. Although the Authority's financial position was robust in the short term, it was recognised that budget levels would have to be reduced over the next four years, as government grant levels were forecast to decrease year on year. This was confirmed during the year as it became clear that the Authority was facing a budget shortfall of just under £15m for 2011/12 rising to over £40m by 2014/15.

The Authority's first priority was therefore to start the process of reducing budget levels alongside a review of priorities. The Authority also decided to maintain usable reserves levels which could subsequently be drawn upon as part of a strategy for utilisation to manage the implementation of budget reductions.

The Authority's budget requirement for 2010/11 was £260.2m, consisting of an approved spending level of £258.8m and a net contribution to reserves of £1.4m. As in previous years, the Authority continued with its ambitious efficiency and savings programme during the year and the budget included a target for further efficiency savings of £6m. During the year, the Government announced a cut in the current year's police grant of £2.8m. In addition, there were other pressures on spending, the most significant being the policing of the Liberal Democrat conference in Sheffield which was estimated to cost up to £2m.

In response to this and the future funding reductions expected, a recruitment freeze was introduced, all non essential spending was deferred and a voluntary early retirement / redundancy scheme was offered to all police support staff. It was anticipated that the Authority would need to draw on its reserves, in particular to fund some of the costs relating to staff terminations.

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EXPLANATORY FOREWORD**

Actual total revenue expenditure for 2010/11 was £268.5m, representing an overspend of £9.7m, although a net additional contribution of £9.3m was made from earmarked reserves to partially fund this.

The table below sets a comparison of actual expenditure to budget in more detail:

	<b>Budget £000</b>	<b>Actual £000</b>	<b>Variation £000</b>
<b>Police Authority Costs</b>	<b>2,483</b>	<b>2,380</b>	<b>(103)</b>
<b>Police Force Costs</b>			
Employee costs	239,506	248,750	9,244
Premises costs	6,730	7,147	417
Transport costs	5,678	5,735	57
Other costs	28,142	25,553	(2,589)
Capital financing costs	4,916	12,080	7,164
	284,972	299,265	14,293
Income	(28,654)	(33,149)	(4,495)
<b>Total Police Force Costs</b>	<b>256,318</b>	<b>266,116</b>	<b>9,798</b>
<b>Total Net Expenditure</b>	<b>258,801</b>	<b>268,496</b>	<b>9,695</b>
Contribution from Earmarked reserves	(340)	(9,590)	(9,250)
Contribution to General Fund Balance	1,783	1,338	(445)
<b>Budget Requirement</b>	<b>260,244</b>	<b>260,244</b>	<b>-</b>

The most significant areas of overspend were related to severance costs of £6.8m (within employee costs) and the funding of essential capital expenditure directly from revenue of £7.2m (within capital financing costs). Budget holders continued to deliver savings in excess of those budgeted throughout the year to partially offset these overspends.

The Authority's net spending was funded as follows:

	<b>£000</b>	<b>£000</b>
<b>Budget Requirement</b>		<b>260,244</b>
<b>Sources of Finance</b>		
General Government Grant		12,958
Police Grant		107,043
Non-Domestic Rates Redistribution		89,240
Council Tax Income		
• Barnsley	9,188	
• Doncaster	11,401	
• Rotherham	10,185	
• Sheffield	20,229	51,003
<b>Total Financing</b>	<b>59,955</b>	<b>260,244</b>

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The above figures do not reconcile to the Comprehensive Income and Expenditure Statement due to presentational differences required by proper accounting practice; however the above contributions of £9.590m from earmarked reserves and £1.338m to the General Fund Balance is reflected in the Movement in Reserves Statement.

### 5. Capital Expenditure

The Authority spent £14.1m on capital expenditure in 2010/11. A sum of £6.5m was spent improving the Authority's buildings, including £3.6m on the completion of a new Training Centre at Manvers in the Dearne Valley to replace the existing facility at Ecclesfield.

A further £5.8m was spent on information, communications and operational equipment. This included £0.8m on mobile technology for frontline officers, £0.9m on Unified Police Security Architecture to create a confidential working environment for the use of police national systems and £0.6m on the development of a case preparation system.

New vehicles totaling £1.8m were purchased during the year in accordance with the vehicle replacement programme.

### 6. Capital Financing and Borrowing

Capital expenditure is financed by a combination of government grant, internal resources such as capital receipts and direct revenue funding, with the balance from external borrowing. The Authority is able to borrow to fund capital investment provided that it can demonstrate that it is affordable and prudent in accordance with CIPFA's Prudential Code. The Authority approves an annual Treasury Management Strategy which includes requirements and proposed arrangements for borrowing during the year.

In view of the continuing impact of the banking crisis and credit crunch, the Authority's strategy was to use internal cash to fund capital expenditure in 2010/11 in order to reduce cash levels and limit investment risk. No borrowing was therefore undertaken during the year.

However funding capital expenditure from cash balances is not sustainable in the long term. The Authority's total outstanding borrowing from the Public Works Loans Board (PWLB) at 31 March 2011 is £32.130m as compared with the Authority's underlying need to borrow (capital financing requirement) of £34.683m. This means that at some point in the future, the Authority is likely to need to borrow an additional £2.553m to ensure that it retains its liquidity position.

### 7. General and Earmarked Reserves

The actual movements in usable reserves are summarised below:

	<b>1 April 2010 £000</b>	<b>Movement in Year £000</b>	<b>31 March 2011 £000</b>
Earmarked Reserves	22,966	(9,590)	13,376
Capital Grants Unapplied	4,511	(1,911)	2,600
General Reserves	23,264	1,338	24,602
	<b>50,741</b>	<b>(10,163)</b>	<b>40,578</b>

Earmarked reserves have reduced substantially during the year. Firstly, there was only a limited revenue budget carry forward into 2011/12, since all underspends were pooled as far



## **SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2010/11 EXPLANATORY FOREWORD**

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as possible to fund the severance costs. This resulted in a reduction in the devolved budget reserve of £5.5m. In addition, the capital reserve of £4.6m was fully utilised during the year to fund essential schemes. A detailed breakdown of the movements in earmarked reserves is included in Note 8.

### **8. Retirement Benefits**

The Authority participates in three pension schemes which are accounted for in line with International Accounting Standard (IAS) 19, the requirements of which is further explained in the Accounting Policies and Notes to the Financial Statements. This means that the Authority must include the commitment to pay future retirement benefits as a liability on its Balance Sheet to reflect the true accounting position even though it will not pay for these until many years into the future.

The inclusion of this estimated liability of £2,061m is matched by a pensions reserve within unusable reserves in the Balance Sheet. The negative balance on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flow rather than as benefits are earned by employees.

The inclusion of this reserve has a substantial impact on the net worth of the Authority. However, since statutory provisions require that the amount charged to the General Fund Balance is that paid by the Authority to pensions funds rather than that calculated under accounting standards, the financial position of the Authority remains healthy, with usable reserves of £40.6m.

The pensions liability has been affected by the announcement 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 Price Index (RPI). As a result, the Authority's pensions liabilities have reduced by a total of £244m.

### **9. Regional Working**

The Authority engages in collaborative working with specific activities undertaken throughout 2010/11 in partnership with the Yorkshire and Humber Authorities / Forces. The governance for this regional programme is via the Joint Police Authority Committee (JPAC) in accordance with the Heads of Agreement. JPAC is a sub-committee of each participating Police Authority and comprises the chairs, vice-chairs and other members from each of the four police authorities. Regional Collaboration is funded from contributions made by the four participating forces.

The administration of activities is via the Regional Programme Team including the financial administration of regional budgets which is led by West Yorkshire Police Authority.

JPAC has agreed to the adoption of a lead Authority / Force employment model to provide managers and officers / staff engaged in regional working with consistent Human Resources policy and practices. South Yorkshire Police Authority has agreed to act as lead Authority. Under this arrangement, the Authority will employ police staff on a permanent substantive basis and police officers will be seconded to South Yorkshire Police. The other Police Authorities within the Yorkshire and Humber region have agreed to indemnify this Authority to ensure that any costs are shared between them in the event of any employment tribunal or civil court claims related to regional employment.

The impact of regional working on the Authority's financial statements is shown in the Comprehensive Income and Expenditure Statement which includes the Authority's

## **SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2010/11 EXPLANATORY FOREWORD**

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contribution to support the regional budget in 2010/11 and in the Balance Sheet which includes assets owned by the Authority but contributed for use in regional working. More information is included in the Accounting Policies and Notes to the Core Financial Statements.

### **10. Sustainability Reporting**

South Yorkshire Police is committed to sustainability, employing a full time Sustainability Manager to drive forward the development, update, coordination and implementation of the Force Sustainability Strategy. This commitment can be demonstrated by the following:

- South Yorkshire Police has a Carbon Management Plan which was completed in March 2011. The Plan includes our carbon reduction target which is to reduce our carbon footprint by 30% by 2015.
- South Yorkshire Police's fleet is reducing its carbon footprint. Almost all new vehicles have a lower CO2 g/km than the vehicle they replace. The average CO2 per km was 154.17 in 2009/10 and at the end of 2010/11, this had fallen to 146.66 a significant reduction of 4.9%. The Force also had 226 pedal cycles in March 2011 for operational use, an increase of 21 from the previous year.
- In recent years South Yorkshire Police have offered employees the chance to purchase a pedal cycle at a discounted rate via a national stockist. The scheme will be launched again in April 2011. New and relocating staff are offered journey planning advice to help them with public transport and to contribute to greener sustainable travel. A major public transport operator offers South Yorkshire Police staff a 10% discount on travel tickets purchased in advance. Annual travel passes can be purchased via a season ticket loan.
- All Information Systems are designed to make the best use of resources and by doing so will achieve significant improvements in the efficiency and productivity, without compromising a maximum return on investment and value for money. The use of Multi-Functional Devices and Document Management Software solutions has reduced the unnecessary use of consumables (ink, paper etc.) and reduced the need for multiple copies of a single document. Computer room facilities are provided using the latest energy efficient technology. Equipment life is extended where prudent, maximising efficiency and capital expenditure. All technological solutions reinforce the Force's sustainable policies. At the design stage of information systems and equipment, full consideration is given to the diverse needs of staff and officers working for the organisation, balanced against the green agenda.

### **11. Financial Prospects**

2010/11 was the base year for the new national public spending strategy set out in the Comprehensive Spending Review. The figures for 2011/12 to 2014/15 were confirmed in October 2010, although the Authority had already started the process of realigning budgets. The increased level of reserves at 31 March 2011 is one result; the savings which generated the additional reserves are now locked into the base, and the cash will provide further flexibility for future years.

The implications of the grant reductions will be a substantial challenge for the Authority and the Service. Looking ahead, there are significant uncertainties around both the spending and the funding sides of the budget, and consequently the level of risk within the medium term financial strategy is higher than normal. By careful management of budgets over the last few years, the Authority has built up its reserve levels. This will create scope to phase the planned reductions in spending if necessary, and provides the Authority with options for funding new developments or invest to save projects.

## **SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2010/11 EXPLANATORY FOREWORD**

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Under the Government's current plans, the Police Authority will be replaced by an elected Police Commissioner in November 2012. There will be no period of shadow running, and the Authority is responsible for ensuring a smooth handover to the Commissioner. This includes setting the budget and precept for 2012/13, and confirming the Police and Crime Plan for that year. The Medium Term Financial Strategy extends to 2014/15, and the Commissioner will have opportunity during the first year of office to make any adjustments to the Authority's plans and priorities. These will be reflected in the budget for 2013/14, which will be the first financial plan under the new arrangement. The Authority plans to leave the Service with a balanced budget and good reserve cover in November 2012, to ensure continuity of services to the public.

The changes in governance for Policing come at a difficult time, just as the service is coming to terms with the real reduction in funding. The immediate priority for the Authority and the Chief Constable is developing a sound Value for Money and efficiency programme which will generate the financial savings with minimum impact on services to the public. It is unlikely that the Authority will have much scope over the next few years to develop services in new directions, although some of the more transformational ideas which are under consideration – such as closer working with the other emergency services or other public bodies – could lead to improvements.

**13.** Further information about the accounts is available from:

The Chief Executive and Treasurer,  
South Yorkshire Police Authority,  
18 Regent Street,  
Barnsley,  
S70 2HG

**SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2010/11  
STATEMENT OF RESPONSIBILITIES**

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**The Authority's Responsibilities**

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Chief Executive and Treasurer
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- approve the Statement of Accounts.

**Signed on behalf of the Police Authority by the Chair of the Internal Control and Governance Committee:**



**Date: 23 September 2011**

**The Chief Executive and Treasurer's Responsibilities**

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

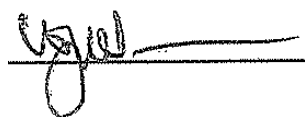
In preparing this Statement of Accounts, the Chief Executive and Treasurer has:

- selected suitable accounting policies and then applied them consistently
- made judgments and estimates that were reasonable and prudent
- complied with the local authority Code.

The Chief Executive and Treasurer has also:

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

**I certify that the attached Statement of Accounts presents a true and fair view of the financial position of the Authority at 31 March 2011 and its income and expenditure for the year then ended. These replace the unaudited Statement of Accounts previously certified by the Chief Executive and Treasurer on 30 June 2011.**



**Date: 23 September 2011**

**W. J. Wilkinson CPFA, Chief Executive and Treasurer**

## SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2010/11 MOVEMENT IN RESERVES STATEMENT

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

	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Reserves £000
<b>Balance at 1 April 2009</b>	19,812	22,002	-	4,525	46,339	(1,466,612)	(1,420,273)
<b>Movement in reserves during 2009/10</b>							
Surplus / (deficit) on the provision of services	(73,477)	-	-	-	(73,477)	-	(73,477)
Other Comprehensive Income and Expenditure	-	-	-	-	-	(690,184)	(690,184)
<b>Total Comprehensive Income and Expenditure</b>	<b>(73,477)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(73,477)</b>	<b>(690,184)</b>	<b>(763,661)</b>
Adjustments between accounting basis and funding basis under regulations (Note 7)	77,893	-	-	(14)	77,879	(77,879)	-
<b>Net Increase / Decrease before Transfers to Earmarked Reserves</b>	<b>4,416</b>	<b>-</b>	<b>-</b>	<b>(14)</b>	<b>4,402</b>	<b>(768,063)</b>	<b>(763,661)</b>
Transfers to/(from) Earmarked Reserves (Note 8)	(964)	964	-	-	-	-	-
<b>Increase/Decrease in 2009/10</b>	<b>3,452</b>	<b>964</b>	<b>-</b>	<b>(14)</b>	<b>4,402</b>	<b>(768,063)</b>	<b>(763,661)</b>
<b>Balance at 31 March 2010 carried forward</b>	<b>23,264</b>	<b>22,966</b>	<b>-</b>	<b>4,511</b>	<b>50,741</b>	<b>(2,234,675)</b>	<b>(2,183,934)</b>
<b>Movement in reserves during 2010/11</b>							
Surplus / (deficit) on the provision of services	119,087	-	-	-	119,087	-	119,087
Other Comprehensive Income and Expenditure	-	-	-	-	-	73,587	73,587
<b>Total Comprehensive Income and Expenditure</b>	<b>119,087</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>119,087</b>	<b>73,587</b>	<b>192,674</b>
Adjustments between accounting basis and funding basis under regulations (Note 7)	(127,339)	-	-	(1,911)	(129,250)	129,250	-
<b>Net Increase / Decrease before Transfers to Earmarked Reserves</b>	<b>(8,252)</b>	<b>-</b>	<b>-</b>	<b>(1,911)</b>	<b>(10,163)</b>	<b>202,837</b>	<b>192,674</b>
Transfers to/(from) Earmarked Reserves (Note 8)	9,590	(9,590)	-	-	-	-	-
<b>Increase/Decrease in 2010/11</b>	<b>1,338</b>	<b>(9,590)</b>	<b>-</b>	<b>(1,911)</b>	<b>(10,163)</b>	<b>202,837</b>	<b>192,674</b>
<b>Balance at 31 March 2011 carried forward</b>	<b>24,602</b>	<b>13,376</b>	<b>-</b>	<b>2,600</b>	<b>40,578</b>	<b>(2,031,838)</b>	<b>(1,991,260)</b>

**SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2010/11  
COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

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

2009/10				2010/11		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
143,195	(21,944)	121,251	Local Policing	160,304	(19,528)	140,776
15,798	(556)	15,242	Dealing with the Public	21,684	(517)	21,167
25,590	(3,935)	21,655	Criminal Justice Arrangements	26,462	(2,798)	23,664
12,420	(391)	12,029	Road Policing	13,512	(1,755)	11,757
28,819	(1,722)	27,097	Specialist Operations	33,839	(1,096)	32,743
16,157	(574)	15,583	Intelligence	15,835	(522)	15,313
25,043	(1,897)	23,146	Specialist Investigations	28,889	(907)	27,982
8,730	(1,195)	7,535	Investigative Support	9,472	(200)	9,272
7,210	(4,551)	2,659	National Policing	7,663	(3,393)	4,270
1,480	-	1,480	Corporate and Democratic Core	1,541	-	1,541
			Non Distributed Costs			
-	-	-	- Exceptional item - Past Service costs (Notes 4 & 39)	(243,896)	-	(243,896)
4	-	4	- Other Non Distributed Costs	2,448	-	2,448
<b>284,446</b>	<b>(36,765)</b>	<b>247,681</b>	<b>Cost of Services</b>	<b>77,753</b>	<b>(30,716)</b>	<b>47,037</b>
677	(432)	245	Other Operating Expenditure (Note 9)	700	(391)	309
104,791	(894)	103,897	Financing and investment income and expenditure (Note 10)	121,683	(305)	121,378
-	(278,346)	(278,346)	Taxation and non-specific grant income (Note 11)	-	(287,811)	(287,811)
<b>389,914</b>	<b>(316,437)</b>	<b>73,477</b>	<b>(Surplus) or Deficit on Provision of Service</b>	<b>200,136</b>	<b>(319,223)</b>	<b>(119,087)</b>
		(175)	Surplus or deficit on revaluation of Property, Plant and Equipment			(606)
		690,359	Actuarial gains/losses on pensions assets/liabilities			(72,981)
		<b>690,184</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(73,587)</b>
		<b>763,661</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(192,674)</b>

**SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2010/11**  
**BALANCE SHEET**

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves is usable reserves, that is those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Authority 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'.

<b>1 April 2009 £000</b>	<b>31 March 2010 £000</b>		<b>Notes</b>	<b>31 March 2011 £000</b>
71,715	75,292	Property, Plant and Equipment	12	76,802
986	1,019	Intangible Assets	13	2,881
<b>72,701</b>	<b>76,311</b>	<b>Long Term Assets</b>		<b>79,683</b>
34,627	39,931	Short Term Investments	14	34,532
-	-	Assets Held for Sale	19	1,888
889	1,167	Inventories	16	972
22,420	14,807	Short Term Debtors	17	15,743
4,619	10,757	Cash and Cash Equivalent	18	8,904
<b>62,555</b>	<b>66,662</b>	<b>Current Assets</b>		<b>62,039</b>
(136)	(58)	Short Term Borrowing	14	(58)
(19,675)	(19,278)	Short Term Creditors	20	(17,589)
(8,487)	(9,296)	Provisions	21	(13,181)
(713)	(362)	Capital Grants Receipts in Advance	33	(162)
<b>(29,011)</b>	<b>(28,994)</b>	<b>Current Liabilities</b>		<b>(30,990)</b>
(1,741)	(1,946)	Long Term Provisions	21	(1,629)
(29,941)	(29,975)	Long Term Borrowing	14	(30,013)
(1,494,836)	(2,265,992)	Other Long Term Liabilities	23	(2,070,350)
<b>(1,526,518)</b>	<b>(2,297,913)</b>	<b>Long Term Liabilities</b>		<b>(2,101,992)</b>
<b>(1,420,273)</b>	<b>(2,183,934)</b>	<b>Net Assets</b>		<b>(1,991,260)</b>
46,339	50,741	Usable Reserves	22	40,578
(1,466,612)	(2,234,675)	Unusable Reserves	24	(2,031,838)
<b>(1,420,273)</b>	<b>(2,183,934)</b>	<b>Total Reserves</b>		<b>(1,991,260)</b>

**SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2010/11**  
**CASH FLOW STATEMENT**

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

<b>2009/10</b>		<b>2010/11</b>
<b>£000</b>		<b>£000</b>
73,477	Net (surplus) or deficit on the provision of services	(119,087)
(90,535)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	114,707
529	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	1,212
<b>(16,529)</b>	<b>Net Cash flows from Operating Activities (Note 25)</b>	<b>(3,168)</b>
9,823	Investing Activities (Note 26)	4,542
569	Financing Activities (Note 27)	479
<b>(6,137)</b>	<b>Net Increase or decrease in cash and cash equivalents</b>	<b>1,853</b>
(4,619)	Cash and cash equivalents at the beginning of the period	(10,757)
<b>(10,757)</b>	<b>Cash and cash equivalents at the end of the reporting period (Note 18)</b>	<b>(8,904)</b>



# SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2010/11

## NOTES TO ACCOUNTS

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### 1. ACCOUNTING POLICIES

#### a) General Principles

The Statement of Accounts summarises the Authority's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. The Authority is required to prepare an annual Statement of Accounts in accordance with proper accounting practices by the Accounts and Audit Regulations. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (the Code), 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.

#### b) Transition to International Financial Reporting Standards (IFRS)

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. The Code requires the Authority to account for the transition to IFRS-based financial statements by applying accounting policy changes retrospectively unless the Code specifies an alternative treatment.

This has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10. The Authority is also required to present an opening Balance Sheet at 1 April 2009.

The material differences between the amounts presented in the 2009/10 financial statements and the equivalent amounts in the 2010/11 financial statements are included in Note 6.

#### c) Accruals of Income and Expenditure

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

- Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Fees, charges and rents due from customers are accounted for as income at the date the Authority provides the relevant goods or services.
- Interest payable on borrowings and receivable on investments is accounted for as expenditure or income respectively on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure has been recognised but cash has not yet been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

## SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2010/11 NOTES TO ACCOUNTS

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### d) **Cash and Cash Equivalents**

Cash is represented by cash in hand and demand deposits. Cash Equivalents are investments that are short-term, highly liquid investments with financial institutions that are readily convertible to known amounts of cash with insignificant risk of change in value. The Authority has classified investments in Call Accounts and Money Market Funds, which provide instant access with no penalty, as cash equivalents.

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

### e) **Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, that is in the current and future years affected by the change and do not give rise to a prior period adjustment.

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

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

### f) **Employee Benefits**

#### ***Benefits Payable During Employment***

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

#### ***Termination Benefits***

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

## SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2010/11

### NOTES TO ACCOUNTS

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

#### ***Retirement Benefits***

The Authority participates in the following pensions schemes:

- The 1987 and 2006 Police Pension Schemes (PPS) for police officers are unfunded schemes, which means that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet the actual payments as they fall due. The Authority is required by legislation to operate a Pension Fund with the amounts that must be paid into or out of the Pension Fund being specified by regulation. The Authority set up a Pension Fund on 1 April 2006 from which pensions payments are made and into which contributions, from the Authority and employees, are received. The Authority then receives a top-up grant from the Government equal to the sum by which the amount payable for pensions from the Pension Fund exceeds the amount receivable from the Authority into the Pension Fund. The Pension Fund is shown separately in the Accounts.
- the Local Government Pension Scheme (LGPS) for Police staff, administered by the South Yorkshire Pensions Authority, is a funded scheme, which means that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

The above schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees work for the Authority. They are accounted for in accordance with the requirements for defined benefits schemes, based on the principle that an organisation should account for retirement benefits when it is committed to give them, even though this may be many years into the future.

A pensions asset or liability is recognised in the Balance Sheet, made up of the net position of retirement liabilities and pension scheme assets. Retirement liabilities are measured on an actuarial basis using the projected unit method, by assessing the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projections of projected earnings for current employees. Pension scheme assets (LGPS only) attributable to the Authority are included at their fair value. The Authority currently has a net pensions liability and this is matched in the Balance Sheet by a Pensions Reserve.

The change in net pensions liability during the year is analysed into several components:

- current service cost – the increase in liabilities as a result of service earned by employees in the current year. This is charged to services within the Comprehensive Income and Expenditure Statement
- past service cost – the increase in liabilities arising from current year decisions, the effect of which relates to service earned in earlier years. This is part of Non Distributed Costs in the Comprehensive Income and Expenditure Statement
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid. This is charged to the Financing and

## SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2010/11 NOTES TO ACCOUNTS

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Investment Income and Expenditure line within the Comprehensive Income and Expenditure Statement

- expected return on assets (LGPS only) – the annual investment return on the fund assets attributable to the Authority, based on the average of the expected long-term return. This is credited to the Financing and Investment Income and Expenditure line within the Comprehensive Income and Expenditure Statement
- gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees. This is part of Non Distributed Costs in the Comprehensive Income and Expenditure Statement
- 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 actuaries have updated their assumptions. This is shown in the Movement in Reserves Statement as a charge to the Pensions Reserve
- Contributions paid / Benefits Paid – cash paid as employer’s contribution by the Authority either to LGPS or directly to pensioners to reduce the scheme liabilities.

Statutory provisions require that the amount charged to the General Fund Balance is that paid by the Authority to pensions funds rather than that calculated under accounting standards. This means that an appropriation to or from the Pensions Reserve is done within the Movement in Reserves Statement to replace the notional sums for retirement benefits with the actual pensions costs. The negative balance on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flow rather than as benefits are earned by employees.

### **g) Government Grants and Contributions**

Whether paid on account, by instalments or in arrears, Government grants and third party contributions and donations are recognised as income when there is a reasonable assurance that:

- the Authority will comply with the conditions attached to the grant
- the grants or contributions will be received.

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Most grants and contributions will be given with stipulations as to how they are to be spent and the consequences if resources are not applied in the manner authorised. Conditions are stipulations that require that the grant or contribution must be returned if not deployed as specified.

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

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

## SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2010/11 NOTES TO ACCOUNTS

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the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

### **h) Intangible Assets**

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Authority, such as software licences, is capitalised when it is expected that future economic benefit or service potential will flow to the Authority for more than one year.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible, is intended to be completed and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset.

Intangible assets are measured initially at cost. The depreciable amount of the intangible asset balance is subsequently amortised over its useful life to the relevant service line in the Comprehensive Income and Expenditure Statement. Any gain or loss arising from the disposal 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 and gain or losses on disposal are not permitted to have an impact on the General Fund Balance and are reversed out in the Movement in Reserves Statement to the Capital Adjustment Account and the Capital Receipts Reserve (for sale proceeds greater than £10,000).

### **i) Property, Plant and Equipment**

Assets that have physical substance and are held for use in the provision of services or for administrative purposes and are expected to be used for more than one financial year are classified as Property, Plant and 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 Authority and the cost can be measured reliably. Expenditure on repairs that maintains but does not add to an asset's potential to deliver future economic benefits or service potential is charged as an expense when it is incurred.

#### ***Measurement***

Assets are initially measured at cost, comprising the purchase price and any costs directly attributable to bringing the asset into working condition for its intended use. The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

Assets are then carried in the Balance Sheet at fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV), except for:

- non-property assets that have short useful lives and/or low values which are measured at depreciated historical cost basis as a proxy for fair value
- assets under construction which are measured at historical cost.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the

## SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2010/11

### NOTES TO ACCOUNTS

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Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for as follows:

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

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

#### ***Impairment***

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indication exists 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 as follows:

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

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

#### ***Depreciation***

Depreciation is provided 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, such as freehold land, and assets that are not yet available for use (assets under construction).

## SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2010/11

### NOTES TO ACCOUNTS

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Depreciation is calculated on the following bases:

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

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

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

#### ***Disposals***

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continued 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 the 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 previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

Assets 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 line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposal (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 (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 from disposals in excess of £10,000 are categorised as capital receipts and are required to be credited to the Capital Receipts Reserve as part of the Movement in Reserves Statement. The Capital Receipts Reserve can only be used either to finance new capital investment or to reduce the Authority's borrowing requirement and when sums are utilised for this purpose they are subsequently transferred to the Capital Adjustment Account.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are

## SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2010/11 NOTES TO ACCOUNTS

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therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

### j) **Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset is charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer from the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement then reverses out the amounts charged so there is no impact on the level of council tax.

### k) **Charges to Revenue for Non-Current Assets**

Services are debited with the following amounts to record the real cost of holding non-current assets during the year:

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

The Authority is not required to raise council tax to cover depreciation, revaluation and impairment losses or amortisations. However it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement (equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance). Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

The Authority is also charged with the principal element of Transferred Debt taken over from the former South Yorkshire County Council, and managed by Rotherham MBC on its behalf. This charge is included as another adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

### l) **Leases**

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

Where a lease covers 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 Authority as a Lessee**

##### ***Finance Leases***

Property, Plant and Equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception



## SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2010/11

### NOTES TO ACCOUNTS

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(or the present value of the minimum lease payments if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments under finance leases are apportioned between:

- a charge for the acquisition of the interest in the Property, Plant and Equipment – applied to write down the lease liability
- a finance charge, which is debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

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

#### ***Operating Leases***

Rentals payable under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the service benefitting from the use of the leased Property, Plant and Equipment. Charges are made on a straight line basis over the term of the lease, even if this does not match the pattern of payments (for example there is a rent-free period at the commencement of the lease).

#### **The Authority as a Lessor**

##### ***Operating Leases***

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet and rental income is credited to 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 (for example there is a premium paid at the commencement of the lease).

#### **m) 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's *Best Value Accounting Code of Practice*. The total absorption costing principle is used, where 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 democratic processes of the Authority and other corporate costs
- Non distributed costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

## SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2010/11 NOTES TO ACCOUNTS

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These two cost categories are accounted for as separate headings in the Comprehensive Income and Expenditure Statement as part of Cost of Services.

### n) **Financial Instruments**

#### ***Financial Liabilities***

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried on the Balance Sheet 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 Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains or losses on the repurchase or early settlement of borrowing are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of the transaction. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading the gain or loss over the term of the replacement loan. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

#### ***Financial Assets***

The Authority has financial assets which are classified as loans and receivables which are assets that have fixed or determinable payments but are not quoted in an active market. Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective interest rate for the instrument. For the loans that the Authority has made, this means that the amount on the Balance Sheet is the outstanding principal receivable (plus accrued interest) and the interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year according to the loan agreement.

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### **o) Provisions, Contingent Liabilities and Contingent Assets**

#### ***Provisions***

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

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

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Provisions are reviewed at the end of each financial year and where it becomes less 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.

#### ***Contingent Liabilities***

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

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

#### ***Contingent Assets***

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

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

### **p) Reserves**

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

Certain other reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and they do not represent usable

## SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2010/11 NOTES TO ACCOUNTS

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resources for the Authority. These reserves are explained elsewhere in the Accounting Policies.

### q) **Regional Working**

The Authority engages in collaborative working in partnership with the Yorkshire and Humber Police Authorities to deliver a number of specific services on a regional basis. The governance for this regional programme is via the Joint Police Authority Committee (JPAC) in accordance with the Heads of Agreement. The administration of activities is via the Regional Programme Team including the financial administration of regional budgets which is led by West Yorkshire Police Authority (WYPA).

The regional collaboration activity is accounted for as a Joint Arrangement not an Entity (JANE) and WYPA publishes memorandum accounts within their Financial Statements, summarising all the pertinent transactions. The impact of regional working on this Authority is as follows:

- the Comprehensive Income and Expenditure Statement incorporates the Authority's contribution to the regional working programme
- the assets contributed to regional working are retained on the Authority's Balance Sheet

More information is included in Note 40.

### r) **Inventories**

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

### s) **Foreign Currency Translation**

Where the Authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective.

### t) **VAT**

Income and expenditure excludes amounts related to VAT, as all VAT collected is payable to the HM Revenue and Customs and all VAT paid is recoverable from them.

### u) **Events After the Balance Sheet Date**

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

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material affect, 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.

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**2. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

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

- There is a high degree of uncertainty about the future levels of funding for the Authority. However the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to reduce levels of service provision.
- The Policing and Crime Bill introduces Police and Crime Commissioners (PCCs) to replace Police Authorities. Although aspects of the Bill continue to be debated, the current timetable means that this Authority will cease to exist with the election of the PCC in November 2012. However whilst the governance structures will change, the obligations and responsibilities will still exist. For the purposes of preparing these accounts therefore the assumption that the Authority remains a going concern has been adopted
- 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 Price Index (RPI). This has the effect of reducing the Authority's liabilities by a total of £244m and has been recognised as a past service gain in accordance with guidance issued, since the change is considered to be a change in benefit entitlement. There is no impact on the General Fund Balance.

**3. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY**

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

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

<b>Item</b>	<b>Uncertainties</b>	<b>Effect if Actual Results Differ from Assumptions</b>
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of usage of individual assets and the repairs that will be incurred to maintain individual assets in the future. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending in either maintaining or replacing its assets, bringing into doubt the useful lives assigned to assets.	If the useful lives of assets is reduced then depreciation increases and the carrying amount of the assets falls. The reverse occurs if the useful lives of assets are increased.  It is estimated that the annual depreciation charge would change by £350k for every year that useful lives increased or decreased.

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Insurance Provision	<p>The Authority has made a provision of £2.26m for the settlement of outstanding insurance claims, based on information provided by the Authority's insurance brokers. It is difficult to predict the final outcome of claims until they are actually settled.</p>	<p>There is a risk that existing claims are settled at higher or lower figures than estimated. In addition, since insurance claims develop over time, the requirement to make provisions could be increased by the identification in future years of additional liabilities incurred but not yet reported.</p> <p>The Authority has earmarked sums in an Insurance Reserve to provide cover should this occur.</p>
Redundancy Provision	<p>A voluntary early retirement / redundancy scheme is being offered to police staff as part of the savings plans developed in response to the reduction in grant funding from the Government over the next four years.</p> <p>The Authority has made a provision of £4.27m for the expected costs related to this in 2011/12.</p>	<p>The numbers of staff opting to leave under the scheme, and the associated cost, could be less or more than provided.</p> <p>A change of 10% equates to £0.4m and would have a direct impact on the General Fund Balance.</p>
Pensions Liability	<p>Estimation of the net liability to pay pensions is extremely volatile as it 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.</p> <p>Actuaries are engaged to provide the Authority with expert advice about the assumptions to be applied for each of its pension schemes.</p>	<p>Whilst the effects on the net pensions liability of changes in individual assumptions can be measured, the assumptions interact in complex ways.</p> <p>During 2010/11, the Authority's actuaries advised that the net pensions liability has decreased by £73m because events have not coincided with assumptions made at the last actuarial valuation or assumptions have been updated.</p>

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**4. MATERIAL ITEMS OF INCOME AND EXPENSE**

The following material items are included in the Comprehensive Income and Expenditure Statement:

- A total cost of £6.8m has been charged to the Cost of Services in 2010/11 relating to the early retirement / redundancy of police staff. This charge consists of actual or projected termination payments to individuals of £4.7m together with the actual or projected payments of £2.1m to the LGPS in respect of the strain costs on the Pension Fund as a result of early payment of pensions for those staff over 55 years old.
- There has been a substantial reduction in the Authority's Pensions liability following the introduction of CPI rather than RPI for future pensions inflationary increases. This has been treated as a change in benefit, and therefore has resulted in a credit of £244m to the Non Distributed Cost line of the Comprehensive Income and Expenditure Statement.

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There is no impact on the General Fund Balance since an appropriation to the Pensions Reserve is done within the Movement in Reserves Statement to replace the notional sums for retirement benefits with the actual pensions costs.

- The Authority is in the process of disposing of West Bar Police Station. A non refundable deposit of £0.5m has been received and is included as a gain in the Other Operating Expenditure line of the Comprehensive Income and Expenditure Statement. The carrying amount of the property remains in the Balance Sheet but will be written out on completion of the sale in 2011/12 when the balance of £2m for the property will be received.

### 5. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Chief Executive and Treasurer on 23 September 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.

### 6. TRANSITION TO IFRS

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS-based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10.

The following tables explain the material differences between the amounts presented in the 2009/10 financial statements and the equivalent amounts in the 2010/11 financial statements.

#### ***Short-term accumulating compensated absences***

Short-term accumulating compensated absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Authority. The most significant benefit covered by this heading is holiday pay. Employees build up entitlement to paid holidays as they work.

Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render services that increase their entitlement to future compensated absences. As a result the Authority is required to accrue for any annual leave earned but not taken at 31 March each year. Under the previous accounting arrangements, no such accrual was required.

The Government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until such benefits are used.

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Accruing for short-term accumulated compensated absences has resulted in the following changes being made to the 2009/10 financial statements:

	<b>2009/10 Statements £000</b>	<b>Adjustments made £000</b>
<b><i>Opening 1 April 2009 Balance Sheet:</i></b>		
Provisions	(2,607)	(7,621)
Accumulated Absences Account	-	7,621
<b><i>31 March 2010 Balance Sheet:</i></b>		
Provisions	(2,799)	(8,443)
Accumulated Absences Account	-	8,443
<b><i>2009/10 Comprehensive Income and Expenditure Statement:</i></b>		
Cost of Services (Net)	-	822

***Capital Grants***

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, specific grants were held in a grants deferred account and recognised as income over the life of the assets which they were being used to fund. As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- 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
- portions of government grants deferred were previously recognised as income in 2009/10; these figures have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures
- general grants received but not used to fund capital expenditure were shown in the Grants Unapplied Account within the Liabilities section of the Balance Sheet and no income had been recognised. Following the change in accounting policy, these grants have been recognised in full in the Comprehensive Income and Expenditure Statement and transferred to the Capital Grants Unapplied Account within the Reserves section of the Balance Sheet.
- Specific grants received but not used to fund capital expenditure were shown as Creditors within the Balance Sheet and no income recognised. Provided that there were no outstanding conditions that required repayment if not used in accordance with specific purposes, they have been treated in the same way as general grants. Those grants with outstanding conditions have been transferred to Capital Grants Receipts in Advance.



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This has resulted in the following changes to the 2009/10 financial statements:

	2009/10 Statements £000	Adjustments made £000
<b>Opening 1 April 2009 Balance Sheet:</b>		
Government Grants Deferred Account	(4,281)	4,281
Grants Unapplied Account (liabilities)	(4,525)	4,525
Creditors	(21,758)	713
Capital Adjustment Account	-	(4,281)
Capital Grants Unapplied Account (reserves)	-	(4,525)
Capital Grants Receipts in Advance	-	(713)
<b>31 March 2010 Balance Sheet:</b>		
Government Grants Deferred Account	(4,424)	4,424
Grants Unapplied Account (liabilities)	(4,511)	4,511
Creditors	(20,399)	362
Capital Adjustment Account	-	(4,424)
Capital Grants Unapplied Account (reserves)	-	(4,511)
Capital Grants Receipts in Advance	-	(362)
<b>2009/10 Comprehensive Income and Expenditure Statement:</b>		
Cost of Services (Net)		1,024
Other Operating Expenditure		16
Taxation and non-specific grant income		(1,170)
<b>Total</b>		<b>(130)</b>

There is no change to the General Fund Balance, as capital grant income is transferred out of the General Fund under both the previous and the current accounting policies.

### **Revenue Grants**

Under the Code, revenue grants and contributions are recognised as income when they become receivable, provided there is no outstanding condition which requires repayment if they are not utilised for a specific purpose. Previously, grants were held in the Balance Sheet until the related revenue expenditure was incurred.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- sums held on the Balance Sheet for revenue grants that had no outstanding condition were transferred to the General Fund Balance in the opening 1 April 2009 Balance Sheet
- the above grants were removed from the Comprehensive Income and Expenditure Statement in the comparative figures for 2009/10. In addition any grants with no outstanding condition received during 2009/10 were recognised in the Comprehensive Income and Expenditure Statement
- contributions were made to a Revenue Grants Reserve for those grants which were required to be matched to future expenditure.

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This has resulted in the following changes to the 2009/10 financial statements:

	2009/10 Statements £000	Adjustments made £000
<b>Opening 1 April 2009 Balance Sheet:</b>		
Creditors	(21,758)	1,939
Revenue Grants Reserve	-	(1,939)
<b>31 March 2010 Balance Sheet:</b>		
Creditors	(20,399)	1,238
Revenue Grants Reserve	-	(1,238)
<b>2009/10 Comprehensive Income and Expenditure Statement:</b>		
Cost of Services (Net)		(701)

***Injury Awards Liability***

Under International Accounting Standard 19 (IAS19), any obligation arising from long-term employee benefits that depend on length of service should be recognised when service is rendered. As injury awards are dependent on service, the liability expected to arise due to injury awards in respect of service prior to the valuation date has now been valued using historic injury data. This has resulted in the following changes to the 2009/10 financial statements:

	2009/10 Statements £000	Adjustments made £000
<b>Opening 1 April 2009 Balance Sheet:</b>		
Pensions Liability	1,452,686	31,440
Pensions Reserve	(1,452,686)	(31,440)
<b>31 March 2010 Balance Sheet:</b>		
Pensions Liability	2,202,326	53,660
Pensions Reserve	(2,202,326)	(53,660)
<b>2009/10 Comprehensive Income and Expenditure Statement:</b>		
Cost of Services (Net)		680
Financing and investment income and expenditure		2,170
Actuarial gains and losses on pensions assets/liabilities		19,370

***Cash Equivalents***

Cash Equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The Code requires the Authority to determine an accounting policy with regard to cash equivalents and to reclassify any short-term investments to cash equivalents in accordance with this policy for inclusion on the Balance Sheet. The Code requires that

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cash and cash equivalents should also include bank overdrafts that are an integral part of the Authority's cash management.

The Authority has classified investments in Call Accounts and Money Market Funds, which provide instant access with no penalty, as cash equivalents. As a consequence of adopting the accounting policy required by the Code, the following amendments are required:

- temporary investments and bank overdrafts have been reclassified as cash equivalents in the opening 1 April 2009 Balance Sheet and the 31 March 2010 Balance Sheet
- the Cash Flow Statement for 2009/10 has been amended to balance to cash and cash equivalents

This has resulted in the following changes to the 2009/10 financial statements:

	<b>2009/10 Statements £000</b>	<b>Adjustments made £000</b>
<b><i>Opening 1 April 2009 Balance Sheet:</i></b>		
Short Term Investments	40,151	(5,524)
Cash and Bank	256	(256)
Bank Overdraft	(1,161)	1,161
Cash and Cash Equivalents	-	4,619
<b><i>31 March 2010 Balance Sheet:</i></b>		
Short Term Investments	50,459	(10,528)
Cash and Bank	229	(229)
Cash and Cash Equivalents	-	10,757

***Overall Impact on Analysis of Net Cost of Services***

The above changes have had the following net impact on the service expenditure analysis within the Comprehensive Income and Expenditure Statement in 2009/10:

	<b>2009/10 Statements £000</b>	<b>Adjustments made £000</b>
Local Policing	119,734	1,517
Dealing with the Public	14,874	368
Criminal Justice Arrangements	21,365	290
Road Policing	11,781	248
Specialist Operations	26,782	315
Intelligence	15,469	114
Specialist Investigations	22,746	400
Investigative Support	7,471	64
National Policing	2,601	58
Corporate and Democratic Core	1,480	-
Non Distributed Costs	162	(158)
<b>Cost of Services</b>	<b>244,465</b>	<b>3,216</b>

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**7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATION**

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

2010/11	Usable Reserves			Movement in Unusable Reserves
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i>				
• Charges for depreciation and impairment of non-current assets	5,436	-	-	(5,436)
• Revaluation losses on Property, Plant and Equipment	2,640	-	-	(2,640)
• Amortisation of Intangible Assets	394	-	-	(394)
• Capital grants and contributions applied	(3,265)	-	-	3,265
• 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	997	-	-	(997)
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i>				
• Statutory provision for the financing of capital investment	(2,242)	-	-	2,242
• Capital expenditure charged against the General Fund	(7,750)	-	-	7,750
• Capitalised insurance settlements	(235)	-	-	235
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>				
• Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-	-	-	-
• Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	(1,911)	1,911

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2010/11	Usable Reserves			Movement in Unusable Reserves
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
• Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,212)	1,212	-	-
• Use of the Capital Receipts Reserve to finance new capital expenditure	-	(1,196)	-	1,196
• Contribution from the Capital Receipts Reserve towards costs of non-current asset disposals	16	(16)	-	-
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>				
• Amount by which the finance costs charged to the Comprehensive Income and Expenditure Statement are different from the finance costs chargeable in the year in accordance with statutory requirements	(22)	-	-	22
<b>Adjustments primarily involving the Pensions Reserve:</b>				
• Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(62,861)	-	-	62,861
• Employer's pensions contributions and direct payments to pensioners payable in the year	(34,726)	-	-	34,726
• Additional contribution to Pension Account to balance deficit on the Account	(24,330)	-	-	24,330
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>				
• Amount by which the council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	28	-	-	(28)
<b>Adjustments primarily involving the Accumulated Absences 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	(207)	-	-	207
<b>Total Adjustments</b>	<b>(127,339)</b>	<b>-</b>	<b>(1,911)</b>	<b>129,250</b>

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2009/10 Comparative Figures	Usable Reserves			Movement in Unusable Reserves
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i>				
• Charges for depreciation and impairment of non-current assets	5,259	-	-	(5,259)
• Revaluation losses on Property, Plant and Equipment	360	-	-	(360)
• Amortisation of Intangible Assets	278	-	-	(278)
• Capital grants and contributions applied	(1,184)	-	-	1,184
• 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	280	-	-	(280)
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i>				
• Statutory provision for the financing of capital investment	(2,292)	-	-	2,292
• Capital expenditure charged against the General Fund	(2,707)	-	-	2,707
• Capitalised insurance settlements	(225)	-	-	225
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>				
• Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(3,309)	-	3,309	-
• Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	(3,323)	3,323
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
• Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(529)	529	-	-
• Use of the Capital Receipts Reserve to finance new capital expenditure	-	(529)	-	529
• Contribution from the Capital Receipts Reserve towards costs of non-current asset disposals	-	-	-	-

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2009/10 Comparative Figures	Usable Reserves			Movement in Unusable Reserves
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>				
<ul style="list-style-type: none"> <li>• Amount by which the finance costs charged to the Comprehensive Income and Expenditure Statement are different from the finance costs chargeable in the year in accordance with statutory requirements</li> </ul>	(21)	-	-	21
<b>Adjustments primarily involving the Pensions Reserve:</b>				
<ul style="list-style-type: none"> <li>• Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement</li> </ul>	135,740	-	-	(135,740)
<ul style="list-style-type: none"> <li>• Employer's pensions contributions and direct payments to pensioners payable in the year</li> </ul>	(34,185)	-	-	34,185
<ul style="list-style-type: none"> <li>• Additional contribution to Pension Account to balance deficit on the Account</li> </ul>	(20,054)	-	-	20,054
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>				
<ul style="list-style-type: none"> <li>• Amount by which the council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements</li> </ul>	(340)	-	-	340
<b>Adjustments primarily involving the Accumulated Absences Account:</b>				
<ul style="list-style-type: none"> <li>• 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</li> </ul>	822	-	-	(822)
<b>Total Adjustments</b>	<b>77,893</b>	<b>-</b>	<b>(14)</b>	<b>(77,879)</b>

**SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2010/11**  
**NOTES TO ACCOUNTS**

**8. TRANSFERS TO AND FROM EARMARKED RESERVES**

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

	Balance	Transfers		Balance	Transfers		Balance
	at 1 April 2009	Out 2009/10	In 2009/10	at 31 March 2010	Out 2010/11	In 2010/11	at 31 March 2011
	£000	£000	£000	£000	£000	£000	£000
<b>Earmarked Reserves:</b>							
• Insurance Reserve	7,802	-	865	8,667	(166)	1,309	9,810
• Devolved Budget Reserve	6,100	(6,100)	6,573	6,573	(5,752)	220	1,041
• Capital Reserve	3,801	(1,703)	2,544	4,642	(4,642)	-	-
• Revenue Grants Reserve	1,939	(734)	33	1,238	(1,221)	50	67
• Accelerated Recruitment Reserve	1,397	-	-	1,397	-	-	1,397
• Forensic Medical Examiners Reserve	563	(563)	-	-	-	-	-
• Police Community Support Officers Reserve	-	-	-	-	-	514	514
• Helicopter Reserve	223	(139)	188	272	(272)	-	-
• Operational Support Service Reserve	-	-	-	-	-	220	220
• Regional Working Reserve	177	-	-	177	-	-	177
• Storage Reserve	-	-	-	-	-	150	150
<b>Total</b>	<b>22,002</b>	<b>(9,239)</b>	<b>10,203</b>	<b>22,966</b>	<b>(12,053)</b>	<b>2,463</b>	<b>13,376</b>

The purpose of each reserve held is set out below:

Usable Reserve	Purpose
• Insurance Reserve	This represents sums set aside to fund future potential liabilities under current insurance arrangements.
• Devolved Budget Reserve	Devolved budget holders are allowed to carry forward underspends up to approved limits to fund expenditure in the following year.
• Capital Reserve	A Capital reserve has been maintained to finance future expenditure on capital schemes. It has been fully utilised as at 31 March 2011.



**SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2010/11  
NOTES TO ACCOUNTS**

<b>Usable Reserve</b>	<b>Purpose</b>
<ul style="list-style-type: none"> <li>• Revenue Grants Reserve</li> </ul>	The treatment of revenue grants in accordance with the Code may result in a mismatch between spending and income. In order to address this, any grant which has not been used to fund related expenditure is contributed to this reserve and used to fund expenditure when it is incurred in future years.
<ul style="list-style-type: none"> <li>• Accelerated Recruitment Reserve</li> </ul>	This reserve is to fund the accelerated recruitment of probationer police officers.
<ul style="list-style-type: none"> <li>• Police Community Support Officers (PCSOs) Reserve</li> </ul>	This reserve has been set up in 2010/11 to cover the potential clawback of grant funding by the Home Office as a result of the Force not maintaining the required number of PCSOs during the year.
<ul style="list-style-type: none"> <li>• Helicopter Reserve</li> </ul>	This reserve has been used to smooth out fluctuations in spending on helicopter running costs between financial years. The reserve has been reversed during 2010/11 as these spending variations will now be met from in-year budgets.
<ul style="list-style-type: none"> <li>• Operational Support Reserve</li> </ul>	This reserve has been created during 2010/11 to support operational support spending in future years.
<ul style="list-style-type: none"> <li>• Regional Working Reserve</li> </ul>	This reserve is available to support regional collaborative working.
<ul style="list-style-type: none"> <li>• Storage Reserve</li> </ul>	Sums have been set aside in the reserve to fund the revenue costs of file storage for the next four years following the closure of West Bar Police Station.

**9. OTHER OPERATING EXPENDITURE**

<b>2009/10 £000</b>	<b>2010/11 £000</b>
677 Levies	700
(432) Gains / Losses on the disposal of non-current assets	(391)
<b>245 Total</b>	<b>309</b>

**SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2010/11**  
**NOTES TO ACCOUNTS**

**10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE**

<b>2009/10</b>		<b>2010/11</b>
<b>£000</b>		<b>£000</b>
1,990	Interest payable and similar charges	2,055
102,801	Pensions interest cost and expected return on pensions assets	119,628
(894)	Interest receivable and similar income	(305)
<b>103,897</b>	<b>Total</b>	<b>121,378</b>

**11. TAXATION AND NON SPECIFIC GRANT INCOME**

<b>2009/10</b>		<b>2010/11</b>
<b>£000</b>		<b>£000</b>
(49,660)	Council tax income	(50,974)
(81,102)	Non domestic rates	(89,240)
(18,720)	Revenue support grant	(12,958)
(104,317)	Police grant	(107,043)
(20,054)	Home Office pension grant	(24,331)
(4,493)	Capital grants and contributions	(3,265)
<b>(278,346)</b>	<b>Total</b>	<b>(287,811)</b>

**SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2010/11**  
**NOTES TO ACCOUNTS**

**12. PROPERTY, PLANT AND EQUIPMENT**

Movement in Balances 2010/11:

	Land and Buildings  £000	Vehicles, Plant, Furniture & Equipment  £000	Surplus Assets  £000	Assets under Constr- uction  £000	Total Property, Plant & Equipment  £000
<b>Cost or Valuation:</b>					
<b>At 1 April 2010</b>	<b>57,468</b>	<b>33,521</b>	<b>538</b>	<b>3,148</b>	<b>94,675</b>
Additions	3,392	5,481	-	3,080	11,953
Revaluation increases / (decreases) recognised in the Revaluation Reserve	485	-	-	-	485
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(2,885)	-	-	-	(2,885)
Derecognition – disposals	-	(2,772)	(538)	-	(3,310)
Assets reclassified (to) / from Held for Sale	(2,279)	-	-	-	(2,279)
Other reclassifications and movements in cost or valuation	6,148	(338)	62	(6,228)	(356)
<b>At 31 March 2011</b>	<b>62,329</b>	<b>35,892</b>	<b>62</b>	<b>-</b>	<b>98,283</b>
<b>Accumulated Depreciation and Impairment</b>					
<b>At 1 April 2010</b>	<b>(1,348)</b>	<b>(18,016)</b>	<b>(19)</b>	<b>-</b>	<b>(19,383)</b>
Depreciation charge	(1,323)	(3,927)	(4)	-	(5,254)
Depreciation written out to the Revaluation Reserve	121	-	-	-	121
Depreciation written out to the Surplus / Deficit on the Provision of Services	222	-	-	-	222
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	28	-	-	-	28
Derecognition – disposals	-	2,443	23	-	2,466
Assets reclassified (to) / from Held for Sale	319	-	-	-	319
Other reclassifications and movements in depreciation and impairment	3	-	(3)	-	-
<b>At 31 March 2011</b>	<b>(1,978)</b>	<b>(19,500)</b>	<b>(3)</b>	<b>-</b>	<b>(21,481)</b>
<b>Net Book Value</b>					
At 31 March 2011	60,351	16,392	59	-	76,802
At 31 March 2010	56,120	15,505	519	3,148	75,292

**SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2010/11**  
**NOTES TO ACCOUNTS**

Comparative Movements in 2009/10:

	Land and Buildings  £000	Vehicles, Plant, Furniture & Equipment  £000	Surplus Assets  £000	Assets under Con- struction  £000	Total Property, Plant & Equipment  £000
<b>Cost or Valuation</b>					
<b>At 1 April 2009</b>	<b>53,360</b>	<b>29,536</b>	-	<b>4,876</b>	<b>87,772</b>
Additions	1,476	5,776	-	1,928	9,180
Revaluation increases / (decreases) recognised in the Revaluation Reserve	121	-	-	-	121
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(372)	-	-	-	(372)
Derecognition – disposals	(13)	(1,444)	-	-	(1,457)
Assets reclassified (to) / from Held for Sale	(176)	-	-	-	(176)
Other reclassifications and movements in cost or valuation	3,072	(347)	538	(3,656)	(393)
<b>At 31 March 2010</b>	<b>57,468</b>	<b>33,521</b>	<b>538</b>	<b>3,148</b>	<b>94,675</b>
<b>Accumulated Depreciation and Impairment</b>					
<b>At 1 April 2009</b>	<b>(326)</b>	<b>(15,731)</b>	-	-	<b>(16,057)</b>
Depreciation charge	(1,136)	(3,601)	(8)	-	(4,745)
Depreciation written out to the Revaluation Reserve	54	-	(3)	-	51
Depreciation written out to the Surplus / Deficit on the Provision of Services	12	-	-	-	12
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	-	-	-	-	-
Derecognition – disposals	1	1,316	3	-	1,320
Assets reclassified (to) / from Held for Sale	36	-	-	-	36
Other reclassifications and movements in depreciation and impairment	11	-	(11)	-	-
<b>At 31 March 2010</b>	<b>(1,348)</b>	<b>(18,016)</b>	<b>(19)</b>	-	<b>(19,383)</b>

**SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2010/11  
NOTES TO ACCOUNTS**

**Depreciation**

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Land and Buildings – 10 to 80 years
- Vehicles, Plant and Equipment – 2 to 12 years

**Capital Commitments**

At 31 March 2011, the Authority has entered into a number of contracts for the construction, enhancement or purchase of Property, Plant and Equipment in 2011/12 budgeted to cost £0.693m, the most significant relating to vehicle purchase of £0.203m. Similar commitments at 31 March 2010 were £3.319m, which included £2.6m for the new training centre which was completed during the year.

**Revaluations**

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. The valuations are carried out by an external valuer, the Valuation Office Agency, District Valuer Services, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors. The progress at 31 March 2011 of the Authority's rolling programme for the revaluation of non-current assets is:

	Land & Buildings £000	Vehicles & Equip £000	Under Construction £000	Surplus £000	Total £000
Carried at historical cost	-	35,892	-	-	35,892
Valued at fair value in:					
• Current Year	19,469	-	-	15	19,484
• 2009/10	11,319	-	-	41	11,360
• 2008/09	10,811	-	-	-	10,811
• 2007/08	9,237	-	-	-	9,237
• 2006/07	11,493	-	-	5	11,498
<b>Total Cost or Valuation</b>	<b>62,329</b>	<b>35,892</b>	<b>-</b>	<b>61</b>	<b>98,282</b>

**13. INTANGIBLE FIXED ASSETS**

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

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority.

**SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2010/11  
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The useful lives assigned to the major software suites used by the Authority are:

	Internally Generated Assets	Other Assets
Mobile Information Project		3 years
Case Preparation System Development	4 years	
Enterprise Content Management		5 years
Data Storage		5 years
Oracle Licences		5 years
Intranet mapping system development	5 years	

The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £0.394m in 2010/11 is charged to the Information Systems Department and then absorbed as an overhead across all service headings in the Cost 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:

	2010/11				2009/10	
	Internally Generated Assets £000	Other Assets £000	Total £000	Internally Generated Assets £000	Other Assets £000	Total £000
<b>Balance at start of year</b>						
• Gross carrying amount	232	2,176	2,408		2,096	2,096
• Accumulated amortisation	-	(1,389)	(1,389)		(1,110)	(1,110)
<b>Net carrying amount at start of year</b>	<b>232</b>	<b>787</b>	<b>1,019</b>	<b>-</b>	<b>986</b>	<b>986</b>
Additions						
• Internal development	878	-	878	232	-	232
• Purchases	-	1,291	1,291	-	200	200
Disposals	(87)	-	(87)	-	-	-
Reclassifications / Other changes	121	53	174	-	(121)	(121)
Amortisation for the period	(78)	(316)	(394)	-	(278)	(278)
<b>Net carrying amount at end of year</b>	<b>1,066</b>	<b>1,815</b>	<b>2,881</b>	<b>232</b>	<b>787</b>	<b>1,019</b>
Comprising:						
• Gross carrying amount	1,144	3,520	4,664	232	2,176	2,408
• Accumulated amortisation	(78)	(1,705)	(1,783)	-	(1,389)	(1,389)

**SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2010/11  
NOTES TO ACCOUNTS**

The following items of capitalised software are individually material to the financial statements:

	Carrying Amount			Remaining Amortisation Period
	31 March 2011 £000	31 March 2010 £000	1 April 2009 £000	
Mobile Information Project	755	-	-	2
Case Preparation System Development	724	-	-	3

**14. FINANCIAL INSTRUMENTS**

***Financial Instruments Balances***

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

	Long - term			Current		
	31 March 2011 £000	31 March 2010 £000	1 April 2009 £000	31 March 2011 £000	31 March 2010 £000	1 April 2009 £000
<b>Investments</b>						
Loans and receivables	-	-	-	34,532	39,931	34,627
<b>Total Investments</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>34,532</b>	<b>39,931</b>	<b>34,627</b>
<b>Debtors</b>						
Loans and receivables	-	-	-	-	-	-
Financial assets carried at contract amounts	-	-	-	1,817	2,593	2,069
<b>Total Debtors</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,817</b>	<b>2,593</b>	<b>2,069</b>
<b>Borrowing</b>						
Financial liabilities at amortised cost	(30,013)	(29,975)	(29,941)	-	-	-
<b>Total Borrowing</b>	<b>(30,013)</b>	<b>(29,975)</b>	<b>(29,941)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other Long-Term Liabilities</b>						
Finance lease liabilities	-	-	(17)			
<b>Total Other long-term liabilities</b>	<b>-</b>	<b>-</b>	<b>(17)</b>			
<b>Creditors</b>						
Financial liabilities at amortised cost	-	-	-	(58)	(58)	(136)
Finance lease liabilities	-	-	-	-	(17)	(149)
Financial liabilities carried at contract amount	-	-	-	(670)	(2,476)	(1,501)
<b>Total Creditors</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(728)</b>	<b>(2,551)</b>	<b>(1,786)</b>

**SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2010/11  
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**Financial Instrument Gains and Losses**

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

	2010/11			2009/10		
	Financial Liabilities at Amortised Cost	Financial Assets: Loans and Receivables	Total	Financial Liabilities at Amortised Cost	Financial Assets: Loans and Receivables	Total
	£000	£000	£000	£000	£000	£000
<b>Surplus or Deficit on the Provision of Services</b>						
Interest expense	(1,513)	-	(1,513)	(1,432)	-	(1,432)
Interest income	-	305	305	-	894	894
<b>Net Gain / (Loss) for the year</b>	<b>(1,513)</b>	<b>305</b>	<b>(1,208)</b>	<b>(1,432)</b>	<b>894</b>	<b>(538)</b>

The figures included in the above table exclude the interest expense that does not relate to financial liabilities at amortised cost.

**Fair Value of Assets and Liabilities carried at Amortised Cost**

Financial Liabilities and Financial Assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments.

The fair value of the Authority's financial liabilities has been calculated by PWLB by using rates for premature repayment of loans on 31 March 2011.

	31 March 2011		31 March 2010		1 April 2009	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000	£000	£000
Financial liabilities	30,071	34,369	30,033	33,448	30,077	35,337

The fair value is higher than the carrying amount for Financial Liabilities because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates currently available for similar loans at the Balance Sheet date. The commitment to pay interest at above the current market rate increases the amount that the Authority would have to pay if the lender requested or agreed to early repayment of the loans.



**SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2010/11  
NOTES TO ACCOUNTS**

The fair value of the Authority's Loans and Receivable financial assets is deemed to approximate to the value in the Balance Sheet because of the relatively short period to maturity.

	31 March 2011		31 March 2010		1 April 2009	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000	£000	£000
Loans and receivables	34,532	34,532	39,931	39,931	34,627	34,627

**15. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS**

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

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

The Authority's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set through a legal framework which requires the Authority to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment guidance. Overall these procedures require the Authority to manage risk in the following ways:

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
  - the Authority's overall borrowing
  - the maximum and minimum exposures to fixed and variable rates
  - its maximum and minimum exposures to the maturity structure of its debt
  - its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with Government guidance.

These are reported within the annual Treasury Management Strategy which outlines the detailed approach to managing risk in relation to the Authority's financial instrument exposure. Actual performance is also reported after the end of the year.

## SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2010/11

### NOTES TO ACCOUNTS

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The annual Treasury Management Strategy which incorporates the prudential indicators was approved by the Authority in February 2010. The key issues within the Strategy were:

- The Authorised Limit for 2010/11 was set at £63m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £55m. This is the expected level of debt and other long term liabilities during the year.
- The maximum limits on principal sums outstanding in respect of borrowing at fixed and variable interest rates were set at £62m and £16m respectively based.

These policies are implemented by treasury officers at the South Yorkshire Joint Secretariat with advice from Sector Treasury Services Limited. The Authority has written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.

#### **Credit Risk**

Credit risk arises from the lending of surplus funds to banks, building societies and other local authorities as well as credit exposures to the Authority's customers. The risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum criteria set by the Authority. The Annual Investment Strategy also imposes maximum amounts and time limits in respect of each financial institution. Deposits are not made with financial institutions unless they meet the minimum requirements of the investment criteria outlined above.

The key areas of the Investment Strategy are that the minimum criteria for investment are based on the creditworthiness service provided by Sector. This service uses a sophisticated modeling approach with credit ratings from all three rating agencies (Fitch, Moodys and Standard and Poors) forming the core element. However it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies
- Credit Default Swaps spreads to give early warning of likely changes in credit ratings
- Sovereign ratings to select counterparties from only the most creditworthy countries.

The Authority's surplus funds are pooled with those of South Yorkshire Fire and Rescue Authority and South Yorkshire Integrated Transport Authority for investment which enables access to a wider range of investments and the sharing of risk. Deposits with institutions are limited to a maximum of £15m with any counterparty for the total investment pool of which the Authority's share is approximately £8m.

The Authority's maximum exposure to credit risk in relation to its investments cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all the Authority's deposits but there was no evidence at the 31 March 2011 that this was likely to crystallise. The Authority therefore expects full repayment on the due dates of existing deposits.

**SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2010/11  
NOTES TO ACCOUNTS**

The Authority does not generally allow credit for customers. The total value of trade debtors at 31 March 2011 is £1.187m of which £0.908m is past its due date, analysed as follows:

<b>1 April 2009 £000</b>	<b>31 March 2010 £000</b>		<b>31 March 2011 £000</b>
585	542	Less than 3 Months	789
16	30	3 to 6 Months	24
41	81	6 to 12 Months	53
30	39	Over 12 Months	42
<b>672</b>	<b>692</b>	<b>Total</b>	<b>908</b>

The Authority has a historical experience of default of 0.7% in trade debtors, which equates to a risk of uncollectability of £6k.

***Liquidity Risk***

The Authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. As the Authority has access to borrow from the Public Works Loan Board (PWLB), there is no significant risk that the Authority will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates.

The Authority therefore 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 which reduces the financial impact of re-borrowing at a time of unfavourable interest rates. The Authority's policy is to ensure that not more than 15% of loans are due to mature within any financial year through a combination of prudent planning of new loans taken out and, where it is economic to do so, making early repayments.

The maturity analysis of loans outstanding to PWLB as at 31 March 2011 is:

<b>1 April 2009 £000</b>	<b>31 March 2010 £000</b>		<b>31 March 2011 £000</b>
		Maturing within:	
3,410	3,410	>1 to 5 years	3,410
1,350	1,650	>5 to 10 years	1,650
6,540	6,240	>10 to 20 years	9,240
17,080	17,780	>20 to 30 years	14,780
2,300	1,600	>30 to 40 years	1,600
1,450	1,450	>40 to 50 years	1,450
<b>32,130</b>	<b>32,130</b>	<b>Total</b>	<b>32,130</b>

## SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2010/11

### NOTES TO ACCOUNTS

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The average rate payable by the Authority is 4.594% with rates ranging from 4.081% to 4.789%. The Amortised Cost of the above loans is £30.071m.

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

#### **Market Risk**

The Authority is exposed to significant risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Authority. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charges to the Comprehensive Income and Expenditure Statement will rise
- borrowings at fixed rates – the fair value of the liabilities will fall
- investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Comprehensive Income and Expenditure Statement.

The Authority has a number of strategies for managing interest rate risk. The Authority's policy is to aim to keep a maximum of 25% of its borrowings in variable loan rates. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans may be repaid early to limit exposure to losses. The risk of loss is reduced by the fact that a proportion of government grant payable on financing costs will normally move with the prevailing interest rates on the Authority's cost of borrowing and provide compensation for a proportion of any higher costs.

The Authority's treasury management strategy provides for the assessment of interest rate exposure, which will assist in decisions on whether new borrowing taken out should be on a fixed or variable basis.

The Authority received interest of £0.305m for the financial year with an average rate of 0.51%. A change of 0.1% in the interest rate achieved would have resulted in a decrease or increase in interest of approximately £60k provided that bank balances had remained the same.

#### **Price Risk**

The Authority does not invest in equity shares on the markets and therefore is not at significant risk to price movements.

#### **Foreign Exchange Risk**

The Authority has no financial assets or liabilities in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

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**16. INVENTORIES**

	2010/11			2009/10		
	Consumable Stores	Vehicle Maintenance Spares	Total	Consumable Stores	Vehicle Maintenance Spares	Total
	£000	£000	£000	£000	£000	£000
Balance at 1 April	1,059	107	1,166	710	179	889
Purchases	3,010	1,142	4,152	3,749	1,117	4,866
Recognised as an expense in the year	(3,180)	(1,156)	(4,336)	(3,400)	(1,188)	(4,588)
Written off balances	(10)	-	(10)	-	-	-
<b>Balance at 31 March</b>	<b>879</b>	<b>93</b>	<b>972</b>	<b>1,059</b>	<b>108</b>	<b>1,167</b>

**17. DEBTORS**

1 April 2009 £000	31 March 2010 £000		31 March 2011 £000
15,070	6,984	Central government bodies	8,241
2,136	3,257	Other local authorities	2,227
11	8	NHS bodies	7
-	-	Public corporation and trading funds	-
5,203	4,558	Other entities and individuals	5,268
<b>22,420</b>	<b>14,807</b>	<b>Total</b>	<b>15,743</b>

**18. CASH AND CASH EQUIVALENTS**

The balance of Cash and Cash Equivalents is made up of the following elements:

1 April 2009 £000	31 March 2010 £000		31 March 2011 £000
256	56	Cash held by the Authority	48
(1,161)	173	Bank current accounts	(1,118)
5,524	10,528	Call and money market fund investments	9,974
<b>4,619</b>	<b>10,757</b>	<b>Total</b>	<b>8,904</b>

**SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2010/11  
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**19. ASSETS HELD FOR SALE**

2009/10 £000	2010/11 £000
- Balance outstanding at start of the year	-
140 Assets newly qualified as held for sale	1,960
- Revaluation losses	(5)
- Revaluation gains	-
- Impairment losses	-
- Assets declassified as held for sale	-
(140) Assets sold	(67)
- Balance outstanding at end of year	1,888

**20. CREDITORS**

1 April 2009 £000	31 March 2010 £000	31 March 2011 £000
2,768	5,026	5,489
4,268	3,660	2,912
82	-	16
250	138	283
12,307	10,454	8,889
<b>19,675</b>	<b>19,278</b>	<b>17,589</b>
	<b>Total</b>	

Cash that is seized by the Force because it is suspected of either having been used, or intended for use, for the purpose of crime, is held pending a court decision as to whether it should be returned or awarded under a forfeiture order to the Force or the Treasury. This seized cash is held in trust for third parties by the Authority and is therefore excluded from the Balance Sheet. The sum held at 31 March 2011 is £0.575m (£0.314m 31 March 2010).

In addition, the Force is currently holding £0.109m (£0.450m 31 March 2010) on behalf of two organisations, the South Yorkshire Safety Camera Partnership and Association of Chief Police Officers, which has also been excluded from the Authority's Balance Sheet.

**SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2010/11  
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**21. PROVISIONS**

Movements in provisions during the year are as follows:

	<b>Employee Benefits £000</b>	<b>Insurance £000</b>	<b>Redundancy Cost</b>	<b>Overtime £000</b>	<b>Total £000</b>
<b>Balance at 1 April 2010</b>	<b>8,442</b>	<b>2,756</b>	-	<b>44</b>	<b>11,242</b>
Additional provisions made in the year	8,236	687	4,268	147	13,338
Amounts used in the year	(8,442)	(1,033)	-	(145)	(9,620)
Unused amounts reversed in the year	-	(150)	-	-	(150)
<b>Balance at 31 March 2011</b>	<b>8,236</b>	<b>2,260</b>	<b>4,268</b>	<b>46</b>	<b>14,810</b>

***Employee Benefits Provision***

The accrual for annual leave and other related benefits earned by employees but not taken at 31 March is set aside in this provision and matched by the Accumulated Absences Account (Note 24).

***Insurance Provision***

The Authority provides a degree of self-insurance through its insurance provision. Under its insurance policies, the Authority has to meet a proportion of each claim up to a total maximum level each year. A contribution to the provision is made from revenue to fund this uninsured liability, in accordance with advice from the Authority's insurance brokers. Payments are then made directly from the provision when claims are settled over the next few years.

***Redundancy Cost Provision***

The expected costs relating to the early voluntary release of staff have been set aside in this provision from which payments will be made when they are incurred in 2011/12.

***Police Officers Overtime Provision***

This provision funds the cost of overtime due to police officers who have elected to take time off in lieu but are entitled to payment if time off has not been taken after three months.

**22. USABLE RESERVES**

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement and Note 8.

**SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2010/11  
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**23. OTHER LONG TERM LIABILITIES**

Other Long Term Liabilities on the Balance Sheet consist of:

<b>1 April 2009 £000</b>	<b>31 March 2010 £000</b>		<b>31 March 2011 £000</b>
1,484,126	2,255,986	Pensions Liability	2,061,088
8,567	8,105	Transferred Debt from former County Council	7,596
2,126	1,901	Insurance Settlements	1,666
17	-	Finance leases	-
<b>1,494,836</b>	<b>2,265,992</b>	<b>Total</b>	<b>2,070,350</b>

***Pensions Liability***

The Pensions Liability represents the net position of retirement liabilities and the pension scheme assets and is matched by the Pensions Reserve (Note 24).

***Transferred Debt***

This consists of debt taken over from the former South Yorkshire County Council, where the loan management rests with Rotherham MBC. Debt of £0.509m is repayable within the next twelve months and is included as part of Short Term Creditors. The interest rate paid in 2010/11 was 6.47% (6.31% in 2009/10).

<b>1 April 2009 £000</b>	<b>31 March 2010 £000</b>		<b>31 March 2011 £000</b>
462	509	Maturity between 1 and 2 Years	559
1,683	1,852	Maturity between 2 and 5 Years	2,037
4,132	4,545	Maturity between 5 and 10 Years	5,000
2,290	1,199	Maturity between 10 and 20 Years	-
<b>8,567</b>	<b>8,105</b>	<b>Total</b>	<b>7,596</b>

***Insurance Settlements***

Structured insurance settlements are shown written down annually to the Capital Adjustment Account.



**SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2010/11  
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**24. UNUSABLE RESERVES**

1 April 2009	31 March 2010		31 March 2011
£000	£000		£000
6,266	6,261	Revaluation Reserve	6,595
18,855	23,118	Capital Adjustment Account	30,522
(265)	(244)	Financial Instruments Adjustment Account	(222)
(1,484,126)	(2,255,986)	Pensions Reserve	(2,061,088)
279	619	Collection Fund Adjustment Account	591
(7,621)	(8,443)	Accumulated Absences Account	(8,236)
<b>(1,466,612)</b>	<b>(2,234,675)</b>	<b>Total Unusable Reserves</b>	<b>(2,031,838)</b>

**Revaluation Reserve**

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. 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
- disposed of and the gains are realised.

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

2009/10 £000		2010/11 £000
<b>6,266</b>	<b>Balance at 1 April</b>	<b>6,261</b>
191	Upward revaluations of assets	945
(16)	Downward revaluations of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	(339)
<b>175</b>	<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>	<b>606</b>
(177)	Difference between fair value depreciation and historical cost depreciation	(186)
(3)	Accumulated gains on assets sold or scrapped	(86)
<b>(180)</b>	<b>Amount written off to the Capital Adjustment Account</b>	<b>(272)</b>
<b>6,261</b>	<b>Balance at 31 March</b>	<b>6,595</b>

**SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2010/11**  
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**Capital Adjustment Account**

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings to the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date the Revaluation Reserve was created to hold such gains.

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

<b>2009/10</b>		<b>2010/11</b>
<b>£000</b>		<b>£000</b>
<b>18,855</b>	<b>Balance at 1 April</b>	<b>23,118</b>
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(5,082)	• Charges for depreciation and impairment of non-current assets	(5,250)
(360)	• Revaluation losses on Property, Plant and Equipment	(2,640)
(278)	• Amortisation of Intangible Assets	(394)
(277)	• Amounts of non-current assets written off on disposal or sale as part of gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(911)
<b>(5,997)</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>(9,195)</b>
225	Capitalised insurance settlements	235
	Capital financing applied in the year:	
529	• Use of the Capital Receipts Reserve to finance new capital expenditure	1,196
4,507	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	3,265
-	• Application of grants to capital financing from the Capital Grants Unapplied Account	1,911
2,292	• Statutory provision for the financing of capital investment charged against the General Fund	2,242
2,707	• Capital expenditure charged against the General Fund	7,750
<b>10,260</b>		<b>16,599</b>
<b>23,118</b>	<b>Balance at 31 March</b>	<b>30,522</b>

**SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2010/11  
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**Financial Instruments Adjustment Account**

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

The Authority uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time the expense is posted back to the General Fund balance in accordance with statutory arrangements for spreading the burden on council tax. In the Authority's case, this period is the term of the replacement loan. As a result, the balance on the Account as at 31 March 2011 will be charged to the General Fund over the next 11 years.

<b>2009/10</b>	<b>2010/11</b>
<b>£000</b>	<b>£000</b>
<b>(265) Balance at 1 April</b>	<b>(244)</b>
- Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	-
21 Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	22
<b>21 Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in accordance with statutory requirements</b>	<b>22</b>
<b>(244) Balance at 31 March</b>	<b>(222)</b>

**Pensions Reserve**

The Pensions Reserve absorbs the timing difference arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions.

The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible.

The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

**SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2010/11**  
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The transactions on the Pensions Reserve are as follows:

2009/10 £000		2010/11 £000
<b>(1,484,126)</b>	<b>Balance at 1 April</b>	<b>(2,255,986)</b>
(690,359)	Actuarial gains or (losses) on the pensions assets and liabilities	72,981
(135,740)	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	62,861
54,239	Employer's pensions contributions and direct payments to pensioners payable in the year	59,056
<b>(2,255,986)</b>	<b>Balance at 31 March</b>	<b>(2,061,088)</b>

**Collection Fund Adjustment Account**

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2009/10 £000		2010/11 £000
<b>279</b>	<b>Balance at 1 April</b>	<b>619</b>
340	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(28)
<b>619</b>	<b>Balance at 31 March</b>	<b>591</b>

**Accumulated Absences Account**

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

2009/10 £000		2010/11 £000
<b>(7,621)</b>	<b>Balance at 1 April</b>	<b>(8,443)</b>
7,621	Settlement or cancellation of accrual made at the end of preceding year	8,443
(8,443)	Amounts accrued at the end of the current year	(8,236)
(822)	<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</b>	207
<b>(8,443)</b>	<b>Balance at 31 March</b>	<b>(8,236)</b>

**SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2010/11  
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**25. CASH FLOW STATEMENT – OPERATING ACTIVITIES**

The cash flows for operating activities include the following items:

<b>2009/10</b>		<b>2010/11</b>
<b>£000</b>		<b>£000</b>
(1,596)	Interest received	(356)
1,418	Interest paid	1,476
<b>(178) Net cash flows from operating activities</b>		<b>1,120</b>

**26. CASH FLOW STATEMENT – INVESTING ACTIVITIES**

The cash flows for investing activities include the following items:

<b>2009/10</b>		<b>2010/11</b>
<b>£000</b>		<b>£000</b>
8,757	Purchase of Property, Plant and Equipment and Intangible Assets	14,305
6,005	Purchase of short-term investments	-
(529)	Proceeds from sale of Property, Plant and Equipment and Intangible Assets	(1,172)
-	Proceeds from short-term investments	(5,400)
(4,410)	Other receipts from investing activities	(3,191)
<b>9,823 Net cash flows from investing activities</b>		<b>4,542</b>

**27. CASH FLOW STATEMENT – FINANCING ACTIVITIES**

The cash flows for financing activities include the following items:

<b>2009/10</b>		<b>2010/11</b>
<b>£000</b>		<b>£000</b>
	- Cash receipts of short- and long-term borrowing	-
	- Other receipts from financing activity	-
149	Cash payments for the reduction of the outstanding liabilities relating to finance leases	17
	- Repayments of short- and long-term borrowing	-
420	Other payments for financing activities	462
<b>569 Net cash flows from financing activities</b>		<b>479</b>

**SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2010/11  
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**28. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS**

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

- no charges are made in relation to capital expenditure, whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement
- the cost of retirement benefits is based on cash flows (payment of employer's contributions) rather than current service cost of benefits accrued in the year

The income and expenditure of the Authority's principal budget holders recorded in the budget reports for the year is as follows:

2010/11	Barnsley District	Doncaster District	Rotherham District	Sheffield District	Operational Support Services	Specialist Crime Services	Criminal Justice Admin Dept	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges and other service income	(455)	(410)	(486)	(1,274)	(1,709)	(275)	(455)	(5,064)
<b>Total income</b>	<b>(455)</b>	<b>(410)</b>	<b>(486)</b>	<b>(1,274)</b>	<b>(1,709)</b>	<b>(275)</b>	<b>(455)</b>	<b>(5,064)</b>
Employee costs	19,815	26,210	20,172	50,778	37,635	21,676	13,820	190,106
Other operating expenses	1,191	1,774	1,405	2,815	5,362	6,325	2,513	21,385
<b>Total operating expenses</b>	<b>21,006</b>	<b>27,984</b>	<b>21,577</b>	<b>53,593</b>	<b>42,997</b>	<b>28,001</b>	<b>16,333</b>	<b>211,491</b>
<b>Net cost of services</b>	<b>20,551</b>	<b>27,574</b>	<b>21,091</b>	<b>52,319</b>	<b>41,288</b>	<b>27,726</b>	<b>15,878</b>	<b>206,427</b>

2009/10	Barnsley District	Doncaster District	Rotherham District	Sheffield District	Operational Support Services	Specialist Crime Services	Criminal Justice Admin Dept	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges and other service income	(306)	(141)	(176)	(978)	(1,551)	(261)	(310)	(3,723)
<b>Total income</b>	<b>(306)</b>	<b>(141)</b>	<b>(176)</b>	<b>(978)</b>	<b>(1,551)</b>	<b>(261)</b>	<b>(310)</b>	<b>(3,723)</b>
Employee costs	19,151	25,353	18,841	48,255	36,545	20,424	13,396	181,965
Other operating expenses	1,211	1,850	1,450	3,346	4,484	6,523	2,379	21,243
<b>Total operating expenses</b>	<b>20,362</b>	<b>27,203</b>	<b>20,291</b>	<b>51,601</b>	<b>41,029</b>	<b>26,947</b>	<b>15,775</b>	<b>203,208</b>
<b>Net cost of services</b>	<b>20,056</b>	<b>27,062</b>	<b>20,115</b>	<b>50,623</b>	<b>39,478</b>	<b>26,686</b>	<b>15,465</b>	<b>199,485</b>

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**Reconciliation of Budget Holder Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement**

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

<b>2009/10</b>		<b>2010/11</b>
<b>£000</b>		<b>£000</b>
199,485	Net Expenditure in the Budget Holder Analysis	206,427
49,558	Net Expenditure of services and support services not included in the analysis	62,069
39,840	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis	(174,034)
(41,202)	Amounts included reported to management not included in the Comprehensive Income and Expenditure Statement	(47,425)
<b>247,681</b>	<b>Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>47,037</b>

**Reconciliation to Subjective Analysis**

<b>2010/11</b>	<b>Budget Holder Analysis</b>	<b>Services not in Analysis</b>	<b>Amounts not reported to management</b>	<b>Amounts not included in Comp Income &amp; Exp Statement</b>	<b>Cost of Services</b>	<b>Corporate Amounts</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Fees, charges and other service income	(5,064)	(4,664)	-	-	(9,728)	-	(9,728)
Interest income	-	(305)	-	305	-	(305)	(305)
Income from council tax	-	-	-	-	-	(50,974)	(50,974)
Government grants and contributions	-	(23,130)	-	-	(23,130)	(236,837)	(259,967)
<b>Total income</b>	<b>(5,064)</b>	<b>(28,099)</b>	<b>-</b>	<b>305</b>	<b>(32,858)</b>	<b>(288,116)</b>	<b>(320,974)</b>
Employee costs	190,106	58,643	(182,697)	(34,727)	31,325	119,628	150,953
Other service expenses	21,385	18,757	-	(235)	39,907	-	39,907
Capital financing costs	-	12,068	-	(12,068)	-	2,055	2,055
Depreciation, amortisation and impairment	-	-	8,470	-	8,470	-	8,470
Levies	-	700	-	(700)	-	700	700
Gain or loss from disposal of non-current assets	-	-	193	-	193	(391)	(198)
<b>Total operating expenses</b>	<b>211,491</b>	<b>90,168</b>	<b>(174,034)</b>	<b>(47,730)</b>	<b>79,895</b>	<b>121,992</b>	<b>201,887</b>
<b>Surplus or deficit on the provision of services</b>	<b>206,427</b>	<b>62,069</b>	<b>(174,034)</b>	<b>(47,425)</b>	<b>47,037</b>	<b>(166,124)</b>	<b>(119,087)</b>

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2009/10 Comparative Figures	Budget Holder Analysis	Services not in Analysis	Amounts not reported to management	Amounts not included in Comp Income & Exp Statement	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, charges and other service income	(3,723)	(5,844)	-	-	(9,567)	-	(9,567)
Interest income	-	(894)	-	894	-	(894)	(894)
Income from council tax	-	-	-	-	-	(49,660)	(49,660)
Government grants and contributions	-	(28,693)	-	-	(28,693)	(228,686)	(257,379)
<b>Total income</b>	<b>(3,723)</b>	<b>(35,431)</b>	<b>-</b>	<b>894</b>	<b>(38,260)</b>	<b>(279,240)</b>	<b>(317,500)</b>
Employee costs	181,965	56,417	33,761	(34,184)	237,959	102,801	340,760
Other service expenses	21,243	20,885	-	(225)	41,903	-	41,903
Capital financing costs	-	7,010	-	(7,010)	-	1,990	1,990
Depreciation, amortisation and impairment	-	-	5,898	-	5,898	-	5,898
Levies	-	677	-	(677)	-	677	677
Gain or loss from disposal of non-current assets	-	-	181	-	181	(432)	(251)
<b>Total operating expenses</b>	<b>203,208</b>	<b>84,989</b>	<b>39,840</b>	<b>(42,096)</b>	<b>285,941</b>	<b>105,036</b>	<b>390,977</b>
<b>Surplus or deficit on the provision of services</b>	<b>199,485</b>	<b>49,558</b>	<b>39,840</b>	<b>(41,202)</b>	<b>247,681</b>	<b>(174,204)</b>	<b>73,477</b>

**29. MEMBERS' ALLOWANCES**

The total sum paid to members in 2010/11 was £125k (£128k in 2009/10). The allowances are initially paid to members by their respective District Councils and then subsequently recharged to the Authority.



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**30. OFFICERS' REMUNERATION**

The remuneration paid to the Authority's senior employees is as follows:

		Salary, Fees and Allowances	Bonuses	Expenses	Benefits in Kind	Compensation for loss of office	Total Remuneration	Pension Contribution	Total
		£	£	£	£	£	£	£	£
Chief Constable – M Hughes <sup>(1) (4)</sup>	2010/11	153,222	-	438	1,404	-	155,064	11,301	166,365
	2009/10	149,564	45,174	427	-	-	195,165	34,500	229,665
Deputy Chief Constable <sup>(4)</sup>	2010/11	125,722	5,961	125	897	-	132,705	29,191	161,896
	2009/10	122,708	10,431	120	-	-	133,259	28,462	161,721
Assistant Chief Constable Territorial Operations <sup>(4)</sup>	2010/11	111,377	5,161	125	779	-	117,442	25,274	142,716
	2009/10	108,666	7,225	120	-	-	116,011	24,642	140,653
Assistant Chief Constable Specialist Operations <sup>(4)</sup>	2010/11	107,234	-	125	884	-	108,243	24,398	132,641
	2009/10	100,325	-	273	-	-	100,598	22,601	123,199
Assistant Chief Constable Corporate Relations <sup>(2) (4)</sup>	2010/11	-	-	-	-	-	-	-	-
	2009/10	76,009	-	120	-	-	76,129	17,809	93,938
Acting Deputy Chief Constable (Regional Working) <sup>(3) (4)</sup>	2010/11	111,406	-	125	896	-	112,427	26,199	138,626
	2009/10	25,165	-	-	-	-	25,165	5,779	30,944
Director of Finance	2010/11	94,660	4,346	410	8,984	-	108,400	9,561	117,961
	2009/10	85,996	6,084	400	6,337	-	98,817	10,233	109,050

(1) The bonus paid to the Chief Constable in 2009/10 included £15,000 relating to the previous financial year. Although eligible for a bonus in 2010/11, the Chief Constable declined this payment. The Chief Constable opted out of the pension scheme during 2010/11, resulting in a reduced employer contribution in 2010/11.

(2) This post is now being covered by the Director of Human Resources from Humberside Police Authority. The Authority will be invoiced for 50% of the officer's costs; however the officer is not an employee of the Authority and therefore is excluded from the above note.

(3) This post is seconded to regional working with effect from 18 January 2010.

(4) The cars used by these officers were previously not taxable. However a recent decision means that they are taxable from 22 February 2011 due to a change in taxable treatment relating to on call arrangements.

**SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2010/11  
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The Authority's other employees receiving more than £50,000 remuneration for the year (excluding employer's contributions) were paid the following amounts:

<b>2009/10 Number</b>	<b>£</b>	<b>2010/11 Number</b>
216	50,000 - 54,999	203
109	55,000 - 59,999	125
25	60,000 - 64,999	38
15	65,000 - 69,999	13
12	70,000 - 74,999	7
9	75,000 - 79,999	11
8	80,000 - 84,999	11
1	85,000 - 89,999	8
3	90,000 - 94,999	4
2	95,000 - 99,999	2
1	100,000 - 104,999	-
-	105,000 - 109,999	-
-	110,000 - 114,999	1
<b>401</b>		<b>423</b>

Remuneration shown in the above table includes termination payments received by employees in 2010/11 and therefore the numbers in each band are not directly comparable.

**31. SOUTH YORKSHIRE JOINT SECRETARIAT**

The South Yorkshire Joint Secretariat (SYJS) is a department of Barnsley MBC with a primary role to provide independent, impartial financial, legal, policy and administrative support and advice to the members of the Police Authority and the other three South Yorkshire Joint Authorities (Fire and Rescue, Integrated Transport and Pensions Authorities). The costs of the SYJS are recharged to the Authorities based on the time spent on providing services to each Authority and the charge to the Police Authority for 2010/11 was £1.17m (£1.127m in 2009/10).

The SYJS provides certain statutory functions to the Police Authority and the chief officer of the SYJS serves as the Chief Executive and Treasurer with another officer performing the role of Deputy Chief Executive, Solicitor and Monitoring Officer. With effect from 1 March 2011, the Chief Executive and Treasurer retired on flexible terms and now works on a part-time basis.

**SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2010/11  
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The remuneration of these two officers, including employer pension contribution, is shown below together with the charge to the Police Authority:

		<b>Salary</b>	<b>Pension Contribution</b>	<b>Total</b>	<b>Charged to Police Authority</b>
		<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Chief Executive & Treasurer	2010/11	96,267	17,520	113,787	61,460
	2009/10	100,607	18,310	118,917	58,201
Deputy Chief Executive, Solicitor & Monitoring Officer	2010/11	65,887	11,991	77,878	33,301
	2009/10	65,887	11,991	77,878	33,443

**32. EXTERNAL AUDIT COSTS**

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections provided by its external auditors, the Audit Commission:

<b>2009/10</b>		<b>2010/11</b>
<b>£000</b>		<b>£000</b>
107	Fees payable with regard to external audit services carried out by the appointed auditor for the year	98
3	Fees payable in respect of certification of grant claims and returns for the year	-
-	Fees payable in respect of others services provided during the year	-
<b>110</b>		<b>98</b>

**33. GRANT INCOME**

The Authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in the year:

<b>2009/10</b>		<b>2010/11</b>
<b>£000</b>		<b>£000</b>
	<b>Credited to Taxation and Non Specific Grant Income</b>	
(81,102)	National Non Domestic Rates	(89,240)
(18,720)	Revenue Support Grant	(12,958)
(104,317)	Police Grant	(107,043)
(20,054)	Home Office Pension Grant	(24,331)
(3,309)	Home Office Capital Grant	(3,060)
(1,184)	Other capital grants	(205)
<b>(228,686)</b>	<b>Total</b>	<b>(236,837)</b>

**SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2010/11  
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<b>2009/10</b>		<b>2010/11</b>
<b>£000</b>		<b>£000</b>
	<b>Credited to Services</b>	
(7,755)	Community Support Officers	(7,802)
(5,875)	Crime Fighting Fund	(5,875)
(1,702)	South Yorkshire Safety Camera Partnership	(1,481)
(1,252)	South Yorkshire Drug Testing Pilot	(1,139)
(980)	Basic Command Unit Challenge grants	(965)
(891)	Home Office Dedicated Security Posts Grant	(965)
(1,544)	DNA Expansion and other DNA related grants	(112)
(1,628)	Special Priority Payments	(165)
(1,531)	UK Human Trafficking Centre	(40)
(733)	Debt Charges Grant	(735)
(585)	Prevent Funding	(499)
(317)	Beat Team Grants	(330)
(183)	Drug Intervention Programme	(167)
(453)	Police Learning and Development Programme	(46)
(275)	Tackling Knife Crime	(190)
(3,423)	Other Miscellaneous Grants	(2,619)
<b>(29,127)</b>	<b>Total</b>	<b>(23,130)</b>

The Authority has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies to be returned to the giver. The balances at the year-end are as follows:

<b>1 April</b>	<b>31 March</b>		<b>31 March</b>
<b>2009</b>	<b>2010</b>		<b>2011</b>
<b>£000</b>	<b>£000</b>		<b>£000</b>
		<b>Capital Grants Receipts in Advance</b>	
579	197	Mobile Information (National Police Improvement Agency)	151
-	100	Case Preparation System	-
134	65	Other miscellaneous capital grants	11
<b>713</b>	<b>362</b>	<b>Total</b>	<b>162</b>

## SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2010/11 NOTES TO ACCOUNTS

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### 34. RELATED PARTIES

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

#### ***Central Government***

Central Government has effective control over the general operations of the Authority. It is responsible for providing the statutory framework within which the Authority operates, and provides the majority of funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (for example council tax bills). Grants received from government departments are set out in Notes 11 and 33.

#### ***Members***

Members of the Authority have direct control over the Authority's financial and operating policies. The total of members' allowances paid in 2010/11 is shown in Note 29. From examination of the Register of Members' Interests, there were no related party transactions to disclose.

#### ***Officers***

Certain officers might also be in a position to influence significantly the policies of the Authority. No material related party transactions have been identified following consultation with relevant officers.

#### ***Other Public Bodies (subject to common control by central government)***

Rotherham MBC manages the debt taken over from the former South Yorkshire County Council on behalf of the Authority. Details are set out in Note 23.

South Yorkshire Joint Secretariat, a department of Barnsley MBC, provides advice and support to the Authority and details are set out in Note 31.

**SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2010/11**  
**NOTES TO ACCOUNTS**

**35. CAPITAL EXPENDITURE AND CAPITAL FINANCING**

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

<b>2009/10</b>		<b>2010/11</b>
<b>£000</b>		<b>£000</b>
<b>36,466</b>	<b>Opening Capital Financing Requirement</b>	<b>36,463</b>
	<b>Capital Investment</b>	
9,180	Property, Plant and Equipment	11,953
432	Intangible Assets	2,169
	<b>Sources of Finance</b>	
(529)	Capital receipts	(1,196)
(4,507)	Government grants and contributions	(5,176)
	Sums set aside from revenue:	
(2,707)	• Direct revenue contributions	(7,750)
(1,872)	• Minimum Revenue Provision	(1,780)
<b>36,463</b>	<b>Closing Capital Financing Requirement</b>	<b>34,683</b>
	<b>Represented by:</b>	
(3)	Decrease in underlying need to borrow	(1,780)

**36. LEASES**

**Authority as Lessee**

***Finance Leases***

The Authority has acquired one property and a number of items of computer and general equipment under finance leases. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet with the following net amounts:

<b>1 April</b>	<b>31 March</b>		<b>31 March</b>
<b>2009</b>	<b>2010</b>		<b>2011</b>
<b>£000</b>	<b>£000</b>		<b>£000</b>
1,941	3,496	Land and Buildings	3,554
108	10	Vehicles and Equipment	-
<b>2,049</b>	<b>3,506</b>	<b>Total</b>	<b>3,554</b>

**SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2010/11  
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The Authority acquired the lease of the property for 999 years and paid a premium of £1.8m in 2008 within an ongoing charge of £200 per annum. The final payments for the remainder of the equipment and computer leases were made during 2010/11. The following table shows an analysis of the minimum payments under these leases, excluding the small ongoing property charge, comprising settlement of long-term liability for the interest in the assets acquired by the Authority and finance costs while the liability remained outstanding:

<b>1 April 2009 £000</b>	<b>31 March 2010 £000</b>		<b>31 March 2011 £000</b>
		Finance lease liabilities (net present value of minimum lease payments):	
149	17	• current	-
17	-	• non-current	-
4	1	Finance costs payable in future years	-
<b>170</b>	<b>18</b>	<b>Total</b>	<b>-</b>

The minimum lease payments were payable over the following periods:

	<b>Minimum Lease Payments</b>			<b>Finance Lease Liability</b>		
	<b>31 March 2011 £000</b>	<b>31 March 2010 £000</b>	<b>1 April 2009 £000</b>	<b>31 March 2011 £000</b>	<b>31 March 2010 £000</b>	<b>1 April 2009 £000</b>
	Not later than one year	-	18	152	-	17
Later than one year and not later than five years	-	-	18	-	-	17
<b>Total</b>	<b>-</b>	<b>18</b>	<b>170</b>	<b>-</b>	<b>17</b>	<b>166</b>

***Operating Leases***

The Authority currently has operating leases for some properties, computer equipment and a small number of vehicles. The future minimum lease payments due under non-cancellable leases in future years are:

<b>1 April 2009 £000</b>	<b>31 March 2010 £000</b>		<b>31 March 2011 £000</b>
1,103	905	Not later than one year	813
2,236	1,423	Later than one year and not later than five years	1,079
107	14	Later than five years	8
<b>3,446</b>	<b>2,342</b>	<b>Total</b>	<b>1,900</b>

The expenditure charged to the Comprehensive Expenditure and Income Statement during the year in relation to these leases was £1.101m in 2010/11 (£1.333m in 2009/10)

**SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2010/11  
NOTES TO ACCOUNTS**

**Authority as Lessor**

***Operating Leases***

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

1 April 2009 £000	31 March 2010 £000		31 March 2011 £000
33	33	Not later than one year	33
106	74	Later than one year and not later than five years	41
<b>139</b>	<b>107</b>	<b>Total</b>	<b>74</b>

**37. IMPAIRMENT LOSSES**

There have been no impairment losses on Property, Plant and Equipment or Intangible Assets during the year.

**38. TERMINATION BENEFITS**

A Voluntary Early Retirement / Redundancy scheme was offered to all Police staff during 2010/11. Following this, the Authority terminated the contracts of 160 employees in 2010/11, incurring costs of £2.6m. A number of further terminations are planned for 2011/12.

**39. DEFINED BENEFIT PENSION SCHEMES**

***Participation in Pensions Schemes***

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

The Authority participates in three pensions schemes as explained in the Accounting Policies: there are now two separate Pension schemes for police officers (PPS 1987 and 2006) and the Local Government Pension Scheme (LGPS) for support staff, administered by the South Yorkshire Pensions Authority.

Injury awards are payable irrespective of whether a police officer is a member of the Pension Scheme and tax rules from 1 April 2006 prevent injury awards from being part of pension scheme regulations. Injury awards have been moved into a separate Police Compensation Scheme (PCS) and under the pensions financial arrangements they must be paid from the Authority's operating account and not the Pension Fund Account. The injury awards have been accounted for as part of the pensions adjustments and information relating to these injury awards are disclosed separately in the following notes.



**SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2010/11**  
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***Transactions relating to Post-employment Benefits***

The cost of retirement benefits is recognised 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 required against council tax 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:

2010/11	PPS 1987 £000	PPS 2006 £000	PCS £000	LGPS £000	Total £000
<b>Comprehensive Income and Expenditure Statement</b>					
<b><i>Cost of Services</i></b>					
• current service cost	44,520	3,630	1,230	9,615	58,995
• past service cost	(219,400)	(1,910)	(8,960)	(13,626)	(243,896)
• Curtailment Gains and Losses	-	-	-	2,412	2,412
<b><i>Financing and Investment Income and Expenditure</i></b>					
• interest cost	111,040	1,000	4,290	12,559	128,889
• expected return on scheme assets	-	-	-	(9,261)	(9,261)
<b>Total post employment benefit charged to the Surplus or Deficit on the Provision of Services</b>	<b>(63,840)</b>	<b>2,720</b>	<b>(3,440)</b>	<b>1,699</b>	<b>(62,861)</b>
<b><i>Other post employment benefit charged to the Comprehensive Income and Expenditure Statement</i></b>					
• actuarial (gains) and losses	(54,600)	290	(7,740)	(10,931)	(72,981)
<b>Total post employment benefit charged to the Comprehensive Income and Expenditure Statement</b>	<b>(118,440)</b>	<b>3,010</b>	<b>(11,180)</b>	<b>(9,232)</b>	<b>(135,842)</b>
<b>Movement in Reserves Statement</b>					
• reversal of net charges to Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	63,840	(2,720)	3,440	(1,699)	62,861
<b><i>Actual amount charged against the General Fund Balance for pensions in the year</i></b>					
• employer's contribution payable	23,958	2,280	-	7,015	33,253
• retirement benefits payable to pensioners	-	-	1,325	-	1,325
• additional contribution to Pension Fund to balance deficit on the account	24,330	-	-	-	24,330

**SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2010/11**  
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Comparative figures for 2009/10 are:

	PPS 1987 £000	PPS 2006 £000	PCS £000	LGPS £000	Total £000
<b>Comprehensive Income and Expenditure Statement</b>					
<b>Cost of Services</b>					
• current service cost	26,020	1,170	820	4,929	32,939
• past service cost	-	-	-	-	-
• Curtailment Gains and Losses	-	-	-	-	-
<b>Financing and Investment Income and Expenditure</b>					
• interest cost	95,340	460	3,560	9,942	109,302
• expected return on scheme assets	-	-	-	(6,501)	(6,501)
<b>Total post employment benefit charged to the Surplus or Deficit on the Provision of Services</b>	<b>121,360</b>	<b>1,630</b>	<b>4,380</b>	<b>8,370</b>	<b>135,740</b>
<b>Other post employment benefit charged to the Comprehensive Income and Expenditure Statement</b>					
• actuarial (gains) and losses	620,320	8,010	25,680	36,349	690,359
<b>Total post employment benefit charged to the Comprehensive Income and Expenditure Statement</b>	<b>741,680</b>	<b>9,640</b>	<b>30,060</b>	<b>44,719</b>	<b>826,099</b>
<b>Movement in Reserves Statement</b>					
• reversal of net charges to Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(121,360)	(1,630)	(4,380)	(8,370)	(135,740)
<b>Actual amount charged against the General Fund Balance for pensions in the year</b>					
• employer's contribution payable	24,388	1,718	-	6,690	32,796
• retirement benefits payable to pensioners	-	-	1,388	-	1,388
• additional contribution to Pension Fund to balance deficit on the account	20,054	-	-	-	20,054

**SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2010/11**  
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***Assets and Liabilities in relation to Retirement Benefits***

Reconciliation of present value of the scheme liabilities:

2010/11	Unfunded		Funded	
	PPS 1987 £000	PPS 2006 £000	PCS £000	LGPS £000
<b>Opening balance at 1 April</b>	<b>2,086,088</b>	<b>16,179</b>	<b>80,930</b>	<b>215,742</b>
Current service cost	44,520	3,630	1,230	9,615
Interest cost	111,040	1,000	4,290	12,559
Contributions by active participants	10,900	890	-	3,707
Actuarial (gains) / losses	(54,600)	290	(7,740)	(11,709)
Benefits Paid	(63,120)	600	(1,331)	(4,141)
Past service cost	(219,400)	(1,910)	(8,960)	(13,626)
Curtailments	-	-	-	2,412
<b>Closing balance at 31 March</b>	<b>1,915,428</b>	<b>20,679</b>	<b>68,419</b>	<b>214,559</b>

Comparative figures for 2009/10 are:

2009/10	Unfunded		Funded	
	PPS 1987 £000	PPS 2006 £000	PCS £000	LGPS £000
<b>Opening balance at 1 April</b>	<b>1,391,518</b>	<b>5,590</b>	<b>52,260</b>	<b>137,792</b>
Current service cost	26,020	1,170	820	4,929
Interest cost	95,340	460	3,560	9,942
Contributions by active participants	11,047	674	-	3,487
Actuarial (gains) / losses	620,320	8,010	25,680	63,525
Benefits Paid	(58,157)	275	(1,390)	(3,933)
Past service cost	-	-	-	-
<b>Closing balance at 31 March</b>	<b>2,086,088</b>	<b>16,179</b>	<b>80,930</b>	<b>215,742</b>

**SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2010/11  
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Reconciliation of fair value of the LGPS assets:

<b>2009/10</b>		<b>2010/11</b>
<b>£000</b>		<b>£000</b>
<b>103,030</b>	<b>Opening balance 1 April</b>	<b>142,952</b>
6,501	Expected rate of return	9,261
27,176	Actuarial gains and (losses)	(778)
6,691	Employer contributions	7,033
3,487	Contributions by scheme participants	3,707
(3,933)	Benefits Paid	(4,141)
<b>142,952</b>	<b>Closing balance at 31 March</b>	<b>158,034</b>

The expected return on scheme assets is determined by 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 experienced in the respective markets.

The actual return on scheme assets in the year was £13.163m in 2010/11 (£33.677m in 2009/10).

***Scheme History***

	<b>2006/07</b>	<b>2007/08</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Present Value of Liabilities:</b>					
• LGPS	(147,479)	(163,457)	(137,792)	(215,742)	(214,559)
• PPS 1987	(1,733,983)	(1,499,965)	(1,391,518)	(2,086,088)	(1,915,428)
• PPS 2006	(3,110)	(4,088)	(5,590)	(16,179)	(20,679)
• PCS	(24,540)	(23,279)	(52,260)	(80,930)	(68,419)
<b>Fair value of Assets in LGPS</b>	<b>112,720</b>	<b>117,049</b>	<b>103,030</b>	<b>142,953</b>	<b>158,034</b>
<b>Surplus / (Deficit) in Scheme</b>					
• LGPS	(34,759)	(46,408)	(34,762)	(72,789)	(56,525)
• PPS 1987	(1,733,983)	(1,499,965)	(1,391,518)	(2,086,088)	(1,915,428)
• PPS 2006	(3,110)	(4,088)	(5,590)	(16,179)	(20,679)
• PCS	(24,540)	(23,279)	(52,260)	(80,930)	(68,419)
<b>Total Surplus / (Deficit)</b>	<b>(1,796,392)</b>	<b>(1,573,740)</b>	<b>(1,484,130)</b>	<b>(2,255,986)</b>	<b>(2,061,051)</b>

The liabilities show the underlying commitments that the Authority has in the long run to pay employment benefits. The total liability of £2,061m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance of £1,991m.

## SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2010/11 NOTES TO ACCOUNTS

However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- the deficit on the LGPS will be made good by increased contributions over the remaining working life of the employees (ie before payments fall due), as assessed by the scheme actuary
- finance is only required to be raised to cover Police Pensions when the pensions are actually paid.

The total contributions expected to be made to the LGPS by the Authority in the year to 31 March 2012 is £7.12m. Expected contributions for the Police Pensions Schemes in the year to 31 March 2012 are £26.14m.

### ***Basis for Estimating Assets and Liabilities***

Liabilities have been assessed on an actuarial basis using the projected unit method, which is an estimate of the pensions that will be payable in future years dependent on assumptions on mortality rates, employee turnover and salary levels, discounted to their present value. The liabilities of the Police Pension and Compensation Schemes have been assessed by the Government Actuary's Department (GAD). The LGPS fund liabilities have been assessed by Mercer, using estimates based on the latest full valuation of the scheme as at 31 March 2010.

The principal assumptions used by the actuaries have been:

2009/10			2010/11	
PPS	LGPS		PPS	LGPS
<b><i>Long-term expected rate of return on assets:</i></b>				
-	7.5%	Equity investments		7.5%
-	4.5%	Government bonds		4.4%
-	5.2%	Other bonds		5.1%
-	6.5%	Property		6.5%
-	0.5%	Cash / Liquidity		0.5%
<b><i>Mortality Assumptions:</i></b>				
Longevity at 65 for future pensioners (in years)				
26.0	21.3	• Men	26.1	22.8
29.1	24.1	• Women	29.2	25.7
Longevity at 65 for current pensioners (in years)				
23.9	20.4	• Men	24.1	21.4
27.1	23.2	• Women	27.3	24.1
3.9%	3.5%	Rate of Inflation	3.0%	3.5%
5.4%	5.0%	Rate of Increase in Salaries	5.3%	4.75%
3.9%	3.5%	Rate of Increase in Pensions	3.1%	3.0%
5.8%	5.7%	Rate for Discounting Scheme Liabilities	5.7%	5.5%
-	50%	Take-up option to convert annual pension into retirement lump sum	-	50%

**SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2010/11  
NOTES TO ACCOUNTS**

The Police Pension Schemes have no assets to cover their liabilities. The LGPS assets consist of the following categories, by proportion of assets held:

1 April 2009	31 March 2010		31 March 2011
%	%		%
59.8	64.6	Equity Investments	67.4
24.6	23.3	Bonds	21.8
15.6	12.1	Other Assets	10.8
<b>100</b>	<b>100</b>	<b>Total</b>	<b>100</b>

***History of Experience Gains and Losses***

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

	2006/07	2007/08	2008/09	2009/10	2010/11
	%	%	%	%	%
Differences between expected and actual return on assets					
• LGPS	2.7	(7.4)	(27.9)	(19.0)	0.5
Experience gains and (losses) on liabilities					
• LGPS	-	0.5	32.1	29.4	1.3
• PPS 1987	2.0	1.8	2.2	1.6	1.7
• PPS 2006	60.5	6.4	(9.7)	(0.2)	(5.5)
• PCS	2.1	(3.1)	4.1	(0.5)	5.3

**40. REGIONAL COLLABORATION**

The Regional Collaboration Programme was developed following the Home Office withdrawal of its plans in 2005 to merge Police Forces. Regional collaboration is very different from a formal merger and is bringing opportunities to the participating Authorities and Forces across many policing activities whilst retaining local identity and accountability.

Governance arrangements are in place to support regional collaboration. A Joint Police Authority Committee (JPAC) is constituted under section 101 and 107 of the Local Government Act 1972. JPAC is a sub-committee of each participating Police Authority, comprising the chairs and vice-chairs and other members from each of the four Police Authorities and was formed to support Section 23 of the Police Act 1996 / Police and Justice Act 2006.

## SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2010/11 NOTES TO ACCOUNTS

Regional collaboration is funded from contributions made by the four participating Authorities and the level of the contribution from each Authority is dependent upon an assessment of the benefit to be derived from each specific project or initiative.

West Yorkshire Police Authority publishes memorandum accounts for the Regional Collaboration Programme within their Financial Statements. The memorandum accounts for 2010/11 show the following information:

2009/10 £000		2010/11 £000
4,455	Staff Costs	5,006
182	Property related expenses	845
667	Supplies and services	1,136
395	Transport related expenses	696
<b>5,699</b>	<b>Expenditure</b>	<b>7,683</b>
5,529	Contributions	6,295
470	Other income	1,528
<b>5,999</b>	<b>Income</b>	<b>7,823</b>
<b>300</b>	<b>Surplus in year</b>	<b>140</b>
565	Home Office	-
680	Humberside Police Authority	1,280
779	North Yorkshire Police Authority	1,091
1,355	South Yorkshire Police Authority	1,558
2,150	West Yorkshire Police Authority	2,366
<b>5,529</b>	<b>Total</b>	<b>6,295</b>

The total net expenditure of the Authority in relation to the Yorkshire and the Humber regional collaboration work is £1.558m (2009/10 £1.355m). This expenditure is included under the appropriate cost heading within Net Cost of Services in the Comprehensive Income and Expenditure Statement.

### 41. CONTINGENT LIABILITIES

The Authority has two contingent liabilities.

- The Authority's former insurance company, MMI Limited, ceased trading in September 1992. A 'Scheme of Arrangement' was agreed in case of insolvency, involving a claw back of claims paid. However the Scheme has been held in reserve, since agreed claims continue to be paid in full. The Authority's maximum liability in the event that the Scheme comes into effect is £10m. A solvent run-off of claims has previously been predicted by MMI Limited; however this now depends on the resolution of a number of uncertainties relating to future claims, inflation rates and investment returns. A sum of £5m, representing 50% of the maximum liability, has been set aside in the Insurance Reserve, in line with advice from the Authority's current insurance actuary.

## **SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2010/11 NOTES TO ACCOUNTS**

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- On behalf of the Yorkshire and Humber Authorities' Regional Collaboration, Humberside Police Authority has entered into a property lease arrangement. The annual costs associated with this property are shared equally between the four Police Authorities. The other three Police Authorities (South Yorkshire, North Yorkshire and West Yorkshire) have agreed to indemnify Humberside Police Authority against the future costs in the unlikely event that the joint collaborative arrangements are discontinued during the lifetime of the lease arrangement. The maximum liability for each Authority is currently £47k.



**SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2010/11  
POLICE PENSION ACCOUNT AND NOTES**

2009/10 £000		2010/11 £000	£000
	<b>Contributions Receivable</b>		
	<i>From Police Authority</i>		
(26,015)	• Normal	(26,238)	
(84)	• Early retirements	(155)	
(11,737)	<b>Officers' Contributions</b>	(11,793)	
(37,836)			(38,186)
(437)	<b>Transfers In from Other Schemes</b>		(697)
	<b>Benefits Payable</b>		
44,025	• Pensions	46,242	
13,112	• Commutations and lump sum retirement benefits	16,339	
312	• Death benefits	220	
57,449			62,801
	<b>Payments to and on account of Leavers</b>		
10	• Refunds of contributions	15	
868	• Transfers out to other Schemes	397	412
<b>20,054</b>	<b>Net Amount Payable for the year</b>		<b>24,330</b>
(20,054)	Additional Contribution from the Police Authority		(24,330)
-	<b>Net Amount Payable / Receivable for Year</b>		-

**NET ASSETS STATEMENT**

31 MARCH 2010 £000		31 MARCH 2011 £000
	<b>Current Assets</b>	
416	• Contributions due from Police Authority General Fund	311
	<b>Current Liabilities</b>	
(287)	• Contributions received in advance from Police Authority	(215)
(129)	• Contributions received in advance from Officers	(96)
-	• Unpaid pensions due	-
-	<b>TOTAL</b>	-

## **SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2010/11 POLICE PENSION ACCOUNT AND NOTES**

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### **Notes to the Pension Fund Account**

The Authority administers the Police Pension Fund Account. The operation of the Pension Fund is controlled by the Police Pension Fund Regulations 2007 (SI 2007 No 1932), which specifies the amounts that must be paid into and out of the Fund.

Contributions are made into the Pension Fund from the Authority and those of its employees who are members of the Police Pension schemes. The contribution rates are based on percentages of pensionable pay, as determined nationally by the Government and subject to triennial revaluation by the Government Actuary's Department. The current contribution rates are 35.2% for the 1987 Scheme (24.2% for the Authority and 11% for employees) and 33.7% for the 2006 Scheme (24.2% for the Authority and 9.5% for employees). The Authority is also required to make payments into the Fund in respect of ill health retirements.

The schemes are unfunded which means that there are no investment assets built up to meet pensions payments. The Pension Fund Account is therefore balanced to nil each year by a transfer from the Police Authority General Fund which then receives a top-up grant from the Government if contributions are insufficient to meet the defined pensions benefits payable. Any surpluses on the Fund are repayable to the Government.

The accounting policies adopted for the Pension Fund follow those set out in the Authority's Statement of Accounting Policies (Note 1). However the Net Assets Statement does not include liabilities to pay pensions and other benefits after the Balance Sheet date. These are dealt with within the Core Financial Statements and Note 39 in accordance with the application of International Accounting Standard 19 - Retirement Benefits.

There has been no impact on the figures included in the Pension Fund Account resulting from the implementation of International Financial Reporting Standards.

# **SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2010/11 INDEPENDENT AUDITOR'S REPORT TO THE AUTHORITY**

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## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOUTH YORKSHIRE POLICE AUTHORITY**

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

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

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

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

As explained more fully in the Statement of the Chief Executive and Treasurer's Responsibilities, the Chief Executive and Treasurer is responsible for the preparation of the Authority's Statement of Accounts, including the police pension fund accounting statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing 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 accounting statements sufficient to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority and Pension Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authority and the Pension Fund; and the overall presentation of the accounting statements. I read all the information in the explanatory foreword to identify material inconsistencies with the audited accounting statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

### **Opinion on accounting statements**

In my opinion the accounting statements:

- give a true and fair view of the state of South Yorkshire Police Authority's affairs as at 31 March 2011 and of its income and expenditure for the year then ended;

# **SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2010/11**

## **INDEPENDENT AUDITOR'S REPORT TO THE AUTHORITY**

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- give a true and fair view of the financial transactions of the police pension fund during the year ended 31 March 2011 and the amount and disposition of the fund's assets and liabilities as at 31 March 2011; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

### **Opinion on other matters**

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

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

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

### **Conclusion on Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources**

#### **Authority's responsibilities**

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

#### **Auditor's responsibilities**

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

#### **Basis of conclusion**

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper

# **SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2010/11 INDEPENDENT AUDITOR'S REPORT TO THE AUTHORITY**

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arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

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

## **Conclusion**

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

## **Certificate**

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

John Prentice  
Officer of the Audit Commission

Audit Commission  
3 City Office Park  
Holbeck  
Leeds  
LS11 5BD

27 September 2011

# SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2010/11

## ANNUAL GOVERNANCE STATEMENT 2010/11

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### 1. Scope of Responsibility

The Authority is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Authority is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions and including arrangements for the management of risk.

The Authority has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework ***Delivering Good Governance in Local Government*** and the additional guidance prepared by CIPFA in conjunction with the Association of Police Authorities (APA) and Association of Chief Police Officers (ACPO). A copy of the code is on our website at [www.southyorks.gov.uk](http://www.southyorks.gov.uk) or can be obtained from the Chief Executive and Treasurer, South Yorkshire Joint Secretariat, Regent Street, Barnsley, South Yorkshire S70 2HG.

This statement explains how the Authority has complied with the code and also meets the requirements of regulation 4 of the Accounts and Audit (England) Regulations 2011 in relation to the publication of a statement on internal control.

Good governance arrangements are the foundations on which the Authority establishes its policies and the services it delivers to the community. At the same time, however, governance itself must adapt to changing circumstances. Public bodies such as the Authority must be responsive to developments in services, expectations, and the actions of other stakeholders. The Annual Governance Statement is the opportunity to ensure that the fundamentals of good governance remain in place, and that they are responding to internal and external changes.

### 2. The Purpose of the Governance Framework

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Authority for the year ended 31 March 2011 and up to the date of approval of the Statement of Accounts.

# SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2010/11

## ANNUAL GOVERNANCE STATEMENT 2010/11

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### 3. The Governance Framework

3.1 The Authority's framework of governance has evolved significantly in recent years. Many of the basic processes have been in place since the start. The formalisation of 'Governance' which began with the Cadbury and Nolan reports of the early 1990s has raised its profile. Instead of being a diverse set of rules and regulations which operated in the background, the governance framework is now rightly recognised as setting the direction and tone of how the Authority conducts its business. All of the new concepts which have emerged since Cadbury and Nolan – including Value for Money, Risk Management, and the emphasis on the performance management culture – have been built into the framework.

3.2 The latest (2007) version of the CIPFA/SOLACE guidance is structured around 6 core principles. It has also identified criteria which together should shape the governance framework. The additional guidance produced specifically for Police Authorities by CIPFA/APA/ACPO added a further 4 criteria to the list. It has been helpful to use this wider framework of criteria as a basis for describing the arrangements in this Authority, with the objective of:

- challenging that governance arrangements do meet expectations; and
- identifying any weaknesses, gaps, or future changes which would prompt adjustments to the framework.

#### 3.3 **Identifying and communicating the Authority's vision of its purpose and intended outcomes for citizens and service users**

The Authority and Force review the policing strategy and associated objectives on an annual basis and this is reflected in the current Policing Plan, which sets out a Vision, Mission and Values, and how the Authority plans to deliver its priorities. The Authority has a well established process for consulting the community at County, Divisional, and Neighbourhood levels. Authority meetings have been webcast live since Autumn 2007 and all webcasts are archived. In 2010/11 the Authority updated its Communication Strategy to reflect the need to keep the public of South Yorkshire aware of the difficult challenges facing policing following the cuts in public sector funding and for the first time used an internet based budget simulator to gauge public views on policing priorities in relation to the proportion of the policing budget.

#### 3.4 **Reviewing the Authority's vision and strategy and its implications for governance arrangements**

The CIPFA/SOLACE guidance, as expanded by the joint CIPFA/APA/ACPO guidance, forms the basis of the annual review of governance. An improvement programme is prepared each year to address the identified gaps. The Authority and the Internal Control & Governance Committee are formally responsible for governance. An officer Board, composed of Force/Authority representatives, undertakes the annual reviews.

The Authority maintains forward Work Programmes for itself and its Committee and future strategy is coordinated by the Chair and Vice Chair along with the Chief Constable and the Chief Executive and Treasurer and the Authority as a whole, following the restructuring of the Police Authority's governance structures during 2010/11

The Authority has its own Business Plan and Performance Framework which sets out the key priorities for the Authority each year.

## **SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2010/11 ANNUAL GOVERNANCE STATEMENT 2010/11**

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### **3.5 Setting objectives and targets outlined in the Annual Policing Plan, including decision making structures**

The process for reviewing and updating policing objectives and their associated targets is integrated with the whole Strategic Planning cycle. The Authority determines Policing Objectives and targets, in conjunction with the Chief Constable, informed by consultation results, force performance and national direction. The Strategic Planning process involves the Authority at key stages through a structured process of seminars.

### **3.6 Monitoring performance against operational, financial and other strategic plans, including how key issues are identified and tasked**

The Authority holds the Chief Constable to account for the delivery of an efficient and effective policing service in a variety of ways. Formal arrangements exist through the provision of information to the Police Authority and Internal Control & Governance Committee. In addition the Authority has prepared a Value for Money (VfM) strategy and statement for 2010/11 which sets out expectations and targets in relation to VfM. Within the Service, there is a structured process for monitoring progress at all levels, through Corporate Health Checks and Monthly Performance Visits, led by members of the Senior Command Team. Police Authority members are invited to attend these internal performance management arrangements, providing complete transparency and openness of the process. The introduction of "Task and Finish Groups" as part of the new governance arrangements during 2010/11 has provided an opportunity to review in detail specific aspects of policing and its associated expenditure.

### **3.7 Measuring the quality of service for users, to ensure they are delivered in accordance with the Authority's objectives and represent the best use of resources**

Service quality is monitored through the countywide consultation processes and by direct engagement of members and officers in Community Safety Partnerships (CSP) / Local Strategic Partnerships (LSP) arrangements. A service user stakeholder engagement plan has been approved. The outcome is reported to the Authority. Value for Money is monitored through the External Audit process and the internal Performance Management system. An Environmental Policy has been drawn up and a full time Sustainability Manager has been working with Carbon Trust to conclude South Yorkshire Police Carbon Management Plan 2010/11.

### **3.8 Establishment of risk management processes by which key risks are identified and mitigated in the Force and Authority**

Corporate Risk, including Information Assurance Risk, is managed at all levels within the Force, and separately by the Authority. A Risk Management Board has been established to coordinate the process. The Authority and Force have Business Continuity Plans. Regular external emergency planning exercises are carried out in conjunction with partners. The Force has appointed a Risk Manager and an Authority officer is designated to coordinate Authority related risks, via a Management Team Planning Group. Members have received specific training in risk management. The Deputy Chief Constable is the nominated Senior Information Risk Owner (SIRO) in line with national and Force policy.

### **3.9 Defining and documenting the roles and responsibilities of the Authority and Service and the senior members and officers within each, setting out clear delegation arrangements and protocols for effective communication, and arrangements for challenging and scrutinising Service activity**

The Authority has a Constitution which sets out in various documents how it operates, how decisions are made, roles and responsibilities and the procedures which are followed to



## **SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2010/11 ANNUAL GOVERNANCE STATEMENT 2010/11**

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ensure that these are efficient, transparent and accountable to local citizens. Some of these are required by law, whilst others are a matter for the Authority to determine. The Authority's Constitution can be accessed via the website. Authority agendas and minutes can also be accessed. One of the principal roles of the Secretariat is to provide Authority members with independent advice and support to carry out their 'holding to account' roles, and this ensures robust challenge on all aspects of the Service, including operational priorities and performance. The scheme of Delegation is in place and is subject to periodic review. Job Descriptions for senior management are in place, and a Performance system applies to senior officers in the Force.

### **3.10 Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members, officers and staff**

Force and Authority Corporate Complaints processes are in place. The Authority receives regular reports on complaints and the Internal Control and Governance Committee ensures adequate processes are in place to manage complaints. Protocols in relation to member/officer relations are in place, customised as appropriate for involvement in CSPs and other local partnerships. Equality and Diversity strategies are in place, supported by Equality Impact Assessments. The Standards Committee meets regularly and members have been supported by specific training.

### **3.11 Reviewing and updating standing orders, standing financial instructions, a scheme of delegation, contract/procurement regulations, and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks**

A programme of ongoing reviews of fundamental systems is in place and the Authority receives regular updates, and approves significant changes. The Authority balances the need for effective controls and governance with the need to encourage delegation and to avoid unproductive constraints on service delivery.

### **3.12 Ensuring the Authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on The Role of the Chief Financial Officer in Local Government (2010)**

The above CIPFA Statement sets out five principles that define the core activities and behaviours that belong to the role of the Chief Financial Officer and the governance arrangements needed to support them. These are that the Chief Financial Officer should:

- Be a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest
- Be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risk are fully considered, and alignment with the organisation's financial strategy
- Lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively
- Lead and direct a finance function that is resourced and fit for purpose
- Be professionally qualified and suitably experienced.

## **SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2010/11 ANNUAL GOVERNANCE STATEMENT 2010/11**

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The Authority has the following financial arrangements which demonstrate compliance with the above key principles:

- The South Yorkshire Joint Secretariat (SYJS) is an independent organisation (staff are employed by Barnsley MBC) which delivers strategic and governance support to the Police Authority and three other South Yorkshire Joint Authorities. The head of the SYJS is designated as the Chief Executive and Treasurer to the Authority and the statutory role of Chief Financial Officer as set out in the CIPFA Statement is delivered through this post, supported by a formally designated Deputy Treasurer and a small finance team.
- The Police Force employs a Director of Finance who is responsible for leading the finance function within the Force and works closely with the Chief Executive and Treasurer / Deputy Treasurer to deliver sound financial management across both organisations.
- The Director of Finance is a member of the Senior Command Team. Both the Chief Executive and Treasurer and the Director of Finance are members of the Strategic Governance Board responsible for monitoring the effectiveness of governance arrangements and the preparation of the Annual Governance Statement.
- All finance staff across both organisations are suitably qualified and experienced and have regular training as required to ensure continuing professional development.

### **3.13 Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committee – Practical Guidance for Local Authorities**

The Authority has an established Audit Committee (now Internal Control and Governance Committee), which has assessed itself against the CIPFA guidance. The Authority has joined the South and West Yorkshire group of Audit Committees, to help identify and disseminate good practice.

### **3.14 Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful**

The Authority maintains a well established legal team, which works closely with the Force's legal advisers, and through the Monitoring Officer maintains a check on legality and ethical factors. The Chief Executive and Treasurer is required to report to the Authority any unlawful, or potentially unlawful, expenditure by members or officers and systems are in place for ensuring compliance with the Authority's Constitution and other accounting and financial standards. Internal Audit provides an assurance function and reports to the Internal Governance and Control Committee an independent, objective opinion on the governance and internal control environment. Formal reporting on Treasury Management and financial monitoring is built into the annual timetable.

### **3.15 Ensuring that a Whistleblowing policy supported by other processes for receiving and investigating complaints from the public, is in place.**

Whistleblowing policies are in place for both the Force and the Authority as are Complaints processes, with the aim of ensuring prompt response, appropriate action, and recording. The Anti-Fraud and Anti-Corruption Policy underwent a significant revision in 2009/10 following which a full vulnerability assessment was carried out during 2010/11.

### **3.16 Determining the conditions of employment and remuneration of officers and staff**

The Authority sets the conditions of employment and remuneration of senior officers in the Force, and monitors in service arrangements. A workforce plan is in place covering the

## **SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2010/11 ANNUAL GOVERNANCE STATEMENT 2010/11**

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period and officers at the Force and the Authority are encouraged and supported to engage fully in Continuing Professional Development.

### **3.17 Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training**

Member Training and Development plans, drawn up with member involvement, are in place. Regular development programmes including mechanisms such as awaydays, mentoring and formal training. Following the approval of a Regional Member Training and Development Strategy in February 2010, the Authority's own Strategy was being revised. Members are supported by comprehensive briefing arrangements, overviews, newsletters and information bulletins.

The Authority participates extensively in Association of Police Authorities (APA) and regional activity, which ensures leading members are up to date. Both the Force and the Joint Secretariat have staff training budgets.

### **3.18 Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation**

A community engagement and consultation strategy is in place, with further work planned to enhance current partner/stakeholder engagement. The Policing Plan is available to all stakeholders via the website.

### **3.19 Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the Authority's overall governance arrangements**

The Authority received and agreed the recommendations of a report on partnership activity which detailed the work undertaken by a partnership task and finish group. The report captured the development of a partnership landscape map showing all partnerships in which the Authority is involved; this will be updated as and when required. All partnerships will be subject to the annual completion of a partnership checklist to ensure continued relevance to Authority objectives and where necessary the Authority will join or withdraw from partnerships. Member role profiles devolving authority to members on partnerships to agree plans and strategies have been developed, with the right of approval for any financial commitment being retained by the Authority.

## **4. Review of Effectiveness**

4.1 The Authority has a responsibility for conducting, at least annually, a review of the effectiveness of its governance framework. This should also include the system of internal control and the arrangements for internal audit.

4.2 Governance arrangements are ultimately the responsibility of the Authority itself. The Internal Control and Governance Committee has a specific role in coordinating the process and ensuring that the annual review of governance is located properly in relation to the other formal processes – such as the Statement of Accounts and the auditors' reports – which are linked to it. To provide members of the Authority with the necessary advice and guidance on governance, the Strategic Governance Board was established in 2007/08, chaired by the Chief Executive and Treasurer and comprising all of the leading officers within the Secretariat and the Force with responsibilities for aspects of the governance framework. The testing and self assessment processes have been coordinated by the Board, and the Annual Governance Statement has been overseen by the Chair of the Board and the Deputy Treasurer.

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- 4.3 During 2010/11, the following governance improvements have been made:
- the implementation of a revised governance structure for the Authority
  - Processes have been developed for the vetting of members and officers of the Authority
  - Development of a more strategic approach to risk management
  - An overarching Value for Money (VfM) Strategy has been approved by the Authority and a VfM Statement has been included within the Local Policing Plan
  - The Force appointed a professionally qualified and suitably experienced Human Resources Director on a shared basis with Humberside Police Authority
  - Management framework put in place to manage the 20% budget reduction over four years

- 4.4 In addition to the above, monitoring the effectiveness of the governance framework has been accomplished in several different ways:

***Through the normal ongoing business of the Authority***

- Review and restatement of objectives and performance targets
- Regular reporting of performance
- Budget monitoring and consideration of the Authority's statement of accounts
- Approval of a Code of Corporate Governance
- Receipt of the Audit Commission's annual report
- Review of the Authority's role and involvement in external partnerships, including CSPs
- Monitoring the performance of Chief Officers

***Through formal processes of compliance***

- The work of the internal audit section
- The external auditors reports and studies
- The work of the Standards Committee

***By the adoption of Risk Management***

- The Risk Management Board has met regularly to review the risks faced by the Authority and the Force, and to monitor the action taken to mitigate those risks. Member involvement on the Board is provided for, and the process is linked back to the Authority.

***By participating externally in processes which enhance the quality of governance***

- The Secretariat has continued to be involved directly in the joint CIPFA/APA/ACPO work on Police Governance
- The APA's work in producing a self assessment framework for Police Authorities
- National work to develop new governance arrangements for policing following Police Reform.

***Through other processes in support of the main review***

- Officer assurance statements have been sought from within the Service and the Secretariat
- A review of minutes
- A review of complaints received
- Monitoring the actions of other Authorities in establishing and strengthening good governance.

The Audit Committee, advised by the Governance Board has overseen the whole process of review, and this statement is for the purpose of advising the Authority on the implications of

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the review, including a plan to address weaknesses and ensure that continuous improvement takes place.

The following governance issue was identified and addressed during 2010/11:

- Following the retirement of the Authority's Chief Internal Auditor, an arrangement has been reached with Barnsley MBC for the Council's Assistant Executive Director of Finance (Audit and Risk Management) to provide the role of Strategic Head of Internal Audit for the Joint Authorities. The postholder is CIPFA qualified and will provide managerial expertise on all aspects of governance and internal control. The current Auditor Manager has taken on additional responsibilities for the planning and reporting of Internal Audit's work. Additional resources will be employed at Principal Auditor level to maintain an effective internal audit function.

**5. Significant Governance Issues**

- 5.1** The review of effectiveness has generated a number of governance issues for improvement during 2011/12. Some are related to areas where existing processes could be strengthened. Others are the result of looking ahead to developments in the service, or in external requirements, where the Authority needs to be ready to respond.

These are summarised in the table below:

<b>GOVERNANCE ISSUE</b>
<b><i>Outstanding issues from 2009/10 review:</i></b>
<p><b><i>Develop a shared set of values which supports the Authority's Vision and Objectives</i></b></p> <p>Members requested additional time to complete this work and anticipate completion by September 2011.</p> <p><b><i>Better use of risk management to inform priorities and support decision making</i></b></p> <p>Additional officer training on report writing is required to ensure an impact assessment is included within each report.</p>
<b><i>Issues from 2010/11 review:</i></b>
<p><b><i>Ensure that regional and collaborative activity is subject to the same principles and practices as local programmes</i></b></p> <p>There is a substantial and increasing amount of Police spending being delivered through regional and other collaborative arrangements. There has been a tendency for them to function at arm's length and the local governance processes therefore need to be strengthened, including:</p> <ul style="list-style-type: none"> <li>• Approval of business plans and Medium Term Financial Strategy for the Yorkshire and Humberside Joint Police Authorities Committee</li> <li>• Delegation and standardisation of financial control arrangements</li> <li>• Improved reporting and monitoring arrangements</li> <li>• Coordination of approaches and assumptions across the four Authorities within budgets</li> <li>• Introduction of regional procurement unit</li> </ul>

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**GOVERNANCE ISSUE**

***Plan and programme a series of management sessions to raise awareness of the internal control framework***

Internal Audit coverage during 2010/11 has highlighted a number of opportunities to improve controls across a range of specific service areas as well as Force-wide.

Although management has responded promptly and effectively to the recommendations made, it is recognised that, in the light of a number of the areas where the application of controls could be improved, it is appropriate to commence a programme of refresher awareness training to ensure senior responsible managers are fully aware of the need for and importance of good and effective internal controls.

The focus for this training will be around the security and control of assets and corporate procurement.

***The Authority and Force must manage significant reductions in funding whilst effectively managing service delivery / confidence of a robust process to identify the impact on service quality and outcomes.***

There are still significant gaps in the current Medium Term Financial Plan. Assumptions have been made about projected staff reductions; however costed savings plans are only in place for year 1 and the potential impact on service delivery is not yet fully understood.

Reserves are available to support the Financial Strategy; however a Reserves Strategy has not yet been fully developed.

It must also be ensured that governance and internal control arrangements are considered as part of the change management process and any changes reviewed for effectiveness.

***The Authority must manage the impact of the transition to the proposed new Police and Crime Commissioner (PCC) arrangements***

In 2011/12, the Police Authority must focus on the planning and introduction of the proposed new governance arrangements surrounding the introduction of the PCC whilst at the same time continuing to manage current responsibilities. This will include:

- Definition of roles and responsibilities
- Structure of new arrangements including designating officers to provide appropriate support to the PCC
- Manage capacity and capability issues
- Managing competing priorities of the Authority between current responsibilities and preparing the ground to hand over to the PCC
- Financial management arrangements following guidance on new accountability requirements
- Setting up the Police and Crime Panel arrangements in conjunction with the lead districts

***Whilst the Authority currently has an effective Standards Committee, the Localism Bill includes proposals for them to be abolished. The Authority will therefore need to ensure it has alternative arrangements in place in order to promote and maintain high standards of conduct***

This is an emerging issue that the Authority will need to address in 2011/12. It is anticipated that there will some guidance issued during the year to assist with this.

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- 5.2 We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements identified in the review of effectiveness, and we will monitor their implementation and operation during the course of the year via the Internal Control and Governance Committee, and feed this into the next annual review.

Chair of Police Authority

Chief Constable

Chief Executive and Treasurer

# SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2010/11

## GLOSSARY OF TERMS

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### **Accrual**

The concept that income and expenditure is recognised as it is earned or incurred, not as cash is received or paid.

### **Actuarial Gain or Loss**

The change in actuarial deficits or surpluses that arise because either events have not coincided with the actuarial assumptions made for the last valuation (experience gains or losses), or because the actuarial assumptions have changed.

### **Amortisation**

The writing down of an asset over a period of time in order to charge the revenue account for the usage of the asset.

### **Assets**

Items of worth which are measurable in monetary terms. Current assets are ones that change in value on a day to day basis whereas fixed assets are assets which yield benefit to the Authority for a period of more than one year.

### **Budget**

A statement defining in financial terms the Authority's plans over a specified period. The budget is prepared as part of the process for setting the precept.

### **Capital Expenditure**

Spending on the acquisition of assets or spending which adds to and not merely maintains the value of an existing asset.

### **Capital Financing Requirement**

This measures the underlying need to borrow for capital purposes.

### **Capital Receipt**

Proceeds from the disposal of land or other capital assets which may be used to reduce debt or to finance capital expenditure, but cannot be used to support revenue expenditure.

### **Chartered Institute of Public Finance and Accountancy (CIPFA)**

The accounting body that provides accounting guidance to the public sector. The guidance provided by CIPFA is defined as proper accounting practice and has statutory backing.

### **Contingent Liability**

A possible liability at the balance sheet date which will only be confirmed following the outcome of uncertain future events.

### **Corporate and Democratic Core**

The costs associated with corporate policy making and member based activities, together with costs relating to corporate management, public accountability and treasury management.

### **Creditor**

Amounts owed by the Authority for works done and goods or services received for which actual payments had not been made by the end of the financial year.

### **Current Service Cost (Pensions)**

This measures the increase in the present value of pensions liabilities generated in the financial year by employees. It is an estimate of the true economic cost of employing people in



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### GLOSSARY OF TERMS

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the financial year, earning service that will eventually entitle them to the receipt of a lump sum and pension when they retire.

#### **Debtor**

Amounts due to the Authority for works done and goods or services supplied for which actual payments had not been received by the end of the financial year.

#### **Defined Benefit Pension Scheme**

Retirement benefits are defined independently of the contributions payable and benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded.

#### **Depreciation**

The measure of the wearing out, consumption or other reduction in the useful life of a fixed asset arising from age, wear and tear, deterioration or obsolescence.

#### **Earmarked Reserves**

Amounts set aside for a specific purpose in one financial year and carried forward to meet expenditure in future years

#### **Expected Rate of Return on Pensions Assets**

This is a measure of the average rate of return expected on the investment assets held by the scheme for the year. It is not intended to reflect the actual realised return on the scheme, but a longer-term measure, based on the value of assets at the start of the year and an expected return factor.

#### **Finance Lease**

A lease that transfers all the risks and rewards of ownership of a fixed asset to the leasee. Assets held in this way by the Authority appear on the Authority's balance sheet and are accounted for as property, plant and equipment.

#### **Financial Instrument**

This is any contract that gives rise to a financial asset of one entity and a financial liability of another. The term covers both financial assets such as loans receivable and liabilities such as borrowings.

#### **General Fund Balance**

The General Fund Balance is the description given in the Code to those reserves held by an Authority that are not earmarked for specific purposes and is more commonly described as General Reserves.

#### **Government Grants**

Assistance by Government and inter-governmental agencies and similar bodies in the form of cash or transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.

#### **Gross Book Value**

The value of an asset before deducting depreciation and impairment.

#### **Impairment**

A reduction in the value of a fixed asset below its carrying amount on the balance sheet.

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## GLOSSARY OF TERMS

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### **Intangible Fixed Assets**

These are fixed assets such as software licences that do not have physical substance, but are identifiable and controlled through legal or custody rights.

### **Interest Costs (Pensions)**

The expected increase in the present value of liabilities during the year as they move one year closer to being paid.

### **Liabilities**

Amounts due to individuals or organisations which will have to be paid at some point in the future. Current liabilities are usually payable within one year of the balance sheet date.

### **Minimum Revenue Provision**

The statutory minimum amount that must be set aside from revenue each year to repay debt. A prudent level is set by the Authority

### **Net Book Value**

The amount at which fixed assets are included in the balance sheet, that is their historical or current value less the cumulative amounts provided for depreciation.

### **Operating Leases**

A lease where substantially all the risks and rewards of ownership of a fixed asset remain with the lessor.

### **Outturn**

Actual income and expenditure for the financial year.

### **Past Service Cost (Pensions)**

These costs represent the increase in liabilities arising from decisions taken in the current year to improve retirement benefits, but whose financial effect is derived from years of service earned in earlier years.

### **Precept**

An amount of money levied by one authority (the precepting authority) which is collected by another authority (the collecting authority) as part of the council tax. The Authority is a precepting authority and the four South Yorkshire District Councils are the collecting authorities.

### **Provisions**

Sums set aside to cover a liability that is likely to be incurred, but the amounts or date on which the cost will arise is uncertain.

### **Prudential Code**

Local authorities are required to comply with the Prudential Code for Capital Finance in Local Authorities, published by CIPPA, in order to ensure that their capital investment plans are prudent, affordable and sustainable.

### **Public Works Loans Board**

A Government controlled agency that provides a source of borrowing for public authorities.

### **Reserves**

A reserve is an amount set aside for a specific future purpose in one financial year and carried forward to meet expenditure in future years.

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**Revenue Expenditure**

Expenditure on day to day running costs incurred by the Authority in the provision of services

**Treasury Management**

The management of the Authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.