

Statement of Accounts

2007 - 2008

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Foreword

General

This Statement of Accounts records the expenditure and income of the Kent Police Authority (KPA) during the financial year 2007/08 and its financial position at the 31 March 2008. The accounts have been prepared in accordance with the 'Code of Practice on Local Authority Accounting', which is the relevant 'Statement of Recommended Practice' (SORP), and the 'Best Value Accounting Code of Practice' published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The document begins with a statement of the responsibilities of the Authority and the Treasurer in relation to the management and reporting arrangements for the Authority's resources (p5). The Authority's 'Annual Governance Statement', which is produced for the first time this year, and broadens the coverage of the previous Statement of Internal Control to enforce all of the organisation's key governance processes and safeguards is published as a separate document. The Auditor's Report appears at p6 and the Summary of Accounting Policies at p9.

The main Financial Statements comprise:

- ❖ Income and Expenditure Account with explanatory notes– p12
(A record of income and expenditure both by 'Best Value' categories of activity, and by type of spending)
- ❖ Statement of Movement on the General Fund and a note providing a Reconciliation to the Statement of Movement on General Reserves – p13
(These are statements required by the SORP to explain the deficit showing on the face of the Income and Expenditure account)
- ❖ Statement of Total Recognised Gains and losses p14
(a statement required by the SORP to reconcile the movement on the Balance Sheet)
- ❖ The Balance Sheet with explanatory notes– p15
(A statement of the overall financial position in terms of assets and liabilities as at 31 March 2007)
- ❖ Cash Flow Statement with explanatory notes – p16
(An analysis of cash inflows and outflows during the year, reconciling opening and closing balances)

The Revenue (Income and Expenditure) Account

The Kent Police Authority Revenue Budget for 2007/08 provided for net expenditure of £257.9m. In the event, actual net expenditure was £255.9m, representing an underspend of £2.0m. This level of underspending is similar to that which was anticipated at the time of setting the Revenue Budget for 2007/8, and will be utilised on a planned basis to ease the expected burden of less favourable grant settlements over the next three to five years. Note 1 to the accounts shows the net expenditure in a format that I feel is useful for members although it is not required in the SORP.

The final position on Revenue Spending against Budget for the year was, therefore, a satisfactory and favourable one. It has permitted the General Fund Reserve to rise to

£5.3m or 2% of net revenue expenditure in line with agreed KPA policy, whilst identified future liabilities (except pensions) are fully covered by separate earmarked Reserves.

However accounting standards require that the total future liabilities for the cost of pension payments to past and present employees are fully reflected in the Balance Sheet, and that their change during the year is reflected in the Income and Expenditure Account. Since the national Police Officers' pension scheme is not backed by any investments, the KPA's future pension liability of £1,402m far exceeds its total assets. Including a smaller deficit on the mainly funded Local Government Scheme for Police Staff, total pension liabilities are £1,429m. Set against £25m of Usable Reserves, the Balance Sheet Accounting Deficit is £1,215m.

During the year, the net charge made to the revenue account for retirement benefits was £118.1m. This, together with notional depreciation charges for the use of assets which are already fully funded, means that the required form of Income and Expenditure Accounts shows a deficit of £127.5m for the year, despite the favourable outcome against planned budget. This position is replicated in Police Authorities across the country.

The main underspends in the year were due to increased interest income due to lower capital expenditure and improved interest rates, vacancies being held on police staff due to back office reviews and police pay being a different mix than originally budgeted. These underspends were offset by overspends within the contingency fund set aside for major operations and transport costs due to the increased fuel costs.

Capital

The KPA has a 5-year medium term capital programme that is supported by the Estate and Information Systems Strategies and a vehicle renewal programme. The 5-year programme is funded from capital grants, capital receipts and revenue account contributions. Capital expenditure during 2007/08 was £8.649m as follows:

<u>Nature of Expenditure</u>	<u>£m</u>
Estates	1.621
IT	2.479
Vehicles/Equipment	<u>4.549</u>
Total	<u>8.649</u>

Major Acquisitions and Disposals 2007/08	(£'000)
Acquisitions	
Enigma	829
Incident Data Recorders	683
Sprint 2 Network Hardware	594
Estate Merger	529
Disposals 2007/08	(£'000)
<u>Operational Property</u>	
North End, Barming, Maidstone	258
127 Bush Road, Cuxton, Rochester	241
112 Stephens Road, Canterbury	237
<u>Non Operational Property</u>	
33 Vicarage Road, Ashford	110

Summary

The outlook for Police Authority funding in the medium term is not favourable, and this presents KPA with serious challenges. Government spending plans for the service now cover the period up to 2010/11, and these offer no prospect of any real funding growth against a background increasing demands arising from changing demographic and social patterns. However, a combination of effective systems of internal control and budget monitoring, and a coherent medium term plan, leave the Authority in a relatively robust financial position to address these challenges. The favourable outturn of spending against budget in 2007/08 has contributed to this position.

Whilst the current 'unfunded' Police Officer pension arrangements continue, Annual Financial Statements will always show large and increasing Balance Sheet deficits. It is right that we are required to be transparent about these deficits, but we should not let this distract us from focusing on our performance in managing our finances against the real parameters set for us. In this latter respect, 2007/08 represented another successful year.

Statement of Responsibilities for The Statement Of Accounts

Responsibilities

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. That officer is the Treasurer of the KPA;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Ensure that the statement of accounts is prepared in accordance with the Accounts and Audit Regulations 2003 and to approve the accounts within four months of the end of the period to which they relate.

The Treasurer's Responsibilities

The Treasurer is responsible for the preparation of the Authority's statement of accounts which, in terms of the CIPFA Code of Practice on Local Authority Accounting in Great Britain ('the Code'), is required to present fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2008. The Treasurer is also responsible for certifying the accounts as correct before being presented for approval by this Authority.

In preparing this statement of accounts, I have:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code;
- Kept proper accounting records which were up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

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

Independent Auditors' Report to the members of Kent Police Authority

Opinion on the financial statements

I have audited the accounting statements, the police pension fund accounting statements and related notes of Kent police authority for the year ended 31 March 2008 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, Balance Sheet, Statement of Total Recognised Gains and Losses, Cash Flow Statement, and the related notes. The police pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial statements and police pension fund accounting statements have been prepared under the accounting policies set out within them.

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

Respective responsibilities of the Treasurer and auditor

The Treasurer's responsibilities for preparing the financial statements, including the police pension fund accounting statements, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities.

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

I report to you my opinion as to whether the accounting statements, the police pension fund accounting statements and related notes present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007:

the financial position of the Authority and its income and expenditure for the year; and

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

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

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

Basis of audit opinion

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

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

Opinion

In my opinion:

The accounting statements and related notes present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority as at 31 March 2008 and its income and expenditure for the year then ended; and

The police pension fund accounting statements present fairly, in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial transactions of the police pension fund during the year ended 31 March 2008 and the amount and disposition of the fund's assets and liabilities as at 31 March 2008, other than liabilities to pay pensions and other benefits after the end of the scheme year.

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

Authority's Responsibilities

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

Auditor's Responsibilities

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

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for police authorities specified by the Audit Commission and published in December 2006, I am satisfied that, in all significant respects, Kent Police Authority made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2008.

Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Darren Wells
District Auditor
16 South Park
Sevenoaks
Kent
TN13 1AN

25 September 2008

Accounting Policies

General

The accounts of the Police Authority have been compiled in accordance with the Code of Practice on Local Authority Accounting issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). Separate accounts are maintained for capital and revenue transactions.

Basis on which debtors and creditors at year-end are included in the accounts

The Police Authority's revenue and capital accounts are kept on an income and expenditure basis. In order to account for expenditure attributable to the financial year, sums paid after 31 March 2008 for goods received or services rendered during the financial year 2007-2008 have been included in the accounts. Similarly, sums known to be due to the Authority during the year are entered in the accounts. Where actual amounts are not known estimated sums have been included. Expenses paid to employees, however, are included on the basis of cash paid in year, any unpaid expenses relating to the financial year 2007/08 are considered immaterial for the purposes of these accounts.

Reserves

The Police Authority maintains reserves that are either earmarked for specific purposes or held to meet unforeseen or emergency expenditure. Earmarked reserves include those established for the budget equalisation, insurance liabilities, invest to save initiatives, proceeds of crime, desktop migration, PFI residual value, financial instruments adjustment account and FRS 17 current and future liability.

The Authority also maintains a general reserve to meet unforeseen or emergency expenditure that cannot be contained within the approved budget. This has been maintained at 2.0% of net budgeted expenditure.

Provisions

An insurance provision is maintained to cover future expenditure on insurance claims that are outstanding but which cannot yet be determined precisely.

Investments

All investments shown in the Balance Sheet have been recorded in the accounts at cost.

Fixed Assets

All expenditure on the acquisition, creation or enhancement of fixed assets has been capitalised on an accruals basis. Operational assets have been included in the Balance Sheet at the lower of net current replacement cost or net realisable value in existing use. Non-operational assets have been included in the Balance Sheet at the lower of net current replacement cost or net realisable value.

All assets held at current value are subject to revaluation at intervals not exceeding five years. As part of this process, properties are being valued on a regular annual programme where a proportion (approximately 20% by number) is valued in each year.

Intangible assets such as software held on the Authority's Balance Sheet incorporate the capitalised development costs directly contributing to the usefulness and value of the asset and include project management, consultancy and data migration.

Depreciation

Assets other than land and non-operational assets are being depreciated on a straight-line basis over their useful economic lives. Assets that are revalued have the depreciation brought forward written out and are then depreciated on a straight-line basis over the remainder of their useful lives at the revalued amount.

Straight-line rather than reducing balance depreciation methodology is utilised by Kent Police as it provides a more realistic illustration of the use and consumption of each asset.

Capital Charges

The capital charges made to revenue equate to the depreciation based on the revalued amount at which the fixed asset is included in the Balance Sheet; the profit or loss made on disposal of a fixed asset representing the difference between the sale proceeds and carrying value on the balance sheet and any impairments.

Deferred Charges

Deferred charges are written off in the year in which they are incurred unless there is some ongoing benefit to the Authority.

Work in Progress

Work in progress is included in the accounts at a valuation based on cost price.

Stocks and Stores

Where stocks are maintained and recorded they are shown in the Balance Sheet at the lower of cost or net realisable value.

Accounting for Value Added Tax

VAT is separately accounted for in accordance with Statement of Standard Accounting Practice (SSAP) 5 and is not included as income or expenditure of the Police Authority except where it is not recoverable. For example, on the purchase of motorcars where there is an element of private use by staff.

Government Grants

Government grants are accounted for on an accruals basis and income has been credited in the case of revenue grants to the revenue account or in the case of capital grants to a government grants deferred account. Amounts are released from the government grants deferred account to offset any provision for depreciation charged to the revenue account in respect of assets to which the grants relate.

Pensions

Police

In April 2006 the new Police Pensions scheme came into force. The pension costs are recognised in the Authority's income and expenditure account in accordance with the relevant accounting standard (FRS 17). In accordance with statutory provisions, an adjustment is made in the Statement of Movement on the General Fund Balance to reduce the amount charged to the amount payable to the police pension fund. Police Pension Fund Regulations 2007 (SI 2007 No 1932) control the transactions that are posted to the Pension Fund to make a transfer at the year end to balance any deficit (or to take the credit for any surplus). The Home Office then pay the top-up grant for the deficit to the Police Fund (or receive any surplus amount from the Police Fund). The Regulations override the SORP's provisions which presume that top-up grant would be payable directly to the Pension Fund.

Police Staff

Many of the Police Authority's non-uniformed employees contribute to the Local Government Pension Scheme managed by Kent County Council.

The pension costs are recognised in the Authority's income and expenditure account in accordance with the relevant accounting standard (FRS 17). In accordance with statutory provisions, an adjustment is made in the Statement of Movements on the General Fund

Balance to reduce the amount charged to the contributions paid to the funded pension scheme for these employees.

Further costs arise in respect of certain pensions paid to retired employees on an unfunded basis.

Capital Accounting Reserves

The Police Authority has three capital accounts; namely the Revaluation Reserve, the Capital Adjustment Account and the Government Grants Deferred Account. None of these accounts represent resources that are available for use by the Police Authority.

The Revaluation Reserve records unrealised revaluation gains (since 1st April 2007) from holding fixed assets.

The Capital Adjustment Account provides a balancing mechanism between the different rates at which assets are depreciated under the SORP and are financed through the capital controls system.

The Government Grant Deferred Account represents the deferred credits to be released to revenue to offset the depreciation that might be charged on the assets.

De Minimis Level

The Police Authority has approved a de minimis level of £12,000 for the acquisition, renewal, or replacement of buildings, plant, machinery or other equipment to count as prescribed capital expenditure. A de-minimis level of £10,000 has been used in previous years for vehicles, this policy was changed on 1 April 2008 and all vehicles are now capitalised.

Revaluations and Disposals

With regard to disposals, income from the sale of fixed assets is taken to the Capital Receipts Reserve and is available to support the capital programme.

The 2006 SORP requires that the gains and losses on disposal of fixed assets be calculated for the disclosure in the Income and Expenditure Account. The objective is to show gains and losses measured against the current value of the assets. The sale of the asset is the best evidence of its current value, and therefore where there is a substantial difference between the carrying value of an asset in the balance sheet and sale proceeds, the accounting requirement is to revalue the asset to recognise the new evidence where material. Consequently, gains will only arise in the rare circumstance that the Authority sells an asset for more than it is really worth, and losses may only rise in situation where an asset has been sold for less than market value.

Private Finance Initiative (PFI)

In 2004 the Authority entered into a long-term contractual agreement under PFI whereby the contractor is responsible for the new Medway Police Station for 30 years.

Such PFI schemes are required to meet the conditions set out in FRS 5 and professional advice has been provided on the accounting treatment for this. The contract provides for the transfer of assets to the Authority at the completion of the contract for a nominal consideration. The accounts reflect the accumulated cost of the residual value of the assets from the start of the contract.

Income and Expenditure Account

Previous Year Net Expenditure £'000s	Notes	Gross Expenditure £'000s	Gross Income £'000s	Net Expenditure £'000s
	Expenditure			
18,650	Reducing Crime	21,087	(2,385)	18,702
135,253	Investigating Crime	170,046	(24,743)	145,303
112,667	Promoting Public Safety	132,593	(20,095)	112,498
26,212	Assistance to the Public	44,746	(15,278)	29,468
400	Non Distributed Costs (NDC)	100	0	100
	3			
1,098	Corporate and Democratic Core	1,091	(37)	1,054
368	National Police Services Undertaken Locally	411	(79)	332
294,648	Cost of Police Services	370,074	(62,617)	307,457
	1			
3,246	Police and Police Staff Pension	3,554	(4)	3,550
	3			
(152)	Seconded Officers	1,154	(1,286)	(132)
297,742	Expenditure	374,782	(63,907)	310,875
(3,068)	Interest and Investment Income			(3,815)
80,640	Pension Interest Cost & Expected Ret on Assets			87,570
375,314	Operating Expenditure			394,630
	3			
(71,094)	Precept Income			(75,351)
(109,581)	Government Grants			(115,010)
(11,835)	Revenue Support Grant			(11,036)
(61,311)	National Non-Domestic Rates			(65,762)
121,493	Deficit for the Year			127,471

Statement of Movement on the General Fund Balance

	2007/08 (£'000)	2006/07 (£'000)
Deficit for the year on the Income & Expenditure Account	127,471	121,493
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund	(127,677)	(121,493)
Increase in General Fund Balance for the year	(206)	-
General Fund Balance brought forward	(5,130)	
General Fund Balance carried forward	(5,336)	(5,130)

Note of Reconciling Items for the Statement of Movement on the General Fund Balance




	2007/08 (£'000)	2006/07 (£'000)
Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement in the General Fund Balance for the year		
Depreciation and impairment of fixed assets	(11,190)	(12,500)
Government grants deferred amortisation	2,853	3,326
Net gain/loss on sale of fixed assets	(2,469)	-
Net charges made for retirement benefits in accordance with FRS 17	(118,082)	(116,786)
Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the movement on the General Fund Balance for the year		
Minimum revenue provision for capital financing	-	-
Capital expenditure charged in-year to the General Fund Balance	78	78
Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year		
Contributions to Earmarked Reserves	6,641	10,438
Contributions from Earmarked Reserves	(5,508)	(6,049)
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund	(127,677)	(121,493)

Statement of Total Recognised Gains and Losses

	2007/08 (£'000)	2006/07 (£'000)
Deficit for the year on the Income & Expenditure Account	127,471	121,493
(Surplus) deficit arising on the revaluation of fixed assets	(7,896)	(6,626)
(Surplus) deficit arising on revaluation of available-for-sale financial assets	(72)	562
Prior Period Adjustment	0	(9,826)
Actuarial gains/(losses) on pension fund assets and liabilities	(356,600)	(129,550)
Total recognised (gains)/losses for the year	(237,097)	(23,947)

Balance Sheet

The Balance Sheet shows the financial position of the Police Authority at the end of the year.

	Notes	31 March 2008		31 March 2007	
		£'000	£'000	£'000	£'000
Fixed Assets:					
Land and Buildings		146,480		157,079	
Vehicles, Plant and Equipment		19,607		21,289	
Intangible Assets		7,889		6,096	
Non-Operational Assets		21,631		8,733	
Assets under Construction		151		1,884	
	10		195,758		195,081
Investments at cost			13		13
Long-term Debtors	11		<u>973</u>		<u>691</u>
Total Long-Term Assets			196,744		195,785
Current Assets:					
Stocks and Work in progress		317		406	
Amounts owed to the Authority by debtors	12	14,483	 <u>G.32.PS</u>	15,275	
Short-term investments	19	49,734		47,688	
Cash and Bank balances		<u>573</u>		<u>437</u>	
			65,107		63,806
Less: Current Liabilities					
Amounts owed by the Authority to creditors	13		 <u>(25,706)</u> <u>G.32.PS</u>		<u>(22,637)</u>
Total Assets less Current Liabilities					236,954
Insurance Provision	14		236,145		(1,788)
Finance Lease	15		(1,566)		(1,089)
Government Grant Deferred Account			(1,011)		(18,544)
Long-Term Pension Creditor	18		(19,456)		<u>(1,667,635)</u>
Total Assets less Liabilities			<u>(1,429,117)</u> (1,215,005)		(1,452,102)
Taxpayers Equity in Kent Police:					
Accounting Reserves					
Revaluation Reserve		7,272		0	
Capital Adjustment Account		<u>169,101</u>		<u>176,696</u>	
	20		176,373		176,696
Usable Reserves					
Usable Capital Receipts Reserve		2,735		5,244	
General Capital Reserve		5,170		3,672	
Earmarked Revenue Reserves		24,509		25,233	
Other Reserves		(1,429,128)		(1,668,077)	
General Revenue Reserve		 <u>G.32.PS</u>		5,130	
	20	5,336			(1,628,798)
Total Equity			(1,391,378)		(1,452,102)
			(1,215,005)		

I confirm that the Authority approved these accounts.

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

Cash Flow Statement


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

		31 March 2008 (£'000)	31 March 2007 (£'000)
	Notes		
<u>Revenue Activities</u>			
Cash Outflows			
Employee costs		266,314	254,355
Other operating costs		55,144	51,728
Cash Inflows			
Precepts on Collection funds		(75,351)	(71,094)
National Non-Domestic Rate income		(65,762)	(61,311)
Revenue Support Grant		(11,036)	(11,835)
Police Grant		(105,763)	(103,071)
Other government grants		(37,637)	(39,748)
Cash received for goods and services		(25,839)	(16,117)
Other revenue income		<u>(1,548)</u>	<u>(1,876)</u>
Net cash flow revenue activities	21	(1,478)	1,031
<u>Servicing of Finance</u>			
Cash Outflow			
Interest element of finance lease rental		59	59
Cash Inflow			
Interest received		<u>(3,814)</u>	<u>(3,068)</u>
Net Cash Flow Servicing of Finance		(3,755)	(3,009)
<u>Capital Activities</u>			
Cash Outflow			
Purchase of fixed assets		8,949	8,846
Cash Inflows			
Sale of fixed assets		(2,212)	(9,040)
Capital grants received		(3,520)	(3,522)
Capital contributions received		<u>(244)</u>	<u>(1,327)</u>
Net cash flow capital activities		2,973	(5,043)
<u>Management of Liquid Resources</u>			
Net increase (decrease) in short-term investment	19	2,046	7,801
<u>Financing</u>			
Cash Outflow			
Capital element of finance lease rental		<u>78</u>	<u>77</u>
Decrease (increase) in cash	22	(136)	857

Notes to the Core Financial Statements

1. Summary Income and Expenditure Account

This summary shows the total revenue expenditure and income for 2007-2008.

Expenditure	Notes	Year ended 31 March 2008		Year ended 31 March 2007	
		(£'000)	(£'000)	(£'000)	(£'000)
Employee Costs					
Pay allowances and training	2	235,811		222,482	
Pensions - Police and Police Staff FRS 17	3	2,822		3,246	
		<u>66,880</u>	 G.32.PS	<u>70,960</u>	
Other Running Costs					296,688
			305,513		
Premises		14,055		10,299	
Transport		7,577		8,115	
Supplies and Services		28,843		27,529	
Third Party Payments		7,261		7,204	
Depreciation	10	9,494		12,500	
Impairment Losses		1,696		0	
Profit / (loss) on disposal of Fixed Assets		2,469		0	
Government Grants deferred credits		<u>(2,853)</u>		<u>(3,326)</u>	<u>62,321</u>
			<u>68,542</u>		
			374,055		359,009
Total Gross Expenditure					
Income					
Reimbursements & Contributions		(57,761)		(54,996)	
Sales		(147)		(219)	
Fees and Charges		(4,451)		(4,176)	
Other Income		(1,548)		<u>(1,876)</u>	
Total Income					<u>(61,267)</u>
Net Expenditure			<u>(63,907)</u>		<u>(61,267)</u>
			310,148		297,742

This note shows the net expenditure subjectively. The income and expenditure account on page 12 analyses the net expenditure over Best Value category as per the CIPFA Code of Practice.

2. Employment Costs

In accordance with the Accounts and Audit Regulations 2003 the Authority has a specific requirement to disclose the number of employees whose taxable remuneration falls within certain brackets. Accordingly the number of employees whose remuneration, excluding

pension contributions was £50,000 or more in bands of £10,000 was:

Remuneration Band (£)	Number of Employees	
	2007/08	2006/07
50,000 - 59,999	328	313
60,000 - 69,999	51	49
70,000 - 79,999	15	20
80,000 - 89,999	8	5
90,000 - 99,999	2	3
100,000 - 109,999	2	3
110,000 - 119,999	1	0
120,000 - 129,000	0	0
130,000 - 139,999	0	0
140,000 - 149,999	1	0
150,000 - 159,999	0	1

3. Pension Costs

The pension related costs charged to the income and expenditure account in addition to the FRS 17 calculated costs for police officers and staff are shown below.

	2007/08 £'000	2006/07 £'000
Police Staff Retirement Enhancements	0	150
Police Staff Redundancy Payments	29	1
Police Staff Pension Enhancements	45	211
Officers Annual Pension and Commutations	78	0
Officers Contributions	0	0
Net value of Officers Transfer values	0	0
Officers Pension Contribution Refunds	0	0
Officers Injury & Ill Health payments	2,517	2,784
Officers 30+ Scheme	153	100
	2,822	3,246

Police Officers


In April 2006 the new Police Pensions scheme came into force and the employers contributions are transferred into the fund are 24.6%. Employers pension contributions and Employees contributions are paid into the new pension fund.

Pensions Fund Account

	Year to 31/03/08 (£'000)
<u>Income</u>	
Officers contributions	12,626
Employers contributions	28,494
Transfers in	849
Capital-equivalent charge payments for ill-health early retirements	0
<u>Expenditure</u>	
Pension payments	(39,550)
Refund of pension contributions	(22)
Transfers out	(1,107)
Commutations	(10,537)
Sub Total for year before transfer from Police Fund	(9,247)
Transfer from Police Fund	9,247
Net Amount receivable	0

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

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

 **G.2.33** For the year ended 31 March 2008 a debtor of £727k was created for the Home Office top-up that would be required to reduce the Authority's final deficit on the fund to nil. No investment assets are held as part of this fund.

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

The funds financial statements do not take account of liabilities to pay pensions and other benefits after the period end.

Police Staff Employees

In 2007/08 (2006/07) the Police Authority paid an employer's contribution of £7.9m, (£7.2m) including £0.04m (£0.2m) one-off lump sum payments, into the Kent County Council Superannuation Fund, representing 13.8% (13.8%) of pensionable pay. The employer's contribution rate is determined by the Fund's actuary.

An actuarial valuation was carried out as at 31 March 2005 and no alterations to the contributions currently made were necessary. In addition the Police Authority is responsible for all pension payments relating to added years benefits it has awarded, together with the related increases. In 2007/08 (2006/07) these amounted to £0.0m (£0.1m).

The capital cost of discretionary increases in pension payments was £45k (£211k) in the year and there were no payments still being made with regard to earlier years. Further information can be found in Kent County Council's Superannuation Fund's Annual Report that is available upon request from the Investment Section, County Hall, Maidstone, Kent, ME14 1XQ.

4. Members' Allowances and Expenses

A total of £202,437 (£200,164) was paid in 2007/08 (2006/07) for members' allowances and expenses.

5. Local Authority (Goods and Services) Act 1970

Under the Local Authority (Goods and Services) Act the Police Authority provides professional services to other public bodies, including Kent County Council, HM Prisons and other Police Forces. Income from the provision of professional services amounted to £1.978m (£1.929m).

6. Publicity

Publicity is defined by the Local Government Act 1986 as any communication, in whatever form, addressed to the public and will include staff advertising costs. The Police Authority's expenditure on publicity in 2007/08 was:

	2007/08	2006/07
	(£'000)	(£'000)
Staff advertising/recruitment	622	483
Other	143	17
TOTAL	765	500

Expenditure on advertising was lower in 2006/07 as there was a moratorium on external advertising and recruitment for Police Staff Employees whilst an internal review was being undertaken. Expenditure on other publicity in 2007/08 is higher due to the Community Engagement campaign and emphasis on consultation for Neighbourhood Policing.

7. Related Party Transactions

Financial Reporting Standard (FRS) 8 requires the Authority to disclose all material related party transactions.

There are 9 members of the Kent Police Authority who are members of Kent County Council and Medway Unitary Authority. The Chief Executive has written to all members and there are no related party transactions to disclose in 2007/08.

The Authority has business relationships with the Government and a number of other public organisations, such as local authorities in Kent mainly Kent County Council (£134k). The force also has business relationships with the Home Office, the Office of the Deputy Prime Minister in the form of grants and other funding included in the accounts.

8. Audit Costs

In 2007/08 the following fees were incurred relating to external audit and inspection, carried out by our appointed external auditors, the Audit Commission:

	2007/08	2006/07
	(£'000)	(£'000)
Fees payable in respect to External Audit Fees	96	79
Fees payable in respect of PFI Opinion Fee	0	4
Fees payable to the Audit Commission in respect of other Services	2	2
TOTAL	98	85

9. Prior Period Adjustment [G.7.22](#)

	Balance Sheet as at 31 March 2007 as stated in the 2006/07 Statement of Accounts	Reclassification of consultancy, project management, data migration, cabling and software – system asset classes	Depreciation charged on asset classes previously not treated as adding value to Operational Assets & asset transfers.	Balance Sheet comparatives as at 31 st March 2007
	Net Book Value (£'000)	Net Book Value (£'000)	Net Book Value (£'000)	Net Book Value (£'000)
Land and Buildings	155,912	0	1,167	157,079
Vehicles, Plant & Equipment	18,997	2,397	(106)	21,288
Intangible Assets	1,828	6,136	(1,868)	6,096
Non-operational Assets	8,732	1,169	(1,167)	8,734
Assets under construction	1,884	0	0	1,884
Total	187,353	9,702	(1,974)	195,081

Capital Adjustment Account	(168,968)	(9,702)	1,974	(176,696)
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Prior to April 2007 the Authority considered capital expenditure on project management, consultancy and data migration to be expenditure which although within the definition of capital did not increase the valuation of the intangible assets to which it was attributed. This resulted in the expenditure being written straight out through the Building Works control account to the Fixed Asset Restatement Account. A routine review of accounting policies during 2007/08 resulted in this policy being amended so that the historic cost of above categories of capital expenditure are attributed to Intangible assets on the balance sheet.

Capital expenditure on cabling and trunking has been similarly reviewed and attributed to IT hardware which is classified as vehicles, plant and equipment on the Balance Sheet.

Depreciation on these reclassified assets has been charged to the re-stated Income and Expenditure Account for 2006/07 as follows:

	Previous Year Net Expenditure (£'000)	Depreciation adjustment for reclassified assets (£'000)	Re-stated Net Expenditure in the Income & Expenditure Account (£'000)
Reducing Crime	18,524	126	18,650
Investigating Crime	134,341	912	135,253
Promoting Public Safety	111,907	760	112,667
Assistance to the Public	26,036	176	26,212
Non Distributed Costs	400	0	400
Corporate & Democratic Core	1,098	0	1,098
National Police services undertaken locally	368	0	368
Net Cost of Police Services	292,674	1,974	294,648

The deficit for the year 2006/07 therefore becomes £121.5m.

	Balance Sheet as at 31 March 2007 as stated in the 2006/07 Statement of Accounts (£'000)	Adjustment for FRS 25, 26 and 29 (£'000)	Balance Sheet comparatives as at 31 st March 2007 (£'000)
Long term debtors	1,074	(562)	512
Financial Instruments Adjustment Account	0	562	562

Under FRSs 25, 26 and 29 relating to Financial Instruments the Authority is required to adjust the carrying value of the above loan to reflect the value of the loan at today's prices. This calculation has been undertaken using a prudent interest rate of 7%.

10. Fixed Assets

	Land (£'000)	Buildings (£'000)	Vehicles, Plant and Equipment (£'000)	Intangible (£'000)	Non - Operational Assets (£'000)	Assets under Construction (£'000)	Total (£'000)
Gross book value at 01.04.07 re-stated	23,763	144,385	56,358	12,159	9,998	1,884	248,547
Additions	0	0	5,685	1,131	212	1,621	8,649
Disposals	(576)	(947)	(1,420)	0	(2,300)	(1,636)	(6,879)
Transfers	(1,348)	(11,698)	(1,482)	1,482	14,764	(1,718)	0
Revaluations	153	1,783	6	0	104	0	2,046
Gross book value as at 31.03.08	21,992	133,523	59,147	14,772	22,778	151	252,363
Accumulated depreciation	0	(11,069)	(35,069)	(6,063)	(1,265)	0	(53,466)
Depreciation in Year	0	(3,285)	(5,386)	(820)	(3)	0	(9,494)
Depreciation on assets sold	0	88	909	0	74	0	1,071
Depreciation on revalued assets	0	5,231	6	0	47	0	5,284
Net book value as at 31.03.08	21,992	124,488	19,607	7,889	21,631	151	195,758

Change of status for buildings and land is represented by 29 properties becoming vacant in 2007/08 awaiting sale or demolition.

Purchased intangible assets are non-financial fixed assets that do not have physical substance but are identifiable ie software licences, consultancy and project management costs used to bring software systems into use for the Authority. These are depreciated over the life of the software systems.

Statement Of Physical Assets Owned By The Authority As At 31 March 2008

Operational	2007/08	2006/07
Force Headquarters	1	1
Transport Services – Finance Lease	1	1
Housing used as dwellings	69	97
Kent Police College	1	1
Houses used as offices	16	20
Police Stations	28	31
VI Suite	9	9
Garage Blocks	3	4
Non Operational		
Houses	29	16
Police Stations	6	3
PFI Land	2	1
Garage Blocks	0	0
Vehicles	1,172	560

Basis Of Valuation

A complete valuation of the Police Authority's property assets was carried out by Messrs Wilks Head Eve, Chartered Surveyors, with all land and buildings being valued as at 1 April 2004. In addition, a rolling programme of valuation reviews has been implemented where 20% of the portfolio will be selected each year. The valuation this year is the third phase and the sample has been valued as at 1 April 2007.

The assets were valued in accordance with the Statement of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors (RICS) and with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA). In accordance with RICS/CIPFA guidelines, all properties were inspected though not necessarily internally.

The Authority categorised all properties as being either *operational* or *non-operational*; the valuers then further classified them as either *specialised* or *non-specialised*.

Properties regarded by the Authority as *operational* were valued on the basis of Existing Use Value or (where this could not be assessed due to lack of market for the subject asset) by Depreciated Replacement Cost. The Existing Use Value is now used rather than Open Market Value, which has been used in prior years, as the CIPFA prescribed basis of valuation has been amended alongside the working practices of RICS professionals. These values do not, therefore, bear any relationship to the prices that could be realised on disposal of those assets. Only properties regarded by the Authority as *non-operational* were valued on the basis of Market Value.

Buildings under construction are included at cost as at 31 March 2008. The sources of information and assumptions made in producing the various valuations are set out in the valuation certificate and report produced by Wilks Head Eve.

All buildings have been assessed in the year and impairments have been charged to the Income and Expenditure where building work has been required to comply with current legislative requirements or maintain the use for which the building is intended. Short life assets such as vehicles, plant and equipment are included at historical cost as a proxy for current value.

Capital Expenditure 2007-2008

Items of capital expenditure during the year were:

	2007/08 (£'000)	2006/07 (£'000)
Major IT / Communication schemes	2,479	4,972
Various building works	1,371	1,237
Land & building acquisition	250	106
Vehicles	2,682	2,058
Plant & equipment	1,867	970
Total	8,649	9,343

Financing Of Capital Expenditure 2007-2008

	2007/08 (£'000)	2006/07 (£'000)
Capital receipts	4,750	3,796
Capital contributions	565	1,450
Capital grant	3,520	3,522
Revenue contributions	78	78
Increase in capital creditors	(264)	497
Total	8,649	9,343

Future Capital Expenditure Commitments

At 31 March 2008 capital expenditure to be incurred in 2008/09 and later years includes the following major projects:

	(£'000)
IT various projects	1,836
Building works	2,703
Vehicles, plant and equipment	14,748

11. Amounts Owed To The Authority By Long Term Debtors

Long Term Debtors:	At 31/03/2008 (£'000)	At 31/03/2007 (£'000)
Current value of Police Loans	462	512
PFI Long Term Debtor	478	119
Car loans	33	60
Total	973	691

During 1999/2000 Police pay was changed from four weekly to monthly. To ensure that officers did not suffer because of the change, a loan of 13 days pay was provided. This loan is repayable at the latest when officers leave the force.

The Authority is required to adjust the carrying value of the above loan under FRSs 25, 26 and 29 relating to Financial Instruments to reflect the value of the loan at today's prices. This calculation has been undertaken using a prudent interest rate of 7%.

In 2004 the Authority entered into a long-term contractual agreement under PFI. The term of the PFI scheme is 30 years and is for the provision of a new police station at Medway. The unitary charge for 2007/08 was £3.1m. The Authority received credits from the Home Office to the value of £2.2m.

PFI Long Term Debtor

As part of the Authority's PFI contract for Medway Police Station, the Authority will acquire the residual value of the assets at the end of the contract for nominal consideration. The residual value of the asset has been calculated at 50% of the contract price and will be accumulated over the remaining contract period. This is offset by an equal PFI residual value reserve.

12. Amounts Owed To The Authority By Other Debtors

Other Debtors:	At 31/03/2008 (£'000)	At 31/03/2007 (£'000)
Staff advances	1	159
Government Depts	6,760	6,057
Payments in advance	1,202	4,324
General debtors	5,984	4,351
Other local authorities	536	384
Total	14,483	15,275

13. Amounts Owed By The Authority To Creditors

	At 31/03/2008 (£'000)	At 31/03/2007 (£'000)
Receipts in advance	2,325	3,188
Government Departments	142	324
General creditors	22,156	18,593
Other local authorities	1,083	532
Total	25,706	22,637

Receipts in advance were higher in 2006/07 due to a legacy from a deceased person, a Home Office grant for the recruitment of PCSOs by July 2007 and rewards money from Securitas.

14. Insurance Provision

	2007/08 (£'000)	2006/07 (£'000)
Balance at 1 April	1,788	1,974
Income	594	701
Expenditure	(816)	(887)
Balance at 31 March	1,566	1,788

Established to provide cover internally against various specified risks, namely property, combined liability and motor insurance claim. No amounts remain unfunded and as such excluded from the provision. The majority of claims will be settled within one year, however some claims can take up to five years to be fully discharged.

15. Finance Lease

The finance lease on the Transport building was entered into in June 2000 and has a term of 21 years. This building is used for the servicing and repair of the Authority's vehicles. Historic cost for the building was £1.6m and cumulative depreciation to 31 March 2008 is £0.45m. The capital element of this lease has been provided for as follows:

	2007/08 (£'000)	2006/07 (£'000)
Balance at 1 April	1,089	1,167
Expenditure	(78)	(78)
Balance at 31 March	1,011	1,089

In 2007/08 (2006/07) the Authority spent £0.137m (£0.137m) on finance leases. Outstanding commitments at 31 March 2008 are as follows:

	£'000
2007 – 2008	137
2009 – 2013	684
2014 onwards	957

The finance lease is treated as an asset and only the interest element is charged to revenue.

16. Reserves

The reserves of the Authority have been presented to show a clear distinction between Accounting Reserves (now renamed accounts for clarity), which cannot be used to support expenditure, and Usable Reserves. Details of movements on these reserves are shown in note 20.

17. Contingent Liability

There are no contingent liabilities.

18. Accounting For Retirement Benefits – FRS 17

Participation in Pensions Schemes


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

The authority participates in two pension schemes:

- The Local Government Pension Scheme for civilian employees, administered by Kent County Council – this is a funded scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets
- The Police Pensions Scheme for police officers – this is an unfunded scheme, meaning that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.


Transactions Relating to Retirement Benefits

We recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of retirements is reversed out in the Statement of Movement in the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year:

 Income and Expenditure Account	Local Government Pension Scheme		Police Pensions Scheme	
	2007/2008 (£'000)	2006/2007 (£'000)	2007/2008 (£'000)	2006/2007 (£'000)
<i>Net cost of Services:</i>				
current service costs	9,660	9,860	57,100	60,700
Past service costs	-	-	100	400
Curtailments and Settlements	20	-	-	-
<i>Net Operating Expenditure:</i>				
<ul style="list-style-type: none"> Interest cost less expected return on assets in the scheme 	(230)	140	87,800	80,500
<i>Net Charge to the Income and Expenditure Account</i>	9,450	10,000	145,000	141,600
<i>Statement of Movement in the General Fund Balance</i>				
<ul style="list-style-type: none"> Reversal of net charges made for retirement benefits in accordance with FRS 17 	(9,450)	(10,000)	(145,000)	(141,600)
Actual amount charged against the General Fund Balance for pensions in the year:				
<ul style="list-style-type: none"> Employers' contributions payable to scheme 	7,873	6,864	28,495	27,951

Assets and Liabilities in Relation to Retirement Benefits

The underlying assets and liabilities for retirement benefits attributable to the authority at 31 March are as follows:

	Local Government Pension Scheme		Police Pensions Scheme		Total	
	2007/2008 (£'000)	2006/2007 (£'000)	2007/2008 (£'000)	2006/2007 (£'000)	2007/2008 (£'000)	2006/2007 (£'000)
Estimated liabilities in scheme	(168,100)	(187,230)	(1,379,100)  G.2.33	(1,617,700)	(1,547,200)	(1,804,930)
Estimated assets in scheme	140,760	147,200	-	-	140,760	147,200

Cum. adj. to pension liability to recognise diff between Actuarial cont and actual	133		(22,810)	(9,905)	(22,677)	(9,905)
Net asset/ (liability)	(27,207)	(40,030)	(1,401,910)	(1,627,605)	(1,429,117)	(1,667,635)

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £1.401m has a substantial impact on the net worth of the authority as recorded in the balance sheet, resulting in a negative overall balance of £1.187m. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy:

- The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary
- Finance is only required to be raised to cover police pensions when the pensions are actually paid.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Police Scheme and the County Council Fund liabilities have been assessed by Hymans Robertson an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2008.

The main assumptions used in their calculation have been:

	2007/08	2006/07
Rate of inflation	3.6%	3.2%
Rate of increase on salaries	5.1%	4.7%
Rate of increase in pensions	3.6%	3.2%
Rate for discounting scheme liabilities	6.9%	5.4%

The Police Pension Scheme has no assets to cover its liabilities. Assets in the County Council Pension Fund are valued at fair value, principally market value for investments, totalling £140.8m for the fund as a whole at 31 March 2008 (£147.2m at 31 March 2007). The Fund's assets consist of the following categories, by proportion of the total assets held by the Fund:

	Long-term return %	31 March 2008 %	31 March 2007 %
Equity Investments	7.7	69	70
Bonds	5.7	14	13
Property	5.7	11	10
Other Assets	4.8	6	7
		100	100

Actuarial Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2007/08 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2008:

	2003/04		2004/05		2005/06		2006/07		2007/08	
	£000s	%	£000s	%	£000s	%	£000s	%	£000s	%
Differences between the expected and actual return on assets	10,053	13.4	3,808	3.8	20,390	15.3	(920)	(0.6)	(18,590)	(0.6)
Differences between actuarial assumptions about liabilities and actual experience	(61)	(0.1)	5,636	3.9	(198)	(0.1)	130	0.1	(4,000)	0.1
Changes in the demographic and financial assumptions used to estimate liabilities	0	0	(25,837)	(18.0)	(23,440)	(12.9)	13,040	7.0	36,830	
	9,992		(16,393)		(3,248)		(12,250)		14,240	

19. Short-term Investments

This amount represents short term and overnight deposits lodged with a range of financial institutions to earn interest. Kent County Council manages these investments for the Authority.

	2007/08 (£'000)	2006/07 (£'000)
Balance at 1 April	47,688	39,887
Increase in year	2,046	7,801
Balance at 31 March	49,734	47,688

20. Statement of Total Movements in Reserves

	Accounting Reserves		
	Capital Adjustment Account (£'000) 1	Revaluation Reserve (£'000) 2	Total (£'000)
Notes			
Balance as at 01.04.2007	176,696	0	176,696
Unrealised gains (loss) from revaluation of fixed assets	0	7,272	7,272
Value of Fixed Assets consumed	(15,277)	0	(15,277)
Resources used to fund Capital Expenditure	7,682	0	7,683
Balance as at 31.03.08	169,101	7,272	176,373

	Usable Capital Reserves			
	Usable Capital Receipts (£'000) 1	Capital Grant Reserve (£'000)	General Capital Reserve (£'000) 2	Total (£'000)
Notes				
Balance as at 01.04.2007	5,244	0	3,672	8,916
Receipts & Transfers During Year	(108)	3,520	1,637	5,049
Proceeds of disposals	2,350	0	0	2,350
Financing of Fixed Assets	(4,751)	(3,520)	(140)	(8,411)
Balance as at 31.03.08	2,735	0	5,169	7,904

Notes	Usable Revenue Reserves			
	Earmarked Revenue Reserves (£'000) 1	Other Reserves (£'000) 2	General Revenue Reserve (£'000) 3	Total (£'000)
Balance as at 01.04.2007	25,233	(1,668,077)	5,130	(1,637,714)
Transfers During Year	(523)	238,949	206	238,632
Balance as at 31.03.08	24,710	(1,429,128)	5,336	(1,399,082)

Accounting Reserves

1. Capital Adjustment Account

The Capital Adjustment Account accumulates the write down of the historical cost of fixed assets as they are consumed by depreciation and impairments or written off on disposal. This is offset by the resources that have been set aside to finance capital expenditure.

2. Revaluation Reserve

The Revaluation Reserve records the accumulated gains on the fixed assets held by the authority arising from increases in value, as a result of inflation or other factors (to the extent that these gains have not been consumed by subsequent downward movement in value).

Usable Capital Reserves

1. Usable Capital Receipts

The use of capital receipts is regulated by the Local Government and Housing Act 1989 and they can only be used to finance capital expenditure.

2. General Capital Reserve

This reserve has been built up from revenue contributions and is available to fund capital expenditure.

Usable Revenue Reserves

1. Earmarked Revenue Reserves

	Balance at 1 April 2007 (£'000)	Income (£'000)	Expenditure (£'000)	Balance at 31 March 2008 (£'000)
Budget Equalisation	8,090	1,500	(3,701)	5,889
Insurance	11,468	1,042	0	12,510
Invest to Save	3,961	0	(1,137)	2,823
Budget Roll-forward	0	1,740	0	1,740
Proceeds of Crime	571	363	(530)	404
Desk Top Replacement	1,143	0	0	1,143
	25,233	4,645	(5,368)	24,509

2. Other Reserves

	Balance at 1 April 2007 (£'000)	Income (£'000)	Expenditure (£'000)	Balance at 31 March 2008 (£'000)
PFI Residual Value	119	359	0	478
FRS 17 Pension Liability	(1,667,634)	238,517	0	(1,429,117)
Financial Investments Adjustment Account	(562)	73	0	(489)
	(1,668,077)	238,949	0	(1,429,128)

Budget Equalisation

This reserve had been set up to provide for anticipated budget shortfalls over the next three years. It will also be used to cover future costs of the £53m Securitas robbery (Operation Deliver).

Insurance

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

Invest to Save

This reserve will be used to fund Invest to Save. The Force has agreed to recommendations coming from a review of support services, which is expected to save in the region of £1.5m from 2008/09.

Proceeds of Crime

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

Desk Top Replacement

The Force has a 4-year replacement program for desktop computers. This reserve has been set up to ensure that the revenue account is not affected by the large variances in the number of computers required each year.

Budget Roll-Forward

The Force has transferred a proportion of the year's underspend to this reserve in order to fund projects that either straddle financial years or will not start until 2008/09 despite being approved in 2007/08.

FRS 17 Pension Liability

Full disclosure of FRS 17 is now made on the face of the Summary Revenue Account and Balance Sheet. This reserve shows the gross liability of future Force pension costs.

PFI Residual Value Reserve

This recognises the estimated residual value of the Medway Police Station that will transfer to the authority at the end of the contract. The value is accumulated over the life of the contract.

Financial Instruments Adjustment Account

This provides a balancing mechanism between the historic value of a long-term loan held by Kent Police and its discounted current value. This links to the surplus arising on the available for sale financial assets in the Statement of Total Recognised Gains and Losses.

3. General Revenue Reserve

The General Revenue Reserve is set at 2% of net revenue expenditure. The net budgeted expenditure for 2008/09 is £266.8, which would result in a reserve of £5.3m.

21. Reconciliation Of Surplus To Revenue Cash Flow

	2007-08 (£'000)	2006-07 (£'000)
(Surplus)/Deficit	124,971	121,493
Non-cash transactions:		
Depreciation	(11,190)	(12,500)
Government grants deferred amortisation	2,853	3,326
Net gain / loss on sale of Fixed Assets	(2,469)	0
net charges made for retirement benefits in accordance with FRS 17	(115,582)	(116,786)
net transfer to insurance provisions	222	186
Items on an accruals basis		
(increase)/decrease in revenue creditors	(2,606)	(1,241)
increase/(decrease) in stocks	(89)	34
increase (decrease) in debtors	(1,343)	3,510
Items shown later in the cash flow statement: Add		
Servicing of finance	3,755	3,009
Net cash flow from revenue activities	(1,478)	1,031

22. Analysis Of Cash Balances

	Balance 1 April 2007 (£'000)	Balance 31 March 2008 (£'000)	Movement In The Year (£'000)
Decrease (Increase) in cash	437	573	(136)

Glossary of Terms

Budget

A statement defining the Authority's policy over a specified period and expressed in financial or other terms.

Debtors

Individuals or organisations that owe the Authority money at the end of the financial year.

Capital charges

A charge made to the revenue account for capital assets used in the delivery of service.

Capital expenditure

Expenditure on the provision and improvement of permanent assets such as land, buildings, vehicles and major items of equipment.

Capital receipts

Money obtained on the sale of a capital asset.

Credit arrangements

An arrangement other than borrowing where the use of capital asset is acquired and paid for over a period of more than one year. The main types of credit arrangements are leases of buildings, land and equipment.

Creditors

Individuals or organisations to which the Authority owes money at the end of the financial year.

Employee expenditure

The salaries and wages of employees together with national insurance, superannuation and all other pay-related allowances. Training expenses and professional fees are also included.

Government grants

Part of the cost of the service is paid for by central government from its own tax income. Specific grants are paid by the Home Office to the Authority towards both revenue and capital expenditure.

Long-term debtors

Amounts due to the Authority where payment is to be made by instalments over a pre-determined period of time in excess of one year.

Minimum Revenue Provision

The amount that the Authority is required to charge to the revenue account each year for the repayment of debt. As the Authority is debt free the MRP requirement is nil.

Precept

The levying of a rate by one Authority that is collected by another. The Authority precepts upon the district/unitary council's collection funds for its income.

Provision

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

Revenue expenditure

Expenditure to meet the continuing cost of services including wages and salaries, purchase of materials and capital financing charges.

Revenue reserves

Accumulated sums that are maintained either to be earmarked for specific liabilities (e.g. pensions, budget roll forward etc.), or generally held to meet unforeseen or emergency expenditure (e.g. General Reserve).

CIPFA Best Value Accounting Code of Practice Terms

Reducing Crime

Community Safety Teams and Force Intelligence Bureau.

Investigating Crime

Specialist Units involved with the investigation of crime including surveillance and covert teams.

Promoting Public Safety

Local reactive policing and public order.

Assistance to the Public

Visibility, reassurance and community policing

Non Distributed Costs

Past Service Pension Costs (FRS 17)

Corporate and Democratic Core

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

National Police Services Undertaken Locally

Protection and security of VIPs such as politicians, diplomats and royalty.

Pensions

All pension transactions relating to the unfunded police officer pension scheme.

Seconded Officers

Costs incurred for staff from other Forces doing work for Kent, offset by our officers doing work for other Forces.

Unapportionable Overheads

Additional costs of the funded civilian pension scheme.