

Statement of Accounts 2009/10



**Kent
Police**

Kent
Police
Authority



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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 2009/10 and its financial position at the 31 March 2010. 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 third 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 p10.

The main Financial Statements comprise:

- Income and Expenditure Account with explanatory notes– p23
- Statement of Movement on the General Fund and a note providing a Reconciliation to the Statement of Movement on General Reserves – p24
(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 p25
(a statement required by the SORP to reconcile the movement on the Balance Sheet)
- The Balance Sheet with explanatory notes– p26
(A statement of the overall financial position in terms of assets and liabilities as at 31 March 2010)
- Cash Flow Statement with explanatory notes – p27
(An analysis of cash inflows and outflows during the year, reconciling opening and closing balances)

The Revenue (Income and Expenditure) Account

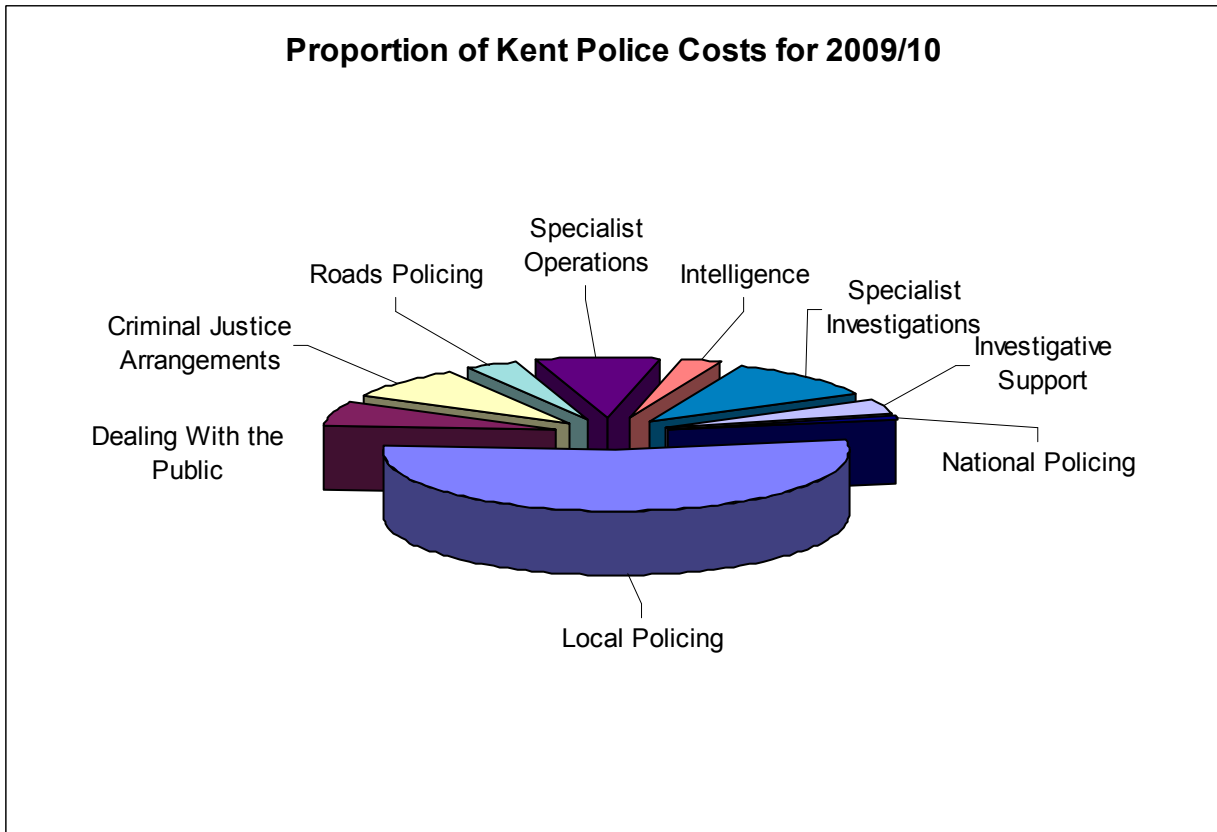
The Kent Police Authority Revenue Budget for 2009/10 provided for net expenditure of £276.5m. In the event, actual net expenditure was £274.5m, representing an underspend of £2.0m. This level of underspending is similar to that which was anticipated at the time of setting the Revenue Budget for 2010/11, 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 for the time being to remain at £6.0m. This is over 2% of net revenue expenditure, which is the agreed KPA policy, but potential future requirements coming from the economic downturn mean this level of reserves is unlikely to be sustainable. Identified future liabilities (except pensions) are fully covered by separate earmarked Reserves.

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 £2,152m far exceeds its total assets. Including a smaller deficit on the mainly funded Local Government Scheme for Police Staff, total pension liabilities are £2,267m. Set against £164m of Accounting reserves, £11m capital and £15m of Usable Reserves, the Balance Sheet Accounting Deficit is £2,077m.

During the year, the net charge made to the revenue account for retirement benefits, 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 £159.9m for the year, despite the favourable outcome against planned budget. This position is replicated in Police Authorities across the country.

In previous years the revenue statement has shown no detail against the net cost of police. For the 2009/10 Accounts the Best Value Accounting Code of Practice specifies splitting the net cost of policing across nine service divisions. The chart below shows the relative proportions of service divisions for Kent Police.



The main underspends in the year arose from vacancies being held on police staff due to back office reviews and police pay being a different mix than originally budgeted. These underspends were partly offset by overspends within the contingency fund set aside for major operations and transport costs due to increased fuel costs and the drop in interest rates affecting the interest received on the Authority's deposits.

At the time of the failure of the four Icelandic Banks on 8th October 2008, the Authority held deposits in three of these in the total sum of £11.1m out of the total bank deposits of around £60m. Whilst it is now expected that the majority of this sum will ultimately be recovered, there are clearly lessons to be learned from a governance perspective arising from these events. All the Authority's cash balances are managed by Kent County Council (KCC), though administered entirely separately. KCC were in turn advised by Treasury Specialists.

Following the events of October 2008, a much more cautious approach has been taken to sovereign risks. However, the important lesson to be learned from a governance perspective is the need for greater attention being paid to important decisions being made on the Authority's behalf, even where these are being managed by acknowledged specialists in their field. In this spirit, the Treasurer now monitors all deposits on a weekly basis and is in regular contact with KCC concerning them.

The Authority's two Police Stations built and operated under Private Finance Initiative schemes have been accounted for in the 2009/10 Statement of Accounts by following the latest CIPFA guidance. This has resulted

in the two police stations being shown on the Authority's Balance Sheet, depreciated and subject to periodic revaluation. Explanation of the accounting treatment and impact on the financial statements is provided in the Accounting Policies and Notes to the Accounts.

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 2009/10 was £7.12m as follows:

<u>Nature of Expenditure</u>	£m
Estates	1,931
IT	926
Vehicles/Equipment	<u>4,267</u>
Total	<u>7,124</u>

Major Acquisitions and Disposals 2009/10	(£'000)
Acquisitions	
Vehicle Replacement Programme	2,120
Custody at West Kent Police Station	700
Environment Projects 2	437
Plant & Equipment Replacement Programme	412
Disposals 2009/10	(£'000)
<u>Non-Operational Property</u>	
152 Main Road, Westerham	340
Kent House, Langton Green	340
Invicta House, Langton Green	340
31 Island Road	250

Summary

The outlook for Police Authority funding in the medium term is not favourable, and this presents KPA with serious challenges. Although there are, at the time of writing, no firm public expenditure plans beyond the current year, it is clear that all public services are facing an extended period of austerity. A revenue reduction of £2.7m has just been announced for 2010/11, and this is likely to be the first of a series of adverse announcements. Government plans to address the nations budget deficit are expected to have significant implications on funding for the Police Service in general and Kent Police in particular. 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 2009/10 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, 2009/10 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 three months of the end of the period to which they relate.

The Treasurer's Responsibilities

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

In preparing this statement of accounts, I have:

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

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Authority at 31st March 2010 and its income and expenditure for that period then ended.

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

Annual Governance Statement

Scope of Responsibility

The Kent Police Authority and the Chief Constable of Kent Police are responsible for ensuring that their 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. Kent Police 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 and the Chief Constable are responsible for putting in place proper arrangements for the governance of their affairs, facilitating the effective exercise of their functions. This includes 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 for Delivering Good Governance in Local Government.

A copy of the Code is on the Authority website at www.kentpoliceauthority.gov.uk, or can be obtained from the Treasurer at Kent Police Authority, Gail House, Lower Stone Street, Maidstone, Kent ME15 6NB. This statement explains how the Authority has complied with the Code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement of internal control.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which the Authority is directed and controlled. It describes 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 current governance framework was originally approved by the Authority in June 2007 and will have remained substantially in place continuously up to the date of the Statement of Accounts for 2009/10 being submitted for approval by the Audit and Governance Committee. It was last reviewed by the Full Authority in July 2009 at which time minor amendments were made. Further amendments were discussed at the Audit and Governance Committee on 10 March 2010, and its recommendations to the Authority are included in this updated version.

Key Elements of the Governance Framework

The principal aspects of the Governance Framework in place are summarised below.

	<u>Key Element</u>	<u>Arrangements in place</u>
1.	Identifying and communicating the Authority's vision of its purpose and intended outcome.	<ul style="list-style-type: none"> • Agreement by Authority and Chief Constable of a three year policing plan, linked to the revenue budget and capital programme. • Communication and consultation and engagement through a comprehensive programme including a citizen's and youth panel, special conferences (e.g. business continuity), "roadshows" in prominent locations. • Countywide strategic "Policing Kent" newspaper sent to all households annually in July. • Thirteen District level magazines circulate to all households annually in December (the 'Local Policing Summary'). • Authority and Committee minutes can be viewed on the Authority website. • Relaunch of website • Ward level newsletters describing local action taken.
2.	Reviewing the Authority's vision and its implications for Governance arrangements.	<ul style="list-style-type: none"> • Systematic annual strategy review informing amendments to the annual plan and budget. • Authority Peer Review undertaken in December 2008. • Kent acted as a pilot for Authority inspection in January 2009, and received a very favourable assessment. • KPA Business Plan, which is linked to business plan for each committee and to risk register.
3.	Measuring the quality of services for users, ensuring they are delivered in accordance with objectives and ensuring they represent the best use of resources.	<ul style="list-style-type: none"> • Ongoing challenge through receipt of regular reports on performance in the established Committee system. • Production of a regular "performance pack". • Comprehensive programme of service reviews, including Best Value Reviews, Post Implementation Reviews, Performance and Operational Reviews, lean management reviews and Operational Support Reviews. • Operation of Mystery Shopper Scheme, with outcomes reported to the Authority. • Kent Crime and Victimization Survey involving over 8,400 interviewees annually. • Regular performance report by Chief Constable to full Authority meetings. • All Members allocated both Area Lead and Topic Lead roles. • Active Independent Custody Visitors Scheme which has been reviewed and refreshed in 2009/10. New ICVs have been recruited and trained. • An Independent Advisory Group at strategic Authority-wide level, as well as local IAGs. • Involvement in the implementation and monitoring of the Police Pledge. • Authority participation at Member and Officer level in various force boards.

4.	Defining and documenting the roles and responsibilities of Authority Members and Officers, Force Officers and Authority Committees with clear delegation and communication protocols.	<ul style="list-style-type: none"> • Scheme of delegation from Authority to Chief Constable and within Force. • Clear Terms of Reference for all Committees, subject to regular review.
5.	Developing, communicating and embedding Codes of Conduct and defining standards of behaviour for Members and staff.	<ul style="list-style-type: none"> • Code of Conduct signed by all Members. • Register of Interests maintained for Members and Senior Officers. • Professional Code of Conduct in the form of the Kent Police Standard is established and communicated to all Police Officers and Police Staff (including Authority Officers). Reinforced by Government's Policing Pledge for 2009. • Active Standards Committee led by a highly experienced chair. • KPA representation on misconduct hearing panels and police appeals tribunals. • Regular performance reports to professional standards committee on officer and staff misconduct.
6.	Reviewing and updating Standing Orders, Financial instructions, a scheme of delegation and supporting procedure notes and manuals which define how decisions are taken, and the controls required to manage risks.	<ul style="list-style-type: none"> • The full range of these documents established and reviewed at the Annual General Meeting of the Authority. • Authority Members are canvassed for suggested changes prior to this meeting. • The Authority and the Force each have Risk Management Policies and a Risk Register, which are regularly updated. • The Authority and the Force each have Officers with a professional qualification in Risk Management. • The existence of a full Business Continuity Programme, and an Annual Business Continuity Report.
7.	Undertaking the Core Functions of an Audit Committee as defined in CIPFA guidance.	<ul style="list-style-type: none"> • Audit and Governance Committee, which acts with genuine independence and real challenge. • Regular pre-meeting training for all Members on relevant topics. • Committee Members meet regularly with external and internal auditors in private. • Clear Terms of Reference • Approves internal and external audit plans, receives reports on all individual audits, as well as an Annual Report. • All Members receive pre-meeting written briefing from the Treasurer, following Agenda Conference with Internal and External Auditors. • Customised Self Assessment tool for Police Audit Committees, devised and tested by the Committee, leading to an agreed action plan and regular review of progress. • Committee work plan agreed and reviewed at each meeting.

8.	Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.	<ul style="list-style-type: none"> • Monitoring Officer and Treasurer (as Section 151 Officer) maintain independence from Force and liaise regularly with Internal and External Auditors. They also each belong to strong nationwide networks for peer review. • Strong and independent Internal Audit Function. • Robust process for follow-up of Audit recommendations at public Audit Committee meetings. • Development of oversight arrangements for Force's compliance with Human Rights Act.
9.	Facilitating the identification of "wrong doing" and the receipt and investigation of public complaints	<ul style="list-style-type: none"> • Force "wrong doing" policy fully in place. • Authority operates effective statutory policy for investigating complaints by citizens against Force and Authority Officers. • Force has a Professional Standards Department with investigative capability. • KPA monthly dip-sampling of complaints made to Kent Police, with regular reports to Professional Standards Committee. • Chief Officers Complaints Protocol in place. • Targets established for reducing complaints with an associated performance management programme. • Regular data reports to Professional Standards Committee on complaints.
10.	Identify the development needs of Members and Senior Officers in relation to their strategic roles, supported by appropriate training.	<ul style="list-style-type: none"> • Committees operate regular programmed training events for Members and Officers. • A new induction package has been designed for new members which includes a reference pack and series of briefings. • Feedback from Members is encouraged and built into future events. • Strengthened Learning and Development Programme for Members in place, which is designed around the needs that members identify.
11.	Establish clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.	<ul style="list-style-type: none"> • Consultation Groups are established for all six identified special "Social identity" groups. • An Independent Advisory Group operates to promote Community Engagement with BME Groups. Local BCU IAGs have been established. • All Members take active steps to promote two-way dialogue with stakeholders.

12.	Incorporating good governance arrangements in respect of partnership and other group working as recommended by the Audit Commission, and reflecting these in overall governance arrangements.	<ul style="list-style-type: none"> • Major collaboration with Essex Police Authority and Force underpinned by a formal agreement and Standing Orders, and a Joint Standing Committee. • Collaboration with SE Region on a variety of projects including regional asset recovery team and Counter Terrorism • Active engagement with all local CDRP's, including allocation of budget for community engagement initiatives on recommendation of each Authority CDRP representative, governed by a reporting system. • Participation in the Countywide Local Strategic Partnership and Local Road Safety Partnerships, underpinned by written protocols. • Leading role in major Insurance Consortium involving 11 Police Authorities, with effective governance arrangements. • Authority Chair has active role in national partnership working as Deputy Chair of APA, Chair of the Police Negotiation Board (official side), APA representative on the Senior Appointments Panel and Governor of the National Police Leadership College. • Chair on Kent Partnership, Chief Executive sits on county-wide community safety forum (County Strategy Group).
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Review of Effectiveness

The Kent Police Authority and Chief Constable have the responsibility for conducting, at least annually, a review of the effectiveness of their Governance system, including the system of internal control. This review is informed by the work of the internal auditors and the managers within the Authority and Force have responsibility for the development and maintenance of the governance environment, and also by comments made by the external auditors and other review agencies and inspectorates in their annual audit letter and other reports.

Key areas of review of the effectiveness of governance can be summarised as follows:

- A programme of Operational Services Reviews and major "Lean" management initiative.
- Reports from our External Auditors – the 2008/09 Management Letter was considered by the (then) Audit and Finance Committee and recommendations implemented.
- The conduct of inspections and provision of reports to promote efficiency and effectiveness of policing to ensure that:
 - Agreed standards are achieved and maintained
 - Good practice is recognised
 - Performance is improving
- Review of projects control informed by Post Implementation Reviews, overseen at meetings of a special group of Members and Officers established by the Audit and Governance Committee.
- External Audit reviews covering Use of Resources.
- The existence of an active independent Standards Committee.
- A process of policy review has been set up for all policies to be reviewed on rolling programme including checks for compliance with human rights, diversity, data protection/freedom of information and other legal requirements.

- Annual Review of Risk Management by the Audit and Governance Committee.
- Risk based internal audit programme including reviews of corporate governance, risk management and financial systems.
- Review programme by External Auditors.
- Annual Audit Programme conducted by the Authority's Internal Auditors RSM Tenon, whose opinion is described below.

Significant Governance, Risk Management and Internal Control Issues

The Authority places reliance on the annual programme of internal audits summarised in the Annual Report of RSM Tenon in determining its level of assurance on these issues. An extract from RSM Tenon's opinion for 2009/10 is set out below.

"Governance

From internal audit's regular attendance at the Audit & Governance Committee meetings, liaison with members, regular meetings with the Authority officers and our governance review we are of the opinion that strong governance arrangements are in place within the Authority.

Risk Management

Significant resource and effort has been given by the Authority and Force to introduce a structured framework to risk management. The Force in particular has a well established corporate risk management process. It has risk management in place at Basic Command Unit and Directorate level as well as processes to ensure projects, partnerships and Business Cases include risk management. The consideration of risks is becoming part of normal management at senior levels. A Communications Strategy is being developed to further understanding of risk management throughout the Force, building on previous workshops and including the development of simplified guides. Risk management is a technical competency in all the Role Requirements we sampled in this review. This feeds into the Performance Development Review process for ensuring skills are developed at the right level for each role.

Internal Controls

In general, our work during the year found internal controls to be adequate. However, there were some areas where significant weaknesses were identified. In the cases of the Ebbsfleet Business Centre (Creditors) and Expenses reviews, such weaknesses were the results of changes in operations and consequently discussions have been held with the Authority and management with the view of consulting internal audit when any major changes to financial operations are to occur, which is extended to general operations.

Acceptance of Recommendations

All of the recommendations made during the year were accepted by management".

Icelandic Banks Update

In summary, of the £11.1m deposits in default at Icelandic Banks, just under £10.0m remain outstanding as follows:

- Landsbanki £5.9m
- Glitair £2.0m
- Heritable £2.1m (after repayments of £1.1m)

Landsbanki have accepted depositors, such as ourselves, as priority claimants, in which case recovery should be high. Other creditors have however challenged this.

Glitnir have not accepted depositors, such as ourselves, as priority claimants. We are challenging this and have a strong legal advice in our favour. If we succeed, then 100% will be recovered, if we fail the level of recovery would be poor.

Heritable, unlike the other two, is Scottish domiciled and being well administered in the UK. Prospects for recovery are very good.

Overall, the outlook remains consistent with our assessment at the time of setting the 2010/2011 budget. The main risk is our priority status with Landsbanki, agreed by their administrators, being overturned. All the legal advice is against this, but as our largest exposure, it cannot be ignored.

Future Improvement

The Authority and Force are committed to identify and address any weaknesses in their governance arrangements. They regard a comprehensive review programme, and a positive response to constructive criticism as fundamental to delivering the continuous improvement, which is essential to a cost effective policing service for their communities.

Independent auditor's report to 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 2010 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, Statement of Movement on the General Fund Balance, Balance Sheet, Statement of Total Recognised Gains and Losses, Cash Flow Statement, and the related notes. The financial statements have been prepared under the accounting policies set out within them. 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 49 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 Code of Practice on Local Authority Accounting in the United Kingdom 2009 are set out in the Statement of Responsibilities.

My responsibility is to audit the accounting statements and the police pension fund 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 and related notes present a true and fair view, in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2009, of:

- 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 Forward. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements. 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 a true and fair view, in accordance with applicable laws and regulations and the Code of Practice on Local

Authority Accounting in the United Kingdom 2009, the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended; and

- The police pension fund accounting statements present a true and fair view, in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2009, the financial transactions of the police pension fund during the year ended 31 March 2010 and the amount and disposition of the fund's assets and liabilities as at 31 March 2010, 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 May 2009 and the supporting guidance, 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 2010.

Certificate

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

Darren Wells
District Auditor, Officer of the Audit Commission

Date:

Statement of Accounting Policies

1. General Principles

The accounts of the Police Authority summarise the transactions for the 2009/10 financial year and its position at the year-end of 31 March 2010. This Statement of Accounts has been prepared in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice (the SORP) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). They also comply with CIPFA's Best Value Accounting Code of Practice (BVACOP). The accounting convention adopted is historic cost, modified by the revaluation of certain categories of tangible fixed assets.

2. Accruals of Income and Expenditure

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

- Fees, charges and rents due from customers are accounted for as income at the date the Authority provides the goods or services.
- 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 stocks on the Balance Sheet.
- Works are included on the Balance Sheet as operational assets when they are completed and brought into service, before which they are classified as assets under construction.
- Interest receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where 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.

3. Reserves

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

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

4. Provisions

Provisions are made where an event has taken place that gives the Authority an obligation which probably requires settlement by the transfer of economic benefits, but where the exact amount, and / or timing of the transfer is uncertain.

Provisions are charged against the Net Cost of Services in the Income and Expenditure account in the year which the Authority becomes aware of the obligation, based on the best estimate of the likely liability. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated liabilities are reviewed at the end of each financial year and if it becomes more likely than not that a transfer of economic benefits will no longer be required (or is lower than originally estimated), the provision is reversed and credited back against Net Cost of Services in the Income and Expenditure Account to the extent of the decrease.

5. Tangible and Intangible Assets (i). Recognition

Intangible Assets

Intangible assets are those that do not have a physical substance but can be separately identified and controlled by the Authority such as software licences and developed software. Spending on these assets is

capitalised if the asset will bring benefits to the Authority for more than one year and was in excess of the Authority's agreed de-minimus level for capital expenditure of £12,000.

Spending on intangible assets is written down to the Income and Expenditure Account over their estimated useful lives. Economic life is based on either the period for which the software the licence has been granted or, in the case of developed software, its life is assessed by the Head of ICT.

Tangible Assets

Tangible assets are those that have physical substance and are held for use in the delivery of services or for administrative purposes on a continuing basis.

Expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis if the asset will bring benefits to the Authority for more than one year and was in excess of the Authority's agreed de-minimus level for capital expenditure of £12,000. All motor vehicle purchases however are agreed to be capital purchases.

An existing asset is considered to have been enhanced if either its capacity has been increased or its useful life has been extended.

Expenditure which secures but does not extend the previously assessed standard or performance of the asset (such as repairs and maintenance) is charged to Net Cost of Services in the Income and Expenditure account as it is incurred.

(ii). Measurement

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for intended use. Assets are then carried on the Balance Sheet using the appropriate valuation basis governed by the SORP.

All assets held on a valuation basis as determined by the code of practice have to be reviewed within a five-year period. The Authority has recently appointed new valuers and the entire estate has been revalued for the 2009/10 accounts.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to Net Cost of Services in the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

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

(iii). Impairment

The values of each category of asset and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where an impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for:

- Where attributable to the clear consumption of economic benefits, the loss is charged to the Net Cost of Services in the Income and Expenditure account.
- Otherwise, the loss is written off against any revaluation gains attributable to relevant assets in the Revaluation Reserve, with any excess charged to the Income and Expenditure Account.

(iv). Disposals

When an asset is disposed of or decommissioned, the value of the asset in the balance sheet is written off to the Income and Expenditure account as part of the gain or loss on disposal. Receipts from disposals are credited to the income and expenditure account as part of the gain or loss on disposal, i.e. netted off against the carrying value of the asset at the time of disposal. Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Cash received from the sale of fixed assets which is above £10,000 is classified as capital receipts. It is credited to the Usable Capital Receipts reserve and must be used to fund future capital expenditure.

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

(v). Depreciation

Depreciation charges are based on the estimated useful life and anticipated residual value of each asset and are calculated in such a way as to give an equal charge to Net Cost of Services in the Income and Expenditure account in each year the asset is used.

All buildings assets are assessed for an appropriate life on an individual basis by the Kent Police Estate department and reviewed as part of the five-year revaluation cycle. The Authority does not depreciate land assets, a policy consistent with the SORP.

The lives of vehicles, plant, equipment and intangible assets are assessed individually as the basis for charging depreciation. Where an asset has major components with either different useful lives or anticipated residual values, these are depreciated separately.

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

(vi). Grants and contributions for fixed assets

Where grants and contributions are received that have been used to finance fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account. The balance is then written down to the Income and Expenditure account to offset depreciation charges made for the use of assets, in line with the depreciation policy applied to them.

6. VAT

Income and expenditure excludes amounts related to VAT in all but a few specific cases, as VAT paid is recoverable from HM Revenue & Customs and VAT collected is payable to it except under certain circumstances.

7. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply of service in accordance with the costing principles of the Best Value Accounting Code Of Practice (BVACOP). The full costs of overheads and support services are shared between users in the proportion to the benefits received, with the exception of:

- Corporate and Democratic Core;
- Non Distributed Costs

These two categories are defined in BVACOP and accounted for as separate headings in the Income and Expenditure Account, as part of the Net Cost of Services.

8. Valuation of Stocks

Where stocks are maintained they are included in the balance sheet at the lower of cost and net realisable value.

9. Grants

The Authority receives both specific revenue grants and general financial support in terms of the Formula Grants from the Government. All these are recognised as income at the date that the Authority satisfies the conditions of entitlement to the grant, there is reasonable assurance that the monies will be received, and the expenditure for which the grant is given has been incurred.

Revenue grants are matched within Net Cost of Services in the Income and Expenditure account with the service expenditure to which they relate and grants to cover general expenditure (i.e. the Formula Grant) are credited to the foot of the Income and Expenditure account after net operating expenditure.

10. Leases

(i). Finance Leases

The Authority accounts for leases as finance leases when substantially all the risks and rewards relating to the leased property transfer to the Authority. Rentals payable are apportioned between:

- A charge for the acquisition of the interest in the property (recognised as a liability in the Balance Sheet at the start of the lease, matched with a tangible fixed asset – the liability is written down as the rent become payable), and
- A finance charge (debited to Net Operating Expenditure in the Income and Expenditure Account as the rent becomes payable).

Fixed assets recognised under finance leases are accounted for using the policies applied generally to Tangible Fixed Assets, subject to depreciation being charged over the life of the lease term if this is shorter than the assets expected useful life.

(ii). Operating Leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service revenue account on a straight-line basis as they become payable over the life of the lease.

11. Pension Arrangements

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

Police Officers

The Police Pension Scheme (PPS) is a contributory occupational pension scheme governed by the Police Pension Regulations (PPR) 1987 (as amended) and related regulations that are made under the Police Pension Act 1976. Officers make contributions of 11% of pensionable pay.

The New Police Pension Scheme (NPPS), which started on 1st April 2006, is also a contributory occupational pension scheme, governed by the Police Pension Act 1976 (as amended by the Police Pensions Regulations 2006). Officers make contributions of 9.5% of pensionable pay.

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

The NPPS and PPS are defined benefit schemes (without managed pension assets). The employer's contribution for each serving officer is common to both schemes at 24.2% of pensionable pay. This is set nationally and is subject to a three yearly review. Accrued net pension liabilities have been assessed on an actuarial basis in accordance with FRS17. The net liability and a pensions reserve incorporating both pension schemes have been recognised in the Balance Sheet, as have entries in the Income and Expenditure Account for movements in the asset / liability relating to the defined benefit schemes. Transfers into and out of the schemes representing joining and leaving the police are recorded on a cash basis in the Pension Account as a result of the time taken to finalise the sums involved.

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

Liabilities are discounted to their value at current prices, using a discount rate prescribed by the Fund's Actuaries.

Local Government Scheme

Police staff are members of the Local Government Pension Scheme, a funded defined benefit scheme, which is managed by Kent County Council. The Authority paid an employer's contribution determined by Actuaries. The Fund was subject to a triennial valuation during 2007/08, the results of which came into effect on 1 April 2008.

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

Liabilities are discounted to their value at current prices, using a discount rate as prescribed by the Fund's Actuaries, based on the weighted average of "spot yields" on AA rated corporate bonds.

The assets of the Local Government Pension Fund attributable to the authority are included in the Balance Sheet at their fair value:

- quoted securities: current bid price

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

The movement on the pension asset/liability has to be analysed into the following constituents:

- Current service cost: the increase in liabilities expected to arise from employee service in the current period; allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked
- Past service cost: the increase in liabilities related to employee service in prior periods arising from improvement of retirement benefits in the current period, debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs
- Interest cost: the expected increase in the present value of liabilities during the year as they move one year closer to being paid; debited to Net Operating Expenditure in the Income and Expenditure Account
- Expected rate of return on scheme assets: the average rate of return expected on the actual assets held in the pension scheme; credited to Net Operating Expenditure in the Income and Expenditure Account
- Gains/losses on settlements and curtailments: the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees; debited to Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs
- Actuarial gains and losses: changes that arise because events have not coincided with actuarial assumptions made at the last scheme valuation (experience) or the assumptions have changed; debited to the Statement of Total Recognised Gains and Losses.
- Contributions by the employer: the increase in scheme assets arising from payments made into the scheme by the employer. In the case of the Police Pension scheme, this includes any contribution made by the Authority to meet the deficit on the Pension Fund.
- Contributions by scheme participants: the increase in scheme liabilities and assets arising from payments into the scheme by employees (as increased employee contributions increase pensions due to the employee in the future)
- Benefits paid: payments to discharge liabilities directly to pensioners.

In relation to retirement benefits, statutory provisions require the Police General Fund balance to be charged with the amount payable by the Authority to the pension funds in the year, not the amount calculated as the net increase in liabilities according to the relevant accounting standards. In the Statement of Movement on the Police General Fund Balance this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

12. Financial Liabilities

Financial liabilities, which include trade payables (creditors) are initially measured at fair value and carried at their cost. For trade payables, creditors, the Balance Sheet value is deemed to be a reasonable approximation of fair value and therefore no fair value adjustments have been made.

13. Financial Assets

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

Loans and receivables are initially measured at fair value and carried at their amortised cost. For all the investments made by the Authority this means that the amount presented in the Balance Sheet is the outstanding principal receivable. The interest credited to the Income and Expenditure account is the amount receivable for the year under the terms of the deposit agreement. For trade receivables the amortised cost is deemed to be a reasonable approximation of fair value and therefore no fair value adjustments have been made.

14. Interest in companies and other entities

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

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

15. Private Finance Initiative (PFI)

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

The Authority's PFI schemes are both accounted for in accordance with the SORP, additional notes are incorporated in notes 7 & 14 of the Statement of Accounts.

Income and Expenditure Account

Restated Previous Year Net Expenditure £'000s	Notes	Gross Expenditure £'000s	Gross Income £'000s	Net Expenditure £'000s
158,376	Local Policing	226,339	(35,568)	190,771
27,679	Dealing with the Public	25,833	(1,636)	24,197
28,854	Criminal Justice Arrangements	33,057	(2,334)	30,723
13,641	Roads Policing	12,903	(701)	12,202
30,978	Specialist Operations	32,319	(1,712)	30,607
10,560	Intelligence	10,555	(583)	9,972
36,201	Specialist Investigations	40,517	(2,156)	38,361
14,311	Investigative Support	14,273	(777)	13,496
320,600	Sub-total	395,796	(45,467)	350,329
(8,485)	National Policing	10,782	(15,035)	(4,253)
1,389	Corporate & Democratic Core	1,232	0	1,232
2,409	Non-Distributed Costs	3,311	0	3,311
315,913	Net cost of Police Services	411,121	(60,502)	350,619
				1
(317)	(Profit) / loss on disposal of fixed assets			(230)
(3,170)	Interest and Investment Income		(1,544)	(1,544)
96,810	Pension Interest Cost & Expected Return on Assets			102,368
409,236	Net Operating Expenditure			451,213
				22
				17
(79,085)	Precept Income			(83,349)
(126,308)	Government Grants			(128,586)
(9,498)	Revenue Support Grant			(14,882)
(68,231)	National Non-Domestic Rates			(64,479)
126,114	Deficit for the Year			159,917

Statement of Movement on the General Fund Balance

	2009/10 (£'000)	Restated 2008/09 (£'000)
Deficit for the year on the Income & Expenditure Account	159,917	126,114
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund	<u>(159,917)</u>	<u>(126,772)</u>
Increase in General Fund Balance for the year	0	(658)
General Fund Balance brought forward	<u>(5,994)</u>	<u>(5,336)</u>
General Fund Balance carried forward	<u>(5,994)</u>	<u>(5,994)</u>

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

	2009/10 (£'000)	Restated 2008/09 (£'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	(50,958)	(16,115)
Government grants deferred amortisation	3,381	2,888
Net gain / loss on sale of fixed assets	230	317
Net charges made for retirement benefits in accordance with FRS 17	(105,292)	(106,933)
Difference between statutory debits and credits and amounts recognised as income and expenditure in relation to financial instruments	(337)	(1,876)
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	(1,000)	441
Minimum revenue provision for capital financing	0	0
Capital expenditure charged in-year to the General Fund Balance	77	77
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	3,149	7,699
Contributions from Earmarked Reserves	<u>(9,167)</u>	<u>(13,270)</u>
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the Fund	<u>(159,917)</u>	<u>(126,772)</u>

Statement of Total Recognised Gains and Losses

	2009/10 (£'000)	Restated 2008/09 (£'000)
Deficit for the year on the Income & Expenditure Account	159,917	126,114
(Surplus) deficit arising on the revaluation of fixed assets	(39,129)	(10,694)
(Surplus) deficit arising on revaluation of available-for-sale financial assets	(259)	(197)
Collection fund adjustments	0	298
Actuarial gains/(losses) on pension fund assets and liabilities	<u>648,817</u>	<u>(23,398)</u>
Total recognised (gains)/losses for the year	<u>769,346</u>	<u>92,123</u>

Balance Sheet

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

	Notes	31 March 2010		31 March 2009 (restated)	
		£'000	£'000	£'000	£'000
Fixed Assets:					
Intangible Fixed Assets	8	4,922		5,934	
Tangible Fixed Assets:					
Operational Assets	8				
Land and Buildings		191,692		203,831	
Vehicles, Plant & Equipment		16,432		17,153	
Non-Operational Assets		22,046		20,613	
Assets under Construction		444		9	
			235,536		247,540
Long-term Investments			13		13
Long-term Debtors	9		773		605
Total Long-Term Assets			236,322		248,158
Current Assets:					
Stocks and Work in Progress		176		222	
Amounts owed to the Authority by debtors	10	19,379		20,589	
Short-term investments	18	34,979		39,119	
Cash and Bank balances	21	<u>1,155</u>		<u>174</u>	
			55,689		60,104
Less: Current Liabilities					
Amounts owed by the Authority to creditors	11		(27,674)		(28,850)
Total Assets less Current Liabilities			264,337		279,412
Insurance Provision	12		(2,666)		(1,705)
Finance Leases	13,14		(51,586)		(52,524)
Government Grant Deferred Account			(20,744)		(20,606)
Liabilities related to defined benefit pension scheme	17		<u>(2,266,762)</u>		<u>(1,512,652)</u>
Total Assets less Liabilities			<u>(2,077,421)</u>		<u>(1,308,075)</u>
Taxpayers Equity in Kent Police Accounting Reserves	19				
Revaluation Reserves		50,959		17,593	
Capital Adjustment Account		<u>113,484</u>		<u>158,118</u>	
Usable Reserves	19		164,443		175,711
Usable Capital Receipts Reserve		2,763		2,735	
General Capital Reserve		7,949		7,413	
Earmarked Revenue Reserves		9,097		15,752	
Other Reserves		(2,267,667)		(1,515,681)	
General Revenue Reserve		5,994		5,994	
			(2,241,864)		(1,483,786)
Total Equity			<u>(2,077,421)</u>		<u>(1,308,075)</u>

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 2010	31 March 2009
		(£'000)	(restated) (£'000)
	Notes		
<u>Revenue Activities</u>			
Cash Outflows			
Employee costs		296,401	275,967
Other operating costs		58,575	64,949
Cash Inflows			
Precepts on Collection funds		(84,349)	(79,647)
National Non-Domestic Rate income		(64,479)	(68,231)
Revenue Support Grant		(14,882)	(9,498)
Police Grant		(128,587)	(109,442)
Other government grants		(36,669)	(38,687)
Cash received for goods and services		(25,552)	(22,648)
Other revenue income		<u>(3,316)</u>	<u>(1,613)</u>
Net cash flow revenue activities	20	(2,858)	11,149
<u>Servicing of Finance</u>			
Cash Outflow			
Interest element of finance lease rental		4,699	59
Cash Inflow			
Interest received		(447)	(2,728)
Net Cash Flow Servicing of Finance		4,252	(2,669)
<u>Capital Activities</u>			
Cash Outflow			
Purchase of fixed assets		6,292	5,886
Cash Inflows			
Sale of fixed assets		(2,072)	(1,680)
Capital grants received		(3,520)	(3,520)
Capital contributions received		<u>0</u>	<u>(546)</u>
Net cash flow capital activities		700	140
<u>Management of Liquid Resources</u>			
Net increase (decrease) in short-term investment	18	(3,152)	(8,299)
<u>Financing</u>			
Cash Outflow			
Capital element of finance lease rental		<u>77</u>	<u>78</u>
Decrease (increase) in cash	21	<u>(981)</u>	<u>399</u>

Notes to the Core Financial Statements

1. Summary Income and Expenditure Account

This summary shows the total revenue expenditure and income for 2009-2010.

Expenditure	Notes	Year ended 31 March 2010		Year ended 31 March 2009 - restated	
		(£'000)	(£'000)	(£'000)	(£'000)
Employee Costs					
Pay allowances and training	2	251,506		245,607	
Pensions - Police and Police Staff	3	2,994		2,824	
FRS 17		<u>43,642</u>		<u>48,740</u>	
Other Running Costs			298,142		297,171
Premises		18,747		18,630	
Transport		7,811		7,540	
Supplies and Services		32,058		30,984	
Third Party Payments		3,476		10,106	
Depreciation	8	15,044		13,534	
Impairment Losses		39,225		4,102	
Government Grants deferred credits		<u>(3,382)</u>		<u>(2,888)</u>	
			<u>112,979</u>		<u>82,008</u>
Total Gross Expenditure			411,121		379,179
Income					
Reimbursements & Contributions		(53,100)		(56,967)	
Sales		(160)		(32)	
Fees and Charges		(3,926)		(4,654)	
Other Income		(3,316)		(1,613)	
Total Income			(60,502)		(63,266)
Net Expenditure			350,619		315,913

This note shows the net expenditure subjectively. The income and expenditure account on page 16 analyses the net expenditure over Best Value category as per the CIPFA Code of Practice, which is analysed in detail in the Foreword to the accounts.

2. Employment Costs

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

Remuneration Band (£)	Number of Employees	
	2009/10	2008/09
50,000 – 54,999	198	257
55,000 – 59,999	120	127
60,000 – 64,999	27	23
65,000 – 69,999	8	15
70,000 – 74,999	14	7
75,000 – 79,999	10	12
80,000 – 84,999	11	5
85,000 – 89,999	4	6
90,000 – 94,999	3	-
95,000 – 99,999	1	2
100,000 – 104,999	-	2
105,000 – 109,999	2	-
110,000 – 114,999	1	2
115,000 – 119,999	1	1
120,000 – 124,999	-	-
125,000 – 129,999	-	-
130,000 – 134,999	-	-
135,000 – 139,999	-	-
140,000 – 144,999	-	1
145,000 – 149,999	1	-
150,000 – 154,999	-	-
155,000 – 159,999	-	-
160,000 - 164,999	-	1
165,000 – 169,999	-	-
170,000 – 174,999	-	-
175,000 – 179,999	1	-

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

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

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

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

Notes:

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

2008/09										
Post Title	Note	Salary including allowances	Perf'nce. Related Pay	Expenses Allowances	Compensation for loss of office	Benefits in kind	Other Payments (Police Offices only)	Total remuneration (excl pension contributions)	Pension contributions	Total remuneration (including pension contributions)
Chief Executive		93,171	0	10,497	0	780	0	104,448	14,469	118,917
Treasurer	4	33,723	0	0	0	0	0	33,723	5,160	38,883
Chief Constable, Mr Michael Fuller		149,099	0	0	0	8,646	4,518	162,263	34,406	196,669
Deputy Chief Constable		123,260	7,774	0	0	9,492	3,645	144,171	28,384	172,555
Assistant Chief Constable (Area Operations)	5	67,875	0	0	0	2,554	0	70,429	17,037	87,466
Assistant Chief Constable (Personnel & Training)		90,683	3,640	0	0	4,874	2,958	102,155	20,871	123,026
Assistant Chief Constable (Area Operations)	6	37,438	0	0	0	2,564	0	40,002	6,999	47,001
Assistant Chief Constable (Specialist Operations)		105,492	0	158	0	7,290	3,926	116,866	24,084	140,950
Director of Finance & Administration		102,580	0	10,497	0	1,170	0	114,247	15,814	130,061

Notes:

4. The Treasurer is a part time post at 0.40 FTE.
5. Assistant Chief Constable (Area Operations) commenced in the role in July 2008.
6. Assistant Chief Constable (Area Operations) was in post until above was appointed in July.

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.

	2009/10 £'000	2008/09 £'000
Police Staff Retirement Enhancements	0	0
Police Staff Redundancy Payments	0	0
Police Staff Pension Enhancements	50	23
Officers Annual Pension and Commutations Payments	164	157
Officers Contributions	0	0
Net value of Officers Transfer values	0	0
Officers Pension Contribution Refunds	0	0
Officers Injury & Ill Health payments	2,604	2,481
Officers 30+ Scheme	176	163
	2,994	2,824

Police Officers

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

Pensions Fund Account

	Year to 31/03/10 (£'000)
<u>Income</u>	
Officers contributions	13,704
Employers contributions	30,734
Transfers in	1,026
Capital-equivalent charge payments for ill-health early retirements	367
Sub-total	45,831
<u>Expenditure</u>	
Pension payments	(45,340)
Refund of pension contributions	(13)
Transfers out	(276)
Commutations	(10,283)
Sub Total for year before transfer from Police Fund	(10,081)
Transfer from Police Fund	10,081
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.

For the year ended 31 March 2010 a debtor of £2.7m 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. The accounting treatment for funding of future retirement benefits is detailed in note 16 – Accounting for Retirement Benefits – FRS 17.

Police Staff Employees

In 2009/10 (2008/09) the Police Authority paid an employer's contribution of £9.3m, (£7.9m) including £0.02m (£0.04m) one-off lump sum payments, into the Kent County Council Superannuation Fund, representing 15.3% (15.3%) of pensionable pay. The employer's contribution rate is determined by the Fund's actuary.

An actuarial valuation was carried out as at 31 March 2008 and alterations to the contributions made were necessary as shown above. In addition the Police Authority is responsible for all pension payments relating to added years benefits it has awarded, together with the related increases.

The capital cost of discretionary increases in pension payments was £23k (£45k) in the year and there were no payments being made with regard to earlier years. Further information can be found in Kent County Council's Superannuation Fund's Annual Report that is available upon request from the Investment Section, County Hall, Maidstone, Kent, ME14 1XQ.

4. Members' Allowances and Expenses

A total of £253,824 (£231,185) was paid in 2009/10 (2008/09) for members' allowances and expenses.

The annual allowances paid to members are as follows:

Post	Basic Allowance	Special Responsibility Allowance	Total
Chair	9,234	20,000 (100%)	29,234
Vice-Chair	9,234	10,000 (50%)	19,234
Committee Chair	9,234	6,000 (30%)	15,234
Member	9,234	-	9,234

The basic allowance is linked to the annual police staff pay award, which was 2.6% pa with effect from 1st September 2009.

5. 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 is one related party transaction to disclose in 2009/10.

One Police Authority Member served on the Board of Kent County Supplies for part of 2009/10. County Print & Design is a trading company providing photocopiers and printing to Kent Police to the value of £590k pa. This business arrangement has been in existence for some years and the Member did not influence the contractual relationship in anyway. Full disclosure of this relationship was made in accordance with existing policy.

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 (£129k). Payments to Essex Police (£632k) were made for Air Support and reimbursement of officer salary working on the collaboration project. 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.

6. Audit Costs

In 2009/10 the following fees were incurred relating to external audit and inspection, carried out by our appointed external auditors, the Audit Commission:

	2009/10	2008/09
	(£'000)	(£'000)
Fees payable in respect to External Audit Fees	101	94
Fees payable in respect of PFI Opinion Fee	0	0
Fees payable to the Audit Commission in respect of other Services	1	1
TOTAL	102	95

7. Prior Period Adjustments

Public finance initiative schemes:

Accounting treatment for the two Police Stations, North Kent and Medway, built under Private Finance Initiative (PFI) agreements is significantly different to previous years. This is an early move by CIPFA to align parts of Authority's Accounts with International Financial Reporting Standards (IFRS), full transfer to IFRS rules will occur for the year ending 31st March 2011.

The essence of the new PFI accounting treatment is for Kent Police to show the two Police Stations on its Balance Sheet reflecting the substance of the agreements to operate, control and eventually own the two stations. The following tables show the previous accounting treatment for PFI in the Kent Police Accounts for 2008/09 and previously.

Effect on performance statements of previous accounting treatment

	2006/07	2007/08	2008/09	Cumulative
	£'000's	£'000's	£'000's	£'000's
Income and Expenditure Account				
<i>Net Cost of Services:</i>				
Gross unitary charges	1,081	2,837	7,774	11,692
Less				
Capitalisation of residual interest in PFI	(120)	(359)	(916)	(1,395)
Net Unitary Payment	961	2,478	6,858	10,297
PFI Special Grant	(838)	(2,235)	(5,288)	(8,361)
Outturn	123	243	1,570	1,936
Statement of Movement on the General Fund Balance				
I&E Outturn	123	243	1,570	1,936
Contribution to PFI reserve for residual interest element of unitary payment	120	359	916	1,395
Outturn	243	602	2,486	3,331
Statement of Total Recognised Gains and Losses	-	-	-	-
Effect on Balance Sheet of previous accounting treatment		31 March 2007 £'000's	31 March 2008 £'000's	31 March 2009 £'000's
Balance Sheet				
Residual interest in constructed assets		120	478	1,395
Cash paid and received		(242)	(601)	(2,486)
		(122)	(123)	(1,091)
Revaluation reserve		0	0	0
PFI Reserve		120	478	1,395
Capital Adjustment Account		0	0	0
General Fund Balance		(242)	(601)	(2,486)
		(122)	(123)	(1,091)

Notes:

1. Medway Police Station was brought into operation in November 2006 and North Kent Police Station in May 2008.
2. The PFI Grant payment from the Home Office corresponds to the period of occupancy of the PFI.

Summary of amendments required to convert to the new accounting requirements

Conversion of prior year performance statements to the new accounting treatment
The transactions in the Authority's performance statements would have been:

	2006/07 £'000's	2007/08 £'000's	2008/09 £'000's	Cumulative £'000's
Income and Expenditure Account				
Net Cost of Service:				
Gross unitary charges	1,081	2,826	7,775	11,682
Less Finance Lease rental	(761)	(1,929)	(5,463)	(8,153)
Less additional furniture & equipment provided through the PFI contracts	(4)	(3)	(21)	(28)
Fair value of services	316	894	2,291	3,501
Depreciation	206	618	1,448	2,272
Finance Costs:				
Lease liability finance charge	6	1,633	4,558	6,197
Contingent rent	25	0	104	129
PFI Grant	(838)	(2,235)	(5,288)	(8,361)
Outturn	(285)	910	3,113	3,738
Statement of Movement on the General Fund Balance				
I&E Outturn	(285)	910	3,113	3,738
Reversal of depreciation	(206)	(618)	(1,448)	(2,272)
Outturn	(491)	292	1,665	1,466
Statement of Movement on the General Fund Balance	-	-	-	-
Restatement of 1st April 2009 Balance Sheet				
These transactions produce the following Balance Sheet that will form the basis for the Authority's restated Balance Sheet as at 1 st April 2009.		31 March 2007 £'000's	31 March 2008 £'000's	31 March 2009 £'000's
Balance Sheet				
Tangible fixed Assets		20,847	20,229	51,146
Cash paid and received		(242)	(591)	(2,487)
PFI Lease Liability		(20,323)	(20,027)	(51,591)
		282	(389)	(2,932)
Capital Adjustment Account		206	618	1,448
General Fund Balance		(488)	(229)	1,484
		(282)	389	2,932

Accounting for Precepts

In previous years the Kent Police Statement of Accounts has shown the total amount billed to the 13 local authorities in Kent under the precept in its accounts. There was no requirement under the CIPFA Statement of Recommended Practice to account for any share of underpayments, prepayments or potential impairments through non-payment.

The CIPFA SORP for the 2009/10 accounts stipulates that both billing and precepting authorities must show the council tax income (precept) for the year on an accrued basis from 1st April 2009 onwards. There will therefore be a debtor / creditor position at year end between the billing authorities (local councils) and Kent Police as the preceptor. This is as the cash received in year will not be its share of the cash collected from council taxpayers.

This change in accounting policy for council tax requires prior year adjustments to the 2008/09 accounts. This adjustment is illustrated in the tables below:

	Total of 13 local authorities £'000's
Income and Expenditure Account	
Share of surplus / (deficit) on the Collection Fund at 31 st March 2008 as notified 15 th January 2008 for budgeting purposes.	(31)
Share of outturn surplus / (deficit) on the Collection Fund at 31 st March 2008 per the 2007/08 accounts.	(298)
Precepts on the Collection Fund for 2008/09	79,678
Share of outturn surplus / (deficit) on the Collection Fund at 31 st March 2009 per the 2008/09 accounts.	(182)
Precept in the Kent Police Accounts for 2008/09.	79,649
Actual increase / (decrease) in income for 2008/09.	(295)
Difference between Collection Fund deficit per 2008/09 accounts and that as notified for budgeting purposes.	(267)
Net Adjustment to the Income and Expenditure Account	(562)
Statement of Movement on the General Fund Balance	
Returning the General Fund to its previous balance	562
Balance Sheet	
Opening Balance Sheet entry as at 1 st April 2008	
Collection Fund Adjustment Account	298
Creditors	(298)
Movement on the authority's share of the Collection Fund surplus / (deficit) for 2008/09	
Precept income	562
Creditors	(562)
Statement of Movement on the General Fund	562
Collection Fund Adjustment Account	(562)

8. Fixed Assets - restated

	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 01.04.09	22,569	192,822	61,666	15,169	21,692	9	313,927
Change of status	501	(12,655)	307	927	10,920	0	0
Gross book value at 01.04.09 restated	23,070	180,167	61,973	16,096	32,612	9	313,927
Additions	3	20	4,873	312	221	1,695	7,124
Disposals	(93)	(187)	(1,446)	0	(1,270)	0	(2,996)
Transfers	0	0	17	0	(20)	3	0
Revaluations & restatements	31,570	(28,868)	0	0	(8,289)	(1,263)	(6,850)
Gross book value as at 31.03.10	54,550	151,132	65,417	16,408	23,254	444	311,205
Accumulated depreciation	0	(10,490)	(44,523)	(9,235)	(1,801)	0	(66,049)
Depreciation in Year	0	(4,942)	(5,521)	(2,251)	(58)	0	(12,772)
Depreciation on assets sold	0	27	1,059	0	74	0	1,160
Depreciation on revalued assets	0	1,415	0	0	577	0	1,992
Net book value as at 31.03.10	54,550	137,142	16,432	4,922	22,046	444	235,536

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 2010

Operational	2009/10	2008/09
Force Headquarters	1	1
Transport Services – Finance Lease	1	1
Coldharbour Complex	1	-
Housing used as dwellings	62	69
Kent Police College	1	1
Houses used as offices	10	16
Police Stations, including those built under PFI contracts	19	28
Radio Stations / masts	4	-
VI Suite	9	9
Office – Farthing Corner, M2	1	-
Garage Blocks	3	3
Non Operational		
Houses	45	25
Police Stations	6	6
PFI Land	0	2
Garage Blocks	0	0
Vehicles	1,226	1,438

Basis Of Valuation

The entire Kent Police estate has been revalued for the 2009/10 Statement of Accounts rather than a rolling programme of valuation reviews which has been followed in previous years. However, the two police stations operated under PFI contracts have been held on the Balance Sheet at the contract value rather than adopting the revaluation suggested by the valuer. This decision reflects the nature of the contract and their enhanced services, maintenance and worth to the Authority. The valuation this year has been made as at 1 April 2009 prices.

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 2010. The sources of information and assumptions made in producing the various valuations are set out in the valuation certificate and report produced by Mouchel, an organisation external to Kent Police. The valuation was undertaken by Mr Peter Riley FRICS of Mouchel Group Plc.

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.

The asset classifications shown in the table above have been thoroughly reviewed following the comprehensive revaluation of the Kent Police estate and additional categories added to assist readers' of the accounts understanding. Police Stations built under PFI contracts are now including within the Kent Police Balance Sheet (following the CIPFA Statement of Recommended Practice 2009/10) and have therefore been included above Statement of Physical Assets.

Capital Expenditure 2009-2010

Items of capital expenditure during the year were:

	2009/10 (£'000)	2008/09 (£'000)
Major IT / Communication schemes	926	1,203
Various building works	1,695	1,238
Land & building acquisition	236	0
Vehicles	2,611	2,459
Plant & equipment	1,656	714
Total	7,124	5,614

Financing Of Capital Expenditure 2009-2010

	2009/10 (£'000)	2008/09 (£'000)
Capital receipts	2,039	1,680
Capital contributions	87	466
Capital grant	3,520	3,520
Revenue contributions	667	219
Increase in capital creditors	811	(271)
Total	7,124	5,614

Future Capital Expenditure Commitments

At 31 March 2010 capital expenditure to be incurred in 2010/11 and later years includes the following major projects:

	(£'000)
IT various projects	2,088
Building works	3,571
Vehicles, plant and equipment	3,920

9. Amounts Owed To The Authority By Long Term Debtors

Long Term Debtors:	At 31/03/2010 (£'000)	At 31/03/2009 (£'000)
Current value of Police Loans	769	586
Car loans	4	19
Total	773	605

During 1999/2000 Police pay was changed from four weekly to monthly. To ensure that officers did not suffer financially 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 0.25% (3.5% for 2008/09) based on the interest rates Kent Police received from its investments with the Bank of England, the different rates between years reflects the drop in interest rates being received. Further notes around the Authority's Financial Instruments are contained in note 22.

10. Amounts Owed To The Authority By Other Debtors

Other Debtors:	At 31/03/2010 (£'000)	Restated at 31/03/2009 (£'000)
Staff advances	1,300	111
Government Departments	9,560	13,992
Payments in advance	1,259	1,233
General debtors	4,168	4,701
Other local authorities	3,092	552
Total	19,379	20,589

The decrease in debtors with Government Departments is due to a significantly lower a pensions debtor to balance the Police Pensions Account for 2009/10 than was due in 2008/09. The new accounting treatment for the Collection Fund however, partially offsets this decreases.

11. Amounts Owed By The Authority To Creditors

	At 31/03/2010 (£'000)	Restated at 31/03/2009 (£'000)
Receipts in advance	2,887	2,282
Government Departments	91	33
General creditors	22,708	23,758
Other local authorities	1,988	2,777
Total	27,674	28,850

12. Insurance Provision

	2009/10 (£'000)	2008/09 (£'000)
Balance at 1 April	1,705	1,566
Income	1,993	902
Expenditure	(1,032)	(763)
Balance at 31 March	2,666	1,705

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.

13. 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. The capital element of this lease has been provided for as follows:

	2009/10 (£'000)	2008/09 8 (£'000)
Balance at 1 April	933	1,011
Expenditure	(78)	(78)
Balance at 31 March	855	933

In 2009/10 (2008/09) the Authority spent £0.137m (£0.137m) on finance leases. Outstanding commitments at 31 March 2010 are as follows:

	£'000
2010-11	137
2012 – 2016	684
2017 onwards	684

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

14. Public Finance Initiative (PFI) funded schemes

Kent Police has two properties funded through PFI arrangements: North Kent Police station and Medway Police station, brought into service in May 2008 and December 2006 respectively. CIPFA guidance has changed for the 2009/10 accounting period and now requires that the Authority shows these assets on its Balance Sheet and that they are depreciated and otherwise accounted for in line with other building assets.

The accounting adjustments required to reverse the previous accounting treatment for the PFI schemes and reinstate the assets under the new rules are shown in Note 7 to these accounts. Note 8 includes the asset values for both North Kent and Medway police stations along with depreciation charges and where these are included on the Authority's Balance Sheet on page 19.

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

	North Kent £'000's	Medway £'000's	Total £'000's
Asset value recognized in the Balance Sheet	32,365	21,053	53,418
Depreciation charges			
2006/07	0	(234)	(234)
2007/08	0	(702)	(702)
2008/09	(989)	(702)	(1,691)
2009/10	(1,079)	(702)	(1,781)
Total	(2,068)	(2,340)	(4,408)
Net Book Value of assets shown in the Balance Sheet as at 31st March 2010	30,297	18,713	49,010
Balance Sheet liability resulting from PFI arrangements			
On recognition	32,365	21,053	53,418
Capital Repayment			
2006/07	0	(730)	(730)
2007/08	0	(296)	(296)
2008/09	(478)	(323)	(801)
2009/10	(564)	(296)	(860)
Net Balance Sheet liability resulting from PFI arrangements as at 31st March 2010	31,323	19,408	50,731

The Authority has contractual arrangements in place to repay the liability for the two buildings including interest charges and a service charge covering maintenance and the provisions of services such as caretaking and public enquiry handling etc over the life of the contracts. The amounts due for the remainder of the contracts are shown in the table below.

	Within one year £'000's	Within 2 to 5 years £'000's	6 to 10 years £'000's	11 to 15 year £'000's	16 to 20 years £'000's	21 to 25 years £'000's	25 to 30 years £'000's
North Kent							
Repayments of liability	516	1,674	2,840	4,729	6,264	11,297	651
Interest	2,890	11,135	12,735	11,087	8,711	5,177	464
Service Charges	1,603	6,821	9,530	10,783	12,199	13,803	933
Total	5,009	19,630	25,105	26,599	27,174	30,277	2,048
Medway							
Repayments of liability	341	1,817	1,395	3,144	4,645	7,247	62
Interest	1,745	6,627	7,484	6,608	4,939	2,482	74
Service Charges	999	4,252	5,834	6,572	7,435	8,412	24
Total	3,085	12,696	14,713	16,324	17,019	18,141	160

15. 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 19.

16. Contingent Liability

There are no contingent liabilities.

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

- New Police Pension Scheme (NPPS), which started from 1 April 2006 and is governed by the Police Pensions Regulations 2006 and has an officer contribution rate of 9.5%.

Transactions Relating to Retirement Benefits

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

Income & Expenditure Account	Local Government Pension Scheme		Police Pension Schemes		Total	
	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09
	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's
<i>Net Cost of Services:</i>						
Current Service Cost	5,827	6,650	37,200	40,300	43,027	46,950
Past Service Cost	15	1,790	600	0	615	1,790
<i>Net Operating Expenditure:</i>						
Interest Cost	11,824	11,850	98,400	95,100	110,224	106,950
Expected return on scheme assets	(7,856)	(10,140)	0	0	(7,856)	(10,140)
<i>Net charge to the Income & Expenditure Account</i>	9,810	10,150	136,200	135,400	146,010	145,550

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

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

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

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

Statement of Movement on the General Fund Balance	Local Government Pension Scheme		Police Pension Schemes		Total	
	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09
	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's
Reversal of net charges made for retirement benefits in accordance with FRS 17 <i>Actual amount charged against the General Fund Balance for Pensions in the year:</i>	(9,810)	(10,150)	(136,200)	(135,400)	(146,010)	(145,550)
Employer's contributions payable to scheme	9,978	9,270	30,740	29,347	40,718	38,617
Net retirement benefits in accordance with FRS 17	168	(880)	(105,460)	(106,053)	(105,292)	(106,933)

Assets and liabilities in relation to retirement benefits

Reconciliation of present value of scheme liabilities:

	Funded Liabilities: Local Government Pension Scheme		Unfunded Liabilities: Police Pension Schemes		Total Liabilities	
	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09
	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's
<i>1st April</i>	168,970	168,100	1,428,500	1,379,100	1,597,470	1,547,200
Current Service Cost	5,827	6,650	37,200	40,300	43,027	46,950
Interest Cost	11,824	11,850	98,400	95,100	110,224	106,950
Contributions by scheme participants	4,252	3,910	13,700	13,000	17,952	16,910
Cumulative adjustment to Police Pension liability to recognise the difference between actuarial assessment and actual contributions	-	-	51,025	36,315	51,025	36,315
Actuarial (gains) and losses	101,765	(18,490)	581,600	(43,200)	683,365	(61,690)
Benefits paid	(5,210)	(4,840)	(58,400)	(55,800)	(63,610)	(60,640)
Past Service Costs	15	1,790	600	0	615	1,790
<i>31st March</i>	287,443	168,970	2,152,625	1,464,815	2,440,068	1,663,785

Reconciliation of fair value of the scheme assets:

	Local Government Pension Scheme	
	2009/10 £'000's	2008/09 £'000's
<i>1st April</i>	120,230	140,120
Expected rate of return	7,856	10,140
Actuarial gains and losses	35,229	(38,400)
Employer contributions	10,032	9,300
Cumulative adjustment to LGPS assets to recognise the difference between Actuarial assumptions and actual employer contributions	277	263
Valuation adjustment on opening asset balance	640	640
Contributions by scheme participants	4,252	3,910
Benefits paid	(5,210)	(4,840)
<i>31st March</i>	173,306	121,133

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

Scheme History

	2009/10 £'000's	2008/09 £'000's	2007/08 £'000's	2006/07 £'000's	2005/06 £'000's
Present value of liabilities:					
Local Government Pension Scheme	(287,443)	(168,970)	(168,100)	(187,230)	(182,070)
Police Pension Schemes	(2,152,635)	(1,464,815)	(1,401,910)	(1,627,605)	(1,631,200)
Fair value of assets in the Local Government Pension Scheme	173,306	121,133	140,120	146,540	132,280
Surplus / (deficit) in the scheme:					
Local Government Pension Scheme	(114,137)	(47,837)	(27,207)	(40,030)	(49,200)
Police Pension Scheme	(2,152,625)	(1,464,815)	(1,401,910)	(1,627,605)	(1,631,200)
Total	(2,266,762)	(1,512,652)	(1,429,117)	(1,667,635)	(1,680,400)

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £2,267m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a negative overall balance of £2,077m.

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. The Police Pension Schemes has been assessed by Hymans Robertson LLP and the Local Government Pension Scheme (LGPS) liabilities by Barnett Waddingham, both independent firms of actuaries. Estimates for the LGPS scheme are based on the latest full valuation of the scheme as at 31 March 2010.

The principal assumptions used in their calculation have been:

	Local Government Pension Scheme		Police Pension Schemes	
	2009/10 £'000's	2008/09 £'000's	2009/10 £'000's	2008/09 £'000's
Long term expected rate of return on assets in the scheme:				
Equity investments	7.5%	7.0%	-	-
Gilts	4.5%	n/a	-	-
Other Bonds	7.5%	7.0%	-	-
Property	5.5%	4.9%	-	-
Cash	3.0%	4.0%	-	-
Mortality assumptions:				
Longevity at 65 (60 for Police Officers) for current pensioners:				
Men	21.5	21.5	27.6	27.6
Women	24.4	24.4	31.0	31.0
Longevity at 65 (60 for Police Officers) for future pensioners:				
Men	22.6	22.6	29.2	29.2
Women	25.5	25.5	32.7	32.7
Rate of inflation	3.9%	3.1%	3.8%	3.1%
Rate of increase in salaries	5.4%	4.6%	5.3%	4.6%
Rate of increase on pensions	3.9%	3.1%	3.8%	3.1%
Rate of discounting for scheme liabilities	5.5%	6.9%	5.5%	6.9%
Take up of option to convert annual pension into retirement lump sum	50%	50%	90%	n/a

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

	31 st March 2010 %	31 st March 2009 %
Equities	74	66
Gilts	1	-
Other Bonds	14	17
Property	7	9
Cash	4	8
	100	100

18. 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.

	2009/10 (£'000)	2008/09 (£'000)
Balance at 1 April	39,119	49,734
Increase / (decrease) in year	(829)	(8,297)
Impairment	(3,311)	(2,318)
Balance at 31 March	34,979	39,119

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

Bank	Date Invested	Maturity Date	Amount Invested (£'000)	Interest Rate	Carrying Amount (£'000)	Impairment (£'000)
Glitnir	28/08/08	26/11/08	2,000	6.00%	2,191	263
Heritable	30/09/08	24/10/08	2,000	6.15%	1,545	624
Heritable	25/09/08	12/12/08	1,200	6.18%	930	377
Landsbanki	30/09/08	24/10/08	2,000	6.15%	2,184	720
Landsbanki	18/09/08	16/01/08	1,000	6.00%	1,092	354
Landsbanki	08/02/08	06/02/09	2,900	5.40%	3,236	973
Total			11,100		11,178	3,311

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

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

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

Glitnir Bank hf

Glitnir Bank hf is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008 its domestic assets and liabilities were transferred to a new bank (new Glitnir) with the management of the affairs of Old Glitnir being placed in the hands of a resolution committee. Old Glitnir's affairs are being administered under Icelandic law. The latest information available regarding Glitnir is contained in their 2009 accounts which are available on-line. It remains the case that if local authority claims, including Kent Police's are awarded priority creditor status 100% of the investment will be recoverable.

Whether local authorities receive priority status is however subject to legal proceedings and no payment is expected to be received prior to any court cases or appeals. It is therefore estimated that the earliest date by which any payment could be made is the end of June 2011.

If local authority deposits do not enjoy priority status, the expected recovery is approximately 29% with payment being made no earlier than October 2015.

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

Heritable Bank

Heritable bank is a UK registered bank under Scots law. The company was placed in administration on 7 October 2008. The latest Administrators report, issued in January 2010 noted that current projections suggest a return to creditors of 79% – 85% of the original investment plus interest. To date three repayments have been made to Kent Police. The amounts shown below represent the cash received against the original investment and this amount expressed as a percentage of the total sum invested in Heritable Bank.

Date	Amount repaid	Percentage
30 th July 2009	£516,032	16.13%
18 th December 2009	£405,120	12.66%
30 th March 2010	£198,178	6.19%
Total	£1,119,330	34.98%

Guidance from CIPFA in Local Authority Accounting Panel Bulletin 82 – update no. 2 recommends the following repayment schedule is used. The schedule is based on expected total dividends of 84.98% of the claim. Although this is at the top end of the expected range quoted by the administrators, this is in line with previous CIPFA advice.

Date	Repayment	Date	Repayment
June 2010	5%	September 2011	5%
September 2010	5%	December 2011	5%
December 2010	5%	March 2012	5%
March 2011	5%	June 2012	5%
June 2011	5%	September 2012	5%

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

Landsbanki

Landsbanki Islands hf is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008 its domestic assets and liabilities were transferred to a new bank (new Landsbanki) with the management of the affairs of Old Landsbanki being placed in the hands of a resolution committee. Old Landsbanki's affairs are being administered under Icelandic law. The latest public presentation of its affairs was made to creditors on 26 March 2010 and confirms that a settlement has been reached between Landsbanki and the successor bank in Iceland (NBI) about the way in which the successor will compensate Landsbanki for the assets taken over.

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

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

The impairment loss recognised in the Income and Expenditure Account in 2009/10, £3.3m, has been calculated by discounting the assumed cash flows at the effective interest rate of the original deposits in order to recognise the anticipated loss of interest to the authority until monies are recovered. Adjustments to the assumptions will be made in future accounts as more information becomes available.

The Authority has taken advantage of the Capital Finance Regulations to defer the impact of the impairment on the General Fund, and a sum of £3.3m has been transferred to the Financial Instruments Adjustment Account.

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

19. Statement of Total Movements in Reserves

	Accounting Reserves		
	Capital Adjustment Account (£'000)	Revaluation Reserve (£'000)	Total (£'000)
Notes	1	2	
Balance as at 01.04.2009 – restated	158,118	17,593	175,711
Unrealised gain (loss) from revaluation of fixed assets	-	33,366	33,366
Value of Fixed Assets consumed	(50,133)	-	(50,133)
Resources used to fund Capital Expenditure	5,499	-	5,499
Balance as at 31.03.10	113,484	50,959	164,443

	Usable Capital Reserves			
	Usable Capital Receipts (£'000)	Capital Grant Reserve (£'000)	General Capital Reserve (£'000)	Total (£'000)
Notes	3		4	
Balance as at 01.04.2009	2,735	0	7,413	10,148
Receipts & Transfers During Year	-	3,520	614	4,134
Proceeds of disposals	2,067	-	-	2,067
Financing of Fixed Assets	(2,039)	(3,520)	(78)	(5,637)
Balance as at 31.03.10	2,763	0	7,949	10,712

Notes	Usable Revenue Reserves			
	Earmarked Revenue Reserves (£'000) 5	Other Reserves (£'000) 6	General Revenue Reserve (£'000) 7	Total (£'000)
Balance as at 01.04.2009	15,752	(1,515,681)	5,994	(1,493,935)
Transfers During Year	(6,655)	(751,987)	0	(758,642)
Balance as at 31.03.10	9,097	(2,267,667)	5,994	(2,252,576)

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

3. 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.

4. General Capital Reserve

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

Usable Revenue Reserves

5. Earmarked Revenue Reserves

	Balance at 1 April 2009 (£'000)	Income (£'000)	Expenditure (£'000)	Balance at 31 March 2010 (£'000)
Budget Equalisation	7,500	1,001	(5,810)	2,691
Insurance	6,372	0	(1,563)	4,809
Invest to Save	531	500	(531)	500
Budget Roll-forward	0	500	0	500
Proceeds of Crime	355	510	(854)	11
Desk Top Replacement	994	0	(408)	586
	15,752	2,511	(9,166)	9,097

6. Other Reserves - restated

	Balance at 1 April 2009 (£'000)	Income (£'000)	Expenditure (£'000)	Balance at 31 March 2010 (£'000)
Collection Fund Adjustment Account	(860)	2,199	0	1,339
FRS 17 Pension Liability	(1,512,652)	40,037	(794,146)	(2,266,761)
Financial Instruments Adjustment Account	(2,168)	3,708	(3,785)	(2,245)
	(1,515,680)	45,944	(797,931)	(2,267,667)

Budget Equalisation

This reserve had been set up to provide for anticipated budget shortfalls over the next three years.

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.

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 2009/10 despite being approved in 2008/09.

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.

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.

The impairment on Icelandic bank is also shown here in line with Local Authority Accounting Panel Bulletin 82 published in May 09.

7. General Revenue Reserve

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

20. Reconciliation Of Surplus To Revenue Cash Flow

	2009-10 (£'000)	2008-09 (£'000)
(Surplus)/Deficit	159,917	124,310
Non-cash transactions:		
Depreciation and impairments	(50,958)	(13,843)
Government grants deferred amortisation	3,381	2,888
Net gain / loss on sale of Fixed Assets	230	317
net charges made for retirement benefits in accordance with FRS 17	(105,292)	(106,933)
net transfer to insurance provisions	(961)	(138)
Icelandic Bank Impairment	(2,213)	(2,318)
Items on an accruals basis		
(increase)/decrease in revenue creditors	(2,029)	(2,366)
increase/(decrease) in stocks	(46)	(96)
increase (decrease) in debtors	(635)	6,778
Items shown later in the cash flow statement: Add		
Servicing of finance	(4,252)	2,668
Net cash flow from revenue activities	(2,858)	11,267

21. Analysis Of Cash Balances

	Balance 1 April 2009 (£'000)	Balance 31 March 2010 (£'000)	Movement In The Year (£'000)
Decrease (Increase) in cash	174	1,155	(981)

22. Financial Instrument

The term financial instrument refers to any contract that gives rise to a financial asset or liability within an authority. For Kent Police this includes loans (explained in note 11), temporary investments, trade debtors and creditors as well as the Insurance Provision and Finance Lease.

Financial Instruments Balances

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

At 31/03/09			At 31/03/10	
Long Term £'000	Current £'000		Long Term £'000	Current £'000
(54,229)	(27,606)	Financial liabilities at amortised cost	(55,190)	(30,352)
0	0	Financial liabilities at fair value through profit and loss	0	0
(54,229)	(27,606)	Total Borrowings	(55,190)	(30,352)
605	20,205	Loans and receivables	773	19,858
0	39,119	Available-for-sale financial assets	0	34,979
0	0	Unquoted equity investments at cost	0	0
605	59,324	Total Investments	773	54,837

Financial Instruments Gains / Losses

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

	Financial Liabilities	Financial Assets		Total
	Liabilities measured at amortised cost	Loans and receivables	Available-for-sale assets	
	£'000	£'000	£'000	£'000
Interest expense	(4,717)	0	0	(4,717)
Loss on derecognition	0	0	0	0
Impairment losses	0	0	0	0
Interest payable and similar charges	(4,717)	0	0	(4,717)
Interest income	0	1,544	0	1,544
Gains on derecognition				
Interest and investment income	0	1,544	0	1,544

23. Events After The Balance Sheet Date

The Chancellor of the Exchequer announced in his Emergency Budget on 22nd June 2010 that the consumer prices index rather than the retail prices index will be the basis for future public sector pension increases. In accordance with paragraph 21 of Financial Reporting Standard 21 (Events after the Balance Sheet date), this change is deemed to be a non-adjusting post balance sheet event. It is estimated that this change will reduce the value of the Authority's FRS 17 liabilities and Balance Sheet deficit by around 7% for the combined Police Pension schemes and 11% for the Local Government Pension Scheme.

This will have the effect of reducing the future pensions liabilities deficit of Kent Police by £163.6m as follows:

	2009/10 as shown in notes 17 and 19. £'000's	Impact of change to consumer price index. £'000's	Revised 2009/10 following Emergency Budget. £'000's
Local Government Pension Scheme	-114,137	12,915	-101,222
Police Pension Scheme	-2,152,625	150,684	-2,001,941
Total pension liabilities	-2,266,762	163,599	-2,103,163

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. This amount forms part of the Council Tax paid by residents in Kent.

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 and Police Objective Analysis Terms

Local policing

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

Dealing with the public

Includes public enquiry officers (front counters), central communications and contact management units.

Criminal justice arrangements

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

Road Policing

Includes traffic policing, vehicle recovery and casualty reduction partnerships.

Specialist operations

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

Intelligence

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

Specialist investigations

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

Investigative Support

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

National Policing

Including Counter Terrorism and Special Branch duties

Police Authority

Includes the costs of internal audit as well as the role of the Police Authority, its Members and administrative support including the Treasurer and Chief Executive.

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.