

Dorset  
Police  
Authority

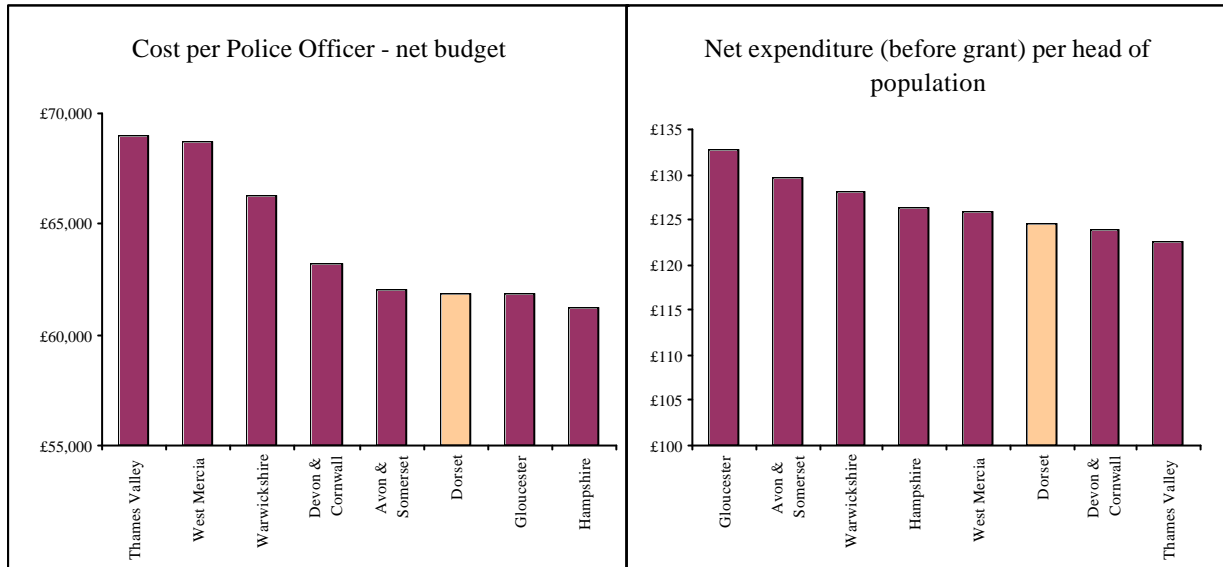
Annual Accounts  
2002-03

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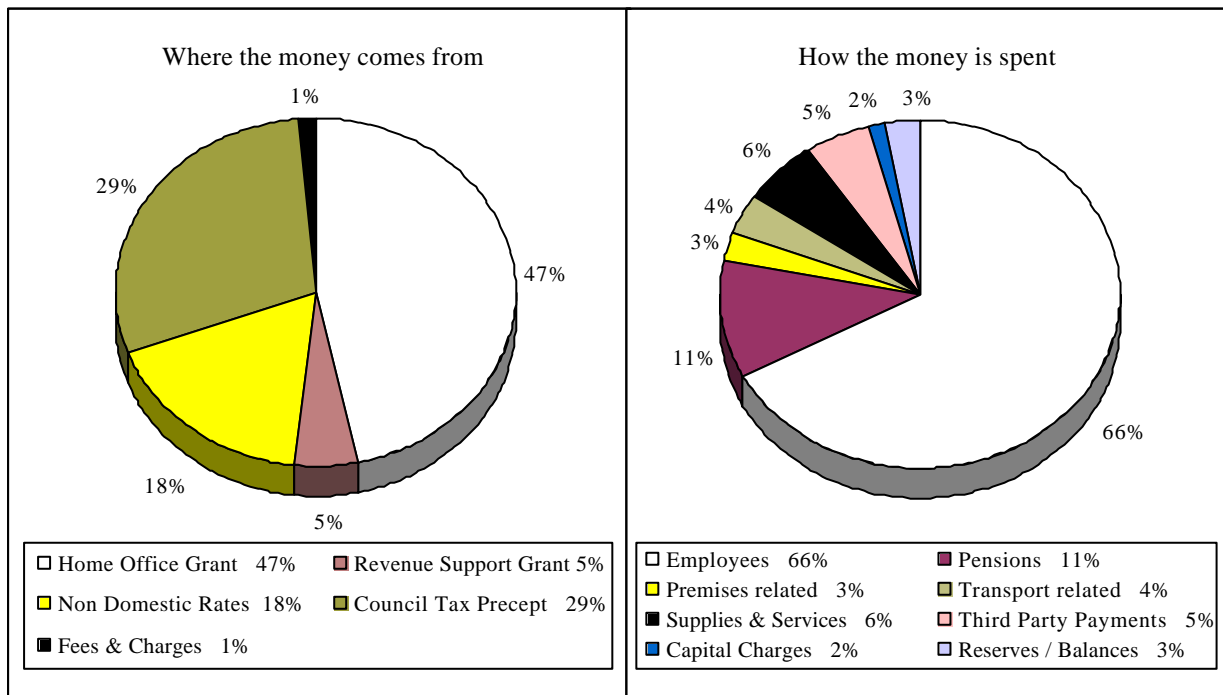
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# THE FINANCIAL YEAR IN BRIEF

## COMPARATIVE INFORMATION (HM Inspector of Constabulary grouping of similar Authorities)



## SUMMARY



## CAPITAL EXPENDITURE

2001-02 £'000		2002-03 £'000
28Cr	Major Schemes	1
859	Vehicles	1,153
1,082	IT equipment	904
456	Other equipment	174
727	Airwave	762
857	Minor works to buildings	1,128
<b>3,953</b>		<b>4,122</b>

## GLOSSARY OF FINANCIAL TERMS

<b>ACCOUNTING PERIOD</b>	The period of time covered by the accounts, which for this Authority means a period of twelve months commencing on 1 April.
<b>ACCRUAL</b>	Sums included in the final accounts to cover income and expenditure attributable to the accounting period but for which payment has not been made or received by 31 March.
<b>AGENCY SERVICES</b>	The provision of services by one body (the agent) on behalf of and generally with reimbursement from the responsible body.
<b>ASSET</b>	Something of worth that is measured in monetary terms e.g. land and buildings (also referred to as capital assets or fixed assets).
<b>BALANCES</b>	The accumulated surplus of income over expenditure.
<b>BUDGET</b>	A statement of an Authority's plans expressed in financial terms for a specified period of time.
<b>CAPITAL EXPENDITURE</b>	Expenditure on the acquisition or construction of significant assets (e.g. land and buildings) which have a long term value to the Authority (also referred to as capital spending or capital payments).
<b>CAPITAL GRANTS</b>	Grants paid to Authorities in support of approved capital projects.
<b>CAPITAL RECEIPTS</b>	Income from the sale of capital assets (land, buildings, etc.).
<b>CONTINGENCY</b>	A sum of money set aside to meet unforeseen expenditure.
<b>COST CENTRE</b>	A specific area of activity where control of certain budgets has been delegated.
<b>COUNCIL TAX</b>	A property based tax, with discounts for those living alone, which is administered by District, Borough and Unitary Councils.
<b>CREDITORS</b>	Amounts owed by the Authority for work done, goods received or services rendered but for which payment has not been made by the end of the accounting period.
<b>CUSTOMER &amp; CLIENT RECEIPTS</b>	Income derived from services provided by the Authority, from sales (excluding land & buildings), and from rents.
<b>DEBTORS</b>	Amounts due to the Authority but unpaid by the end of the accounting period.
<b>DIRECT SERVICE ORGANISATION (DSO)</b>	A workforce employed by the Authority to carry out defined areas of work in competition with the private sector.
<b>HOME OFFICE GRANT</b>	A central government grant paid to Police Authorities in support of their day to day expenditure, allocated by means of the SSA mechanism.
<b>NATIONAL NON-DOMESTIC RATES</b>	District and Unitary councils collect this tax locally and pay it to the Government. It is then re-distributed to all Local and Police Authorities on the basis of the resident population.
<b>PENSION FUND</b>	For support staff, contributions from both employers and employees, invested for the time being, and used to provide pension benefits to contributors and their dependants.
<b>PRECEPT</b>	A levy requiring the District, Borough and Unitary Councils to collect income from council taxpayers on behalf of the Authority.
<b>PROVISIONS</b>	Amounts set aside to meet liabilities or losses which are likely to be incurred, but where the actual sum and timing are uncertain.
<b>RESERVES</b>	Sums set aside to meet the cost of specific future expenditure.
<b>REVENUE</b>	The day to day costs incurred by the Authority in providing services.
<b>REVENUE SUPPORT GRANT (RSG)</b>	A general central government grant paid to the Authority in support of its day to day expenditure.
<b>RUNNING COSTS</b>	Expenditure incurred on the use of premises, transport and equipment, together with other general expenditure necessary to enable the service to be provided.
<b>SPECIFIC GRANTS</b>	Grants from the Home Office, additional to other grants, for specific projects.
<b>STANDARD SPENDING ASSESSMENT (SSA)</b>	The Government's assessment of each Authority's spending needs, used as the mechanism to distribute government grant.
<b>THIRD PARTY PAYMENTS</b>	The cost of specialist or support services purchased by the Authority from outside contractors and other bodies.
<b>TRUST FUNDS</b>	Funds administered by the Authority for such purposes as prizes, charities and special projects.

### **Independent Auditor's Report to Dorset Police Authority**

I have audited the financial statements on pages 7 to 26 which have been prepared in accordance with the accounting policies applicable to local authorities as set out on page 7.

This report is made solely to Dorset Police Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 54 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission.

### **Respective Responsibilities of the Chief Financial Officer and Auditor**

As described on page 6 the Chief Financial Officer is responsible for the preparation of the financial statements in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2002: A Statement of Recommended Practice. My responsibilities, as independent auditor, are established by statute, the Code of Audit Practice issued by the Audit Commission and my profession's ethical guidance.

I report to you my opinion as to whether the financial statements present fairly the financial position of the Authority and its income and expenditure for the year.

I review whether the statement on page 8 reflects compliance with the requirements of the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2002. I report if it does not meet the requirements specified by CIPFA/LASAAC 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 whether the statement on internal financial control covers all risks and controls, or to form an opinion on the effectiveness of the authority's system of internal financial control. My review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

I read the other information published with the statement of accounts and consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the statement of accounts.

### **Basis of audit opinion**

I conducted my audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant auditing standards issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the financial statements, 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 financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion, I evaluated the overall adequacy of the presentation of the information in the financial statements.

**Opinion** In my opinion the financial statements present fairly the financial position of Dorset Police Authority as at 31 March 2003 and its income and expenditure for the year then ended.

**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.

**Signed:**



**Name: Mr P J Arkell, District Auditor**

**Date: 15 October 2003**

## FOREWORD TO THE ACCOUNTS

The accounts incorporate changes required by the Accounts & Audit Regulations 2003 and the CIPFA Code of Practice on Local Authority Accounting, including the Statement on the System of Internal Financial Control on page 8 and the enhanced Financial Reporting Standard (FRS) 17 Note for Pensions on page 19.

In February 2002 the Police Authority set the revenue budget for 2002-03 at £87.889M, an increase of 5.9% on the budget for 2001-02. The Band D council tax was set at £103.50, an increase of £11.25 (12.2%) compared to the relevant figure for 2001-02. It will be noted that the percentage increase in council tax is greater than the percentage increase in the budget. This is because the Government's general funding level was set at only £75.5M. This total was £7.4M below the budget level for 2001-02 and the Police Authority regarded this amount as insufficient to maintain the quality and quantity of policing in Dorset at previous levels - indeed, there was a positive effort to sustain officer numbers in the 2002-03 budget. As a consequence, a disproportionate amount of the budget increase for 2002-03 fell upon the council tax.

The final estimate of spending in the year was £88.133M to be met from Government grant, council tax and adjustments to balances. This was after taking into account potential variances reported to earlier meetings of the Police Authority. Actual spending was £88.180M, producing an overspend of £291,000 against the original estimate of £87.889M. This small variance from the original budget indicates sound financial management within the Force. Within this overall figure, significant variations included overspending of £700,000 on overtime and £280,000 on forensic science, both arising from major incidents; and £410,000 relating to the introduction of the new call-handling project. These were partially offset by savings of £1.1M on police and support staff pay, premises rates and an underspend on the IT equipment capital budget leading to a reduced revenue financing requirement.

The Authority set a capital programme, excluding Airwave, of £3.0M. This was funded by a Home Office grant of £0.8M, revenue contributions of £1.6M, and capital receipts of £0.6M. In addition, £2.2M of expenditure was proposed on Airwave, the new radio communication system. This is part of a rolling programme of implementation, with the capital element largely funded by a Home Office grant. Final capital expenditure, excluding Airwave, was £3.4M. In regard of Airwave, the expenditure was £0.8M, with the residue carried forward to future years. The Authority remains debt-free.

Work continued on a rolling programme of revaluation of the Authority's assets, and this has resulted in the significant increase detailed in the Balance Sheet and the table on page 15.

The Authority's general reserves are now £1.173M of which £64,000 are cost centre balances under the control of devolved budget managers. This latter sum will be committed to supporting those devolved budgets in 2003-04. Specific reserves are now £9.7M, an increase of £0.1M from 2001-02. There is an increase in the pension reserve earmarked for a peak in retirements in 2004-05 and beyond. The provision for pensions now includes all officers eligible to retire with 30 years service, even if they have indicated they intend to remain in employment. This was in response to a requirement of the District Auditor. For the same reason, there is a new provision for the compensatory grant payable in respect of the additional tax liability of those officers in receipt of rent allowance.

Expenditure on pensions, including both uniformed officers and the employer's contributions to the Local Government Pension Scheme for civilian staff, now totals £12.4M, or 14% of the total budget. The figures returned by the actuary in the FRS17 note on page 19 indicate a growing deficit, and confirm this as an area of increasing budgetary pressure and concern. This concern is shared by almost all other Police Authorities, many of whom have an even greater proportion of their budget committed to pensions payments.

The accounts that follow show the Dorset Police Authority's financial outturn for the year 2002-03. The accounts comprise: -

- ◆ the revenue account, which shows the Authority's income and expenditure for the year. These figures are compared with the estimates that were updated continuously throughout the year and with the actual expenditure for 2001-02;
- ◆ the balance sheet, which shows the assets and liabilities of the Authority;
- ◆ the cash-flow statement, which shows the sources and the applications of the Authority's fund during the year.

These Accounts have been audited by the District Auditor, and his opinion is shown on page 4. I certify that they present fairly the financial position of the Authority as at 31 March 2003, and its income and expenditure for the 2002-03 financial year.

PETER LEWIS  
Treasurer to the Police Authority

## STATEMENT OF RESPONSIBILITIES

### **The Police Authority is responsible for: -**

- securing appropriate arrangements for the proper administration of its financial affairs and ensuring that the nominated officer, namely the Treasurer, has the responsibility for them, and
- managing its affairs so as to ensure the economic, effective, and efficient use of resources and the safeguarding of assets.
- approving the statement of accounts

### **The Treasurer is responsible for: -**

- the preparation of the Authority's statement of accounts so as to present fairly the financial position at the accounting date, and its income and expenditure for the year;
- selecting suitable accounting policies and applying them consistently;
- making reasonable and prudent judgments and estimates;
- complying in all material aspects with the Code of Practice on Local Authority Accounting in Great Britain;
- ensuring that proper, up to date, accounting records are kept, and
- taking reasonable steps for the prevention and detection of fraud and other irregularities.

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I confirm that these accounts were approved by the Police Authority at the meeting on 26 June 2003.

Signed on behalf of Dorset Police Authority

Mike Taylor CBE, Chairman of the Authority

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## FURTHER INFORMATION

This report concentrates on the financial aspect of the Authority. Details of organisational and operational matters are contained in the free newspaper 'A Safer Dorset', published in March and October and distributed to most households in Dorset. Copies can be obtained from the Chief Constable, Police HQ, Winfrith, Dorset, DT2 8DZ, or viewed in most public libraries in Dorset. The Dorset Police web-site can be visited at [www.dorset.police.uk](http://www.dorset.police.uk)

The Annual Report and Accounts of the Dorset County Pension Fund, which Police Support Staff are eligible to join, can be obtained from the Director of Resources, County Hall, Dorchester, Dorset, DT1 1XJ.

### **Access to Information Act 1985**

The public and press are able to attend all meetings of the Dorset Police Authority and most of its committees, and to have access to reports and background papers, subject to the exemptions and confidentiality provisions of the Local Government Act 1972.

### **Questions and Comments**

Any questions or comments about the Dorset Police Authority, or requests for further information, should be directed either to P. K. Harvey, Clerk to the Police Authority, Police HQ, Winfrith, Dorset, DT2 8DZ, or to Mrs J Stichbury, Chief Constable at the same address.

### **Complaints**

Persons who consider they have a justified complaint against the conduct of Officers of the Dorset Force should submit their complaint to the Deputy Chief Constable, Police HQ, Winfrith, Dorset, DT2 8DZ. Resulting enquiries are received by the independent Police Complaints Authority.

# ACCOUNTING POLICIES

## **1. General Policies**

These accounts have been prepared in accordance with the principles recommended in the Code of Practice on Local Authority Accounting, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The accounts also comply with the Statements of Standard Accounting Practice (SSAPs) so far as they are applicable to Authority accounts, except where stated below.

## **2. Debtors and Creditors**

The revenue accounts of the Authority reflect the day to day transactions such as salaries and wages and running expenses. These transactions are recorded in the accounts on an accruals basis, which means that income and expenditure due in the financial year is charged to the year even if the cash has not actually been received or paid. This is achieved by the use of debtors (for income receivable) and creditors (for payments due). There are certain exceptions to this rule.

Payments to public utilities (gas, electricity, water) and rental transactions are made by four quarterly or twelve monthly bills. In these cases the Authority includes in the accounts the actual receipts or payments during the financial year. A similar situation applies to some other payments, e.g. compensatory rent grants.

The accounts normally include 52 weekly payrolls. In certain years, it is necessary to have 53 pay weeks.

On building repair and maintenance works, orders are brought into account based upon an assessment of the work likely to have been carried out by 31 March. The capital accounts of the Authority include provision for the accrual of capital expenditure and income.

## **3. Provisions and Reserves**

The Authority has established a number of reserves and made certain provisions, the details of which are set out later in this publication.

## **4. Stocks and Stores**

Stocks and stores held at the year-end are valued either at cost or on an average price basis. Certain minor stocks are not valued and are therefore excluded from the balance sheet. The necessity for, and level of, stocks is regularly reviewed.

## **5. Fixed (Capital) Assets**

The system of capital accounting introduced in 1994/95 made requirements for Authorities to establish asset registers to record information on their capital assets; for assets to be valued and revalued periodically by

professional valuers for inclusion in the balance sheet; for the annual charges for use of assets to reflect the value of the asset and depreciation where appropriate; and for the summary revenue account to be adjusted so as not to affect the amount raised from local taxes.

All of these requirements have been incorporated into the accounts. Further details are given in the notes to the balance sheet.

## **6. Sale of Fixed Assets**

Capital receipts from the disposal of property and other assets owned by the Authority, less the cost of the sale, are used to finance new capital expenditure.

## **7. Grants**

Government grants in relation to revenue expenditure are shown in the accounts in the year in which the related expenditure is charged. Capital grants are credited to the Government Grants Deferred Account and are released over the life of the asset.

## **8. Depreciation**

Depreciation is charged on fixed assets with a finite useful life. It is not charged where repairs and maintenance expenditure is sufficient to extend the asset's life indefinitely. Depreciation is charged on vehicles and equipment based on equal annual instalments over the expected life of the item.

## **9. Basis of Capital Charges**

The capital accounting requirements introduced minimum charges for use of assets based on 6% of their capital value, together with a charge for depreciation where appropriate. The costs of financing capital are no longer shown in the main revenue account but are instead recorded in the Asset Management Revenue Account. This account also includes the adjustments required to ensure that the cost to the local taxpayer is unaffected by the new arrangements. The Authority continues to maintain its debt free status.

## **10. Support Service Costs**

Support Services are activities of a professional, technical and administrative nature carried out in support of the direct service provision of the Authority. These are provided by directly employed staff of the Authority, or via contractual arrangements with external service providers.

## **11. Changes in Accounting Policies**

The pensions provision has been extended and a new provision has been made to cover compensatory grants (see note 2.12). There were no other significant changes during the year.

## STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

For Dorset Police Authority, I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources concerned.

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

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

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

The Authority operates an internal audit function whose role is to review compliance with financial procedures and other policies, to monitor the economy, efficiency and effectiveness of the Authority's operations, and to review arrangements for the security of the Authority's assets. Operational and management arrangements for internal audit are as follows: -

- Internal audit is provided by the Internal Audit Section within the Resources Directorate of Dorset County Council and reports to me through the Chief Internal Auditor who heads up the Section.
- Internal Audit's service agreement requires that work is conducted in accordance with the professional standards set out in the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice for Internal Audit in Local Government. From time to time District Audit reviews Internal Audit's compliance with the CIPFA standards. The conclusion of the most recent such review is that Internal Audit complies substantially with the standards. The Authority's Financial Regulations grant Internal Audit access to all financial and other appropriate records of the Authority.
- Internal Audit adopts a systems based audit approach and areas for review are selected through an assessment of risk. This process ensures that significant financial systems are subject to regular review. New areas for review and changes that might impact on internal control are identified in consultation with management.
- An annual report is presented to the Audit and Performance Review Committee outlining the work undertaken by Internal Audit. This report summarises significant issues and provides an opinion on the overall framework of internal control within the Authority.
- Based on the work undertaken by Internal Audit the Chief Internal Auditor has reached the opinion that adequate internal controls have been established and are operating satisfactorily.

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

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

In my view, no significant weaknesses requiring corrective action have been identified in the system of internal financial control.

Peter Lewis, Treasurer to the Authority

## CONSOLIDATED REVENUE ACCOUNT (Best Value Basis)

2001-02 Net Spending £'000		<b>Gross Spending £'000</b>	<b>Income £'000</b>	<b>2002-03 Specific Grants £'000</b>	<b>Net Spending £'000</b>
	<u>Division of Service</u>				
8,210	Call handling	8,885	(52)	(228)	8,605
21,401	Crime investigation and reduction	26,852	(717)	(1,569)	24,566
4,432	Traffic and road safety	5,364	(26)	(1,055)	4,283
30	Public order and reassurance	877	(114)	(431)	332
2,151	Community involvement	2,978	(161)	(222)	2,595
30,428	Patrol	33,820	(285)	(3,815)	29,720
6,889	Custody and court preparations	7,942	(217)	(375)	7,350
0	Firearms, Liquor & Explosives Licencing	621	(127)	(41)	453
12,659	Police pensions	17,024	(6,229)	0	10,795
0	National police services undertaken locally	1,013	(26)	(987)	0
438	Corporate and Democratic Core	494	(3)	(5)	486
101	Unapportionable Central Overheads	393	0	0	393
86,739	<b>Net Cost of Service</b>	<b>106,263</b>	<b>(7,957)</b>	<b>(8,728)</b>	<b>89,578</b>
1,614	Levies from National Police Services				0
4	Deficit / (Surplus) from DSO				2
(3,223)	Asset Management Revenue Account				(3,509)
(899)	Interest on balances				(703)
322	Council Tax Benefit Subsidy Scheme				0
84,557	<b>Net Operating Cost</b>				<b>85,368</b>
1,461	Revenue Financing of Capital				1,491
(1,150)	Appropriations to/(from) Capital Financing Reserve				(1,296)
212	Transfers to/(from) Specific Reserves				2,617
85,080	<b>Amount to be met from Government Grant and Local Taxpayers</b>				<b>88,180</b>
	<b>Financed by</b>				
37,515	Home Office Grant				37,601
6,558	Revenue Support Grant				4,740
15,908	Non Domestic Rates				17,393
24,925	Council Tax Precept				28,155
84,906	<b>Total Funding</b>				<b>87,889</b>
(174)	<b>Surplus/(Deficit) Appropriated to / from Balances</b>				<b>(291)</b>

# NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

## 1.1 GENERAL

The revenue account is shown here in subjective format, with a comparison between actual spending for the year and budgets agreed by the Authority.

2001-02		2002-03			
Actual £'000		Original Estimate £'000	Final Estimate £'000	Actual £'000	Difference ( )=overspend £'000
	<u>Police Authority</u>				
215	Running Costs	284	283	265	18
	<u>Police Force</u>				
74,364	Employees	77,819	77,551	77,316	235
2,466	Premises Related Expenses	2,676	2,685	2,599	86
3,364	Transport Related Expenses	3,438	3,365	3,622	(257)
4,867	Supplies and Services	4,927	5,626	6,062	(436)
4,557	Third Party Payments	4,180	4,734	5,229	(495)
3,498	Capital Charges	3,156	3,156	3,928	(772)
93,331		96,480	97,400	99,021	(1,621)
	<u>Income</u>				
(3,611)	Specific Grants	(5,649)	(6,722)	(7,741)	1,019
(520)	Reimbursements & Contributions	(251)	(845)	(997)	152
(847)	Customer & Client Receipts	(697)	(740)	(705)	(35)
88,353	<b>Net Cost of Service</b>	89,883	89,093	89,578	(485)
4	Deficit / (Surplus) from DSO	0	0	2	(2)
(3,223)	Asset Management Revenue Account	(3,167)	(3,262)	(3,509)	247
(899)	Interest on balances	(692)	(742)	(703)	(39)
322	Council Tax Benefit Subsidy Scheme	0	0	0	0
84,557	<b>Net Operating Expenditure</b>	86,024	85,089	85,368	(279)
1,461	Revenue Financing of Capital	1,875	1,519	1,491	28
(1,150)	Appropriations to/(from) Capital Financing Reserve	(728)	(728)	(1,296)	568
212	Transfers to/(from) Specific Reserves	718	2,253	2,617	(364)
85,080	<b>Amount to be met from Government Grant and Local Taxpayers</b>	87,889	88,133	88,180	(47)
	<b>Financed by</b>				
37,515	Home Office Grant	37,601	37,601	37,601	0
6,558	Revenue Support Grant	4,740	4,740	4,740	0
15,908	Non Domestic Rates	17,393	17,393	17,393	0
24,925	Council Tax Precept	28,155	28,155	28,155	0
84,906	<b>Total Funding</b>	87,889	87,889	87,889	0
(174)	<b>Surplus/(Deficit) Appropriated to/(from) Balances</b>	0	(244)	(291)	(47)

# NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

## 1.2. MOVEMENT IN BALANCES

	General Balances £'000	Cost Centre £'000	Total Balances £'000
Balances as at 1 April 2002	1,291	172	1,463
Use of accumulated balances	(137)	(106)	(243)
Surplus/(Deficit) in year	(45)	(2)	(47)
Balances as at 31 March 2003	<b>1,109</b>	<b>64</b>	<b>1,173</b>

## 1.3. ASSET MANAGEMENT REVENUE ACCOUNT

In accordance with the capital accounting requirements, this account records the reversal of the capital charges for the use of fixed assets incorporated in the revenue account, the depreciation and associated release of Government Grants Deferred.

2001-02 £'000		2002-03 £'000
(4,373)	Reversal of capital charges	(4,805)
2,138	Depreciation	2,446
(988)	Release of Government Grants Deferred	(1,150)
<b>(3,223)</b>		<b>(3,509)</b>

## 1.4. LONG TERM CONTRACTS

The Authority signed a contract for the replacement of the Western Division Headquarters and certain section stations in March 2000, using the Government's Private Finance Initiative (PFI). Occupation of the facilities and payments under the contract commenced during 2001-02 and continue for a 30 year period. Payments this year, the first full financial year, were £2.6 million. The actual amount each year will be affected by the contractor's performance. The Authority received PFI Special Grant of £3.2 million in the year in support of the project. Surplus grant paid in the early years of the scheme is held in a reserve (see note 2.13 later in this publication) to be used to fund grant shortfalls in later years.

## 1.5. DISCRETIONARY EXPENDITURE

The main type of expenditure under this heading is grants to voluntary bodies. Some other grants, not covered by the same legislation and not reported here, are also distributed from the proceeds of disposal of property other than found under the Police (Disposal of Property) Regulations 1975.

2001-02 £'000		2002-03 £'000
10	Expenditure	10

## 1.6. AGENCY WORK

The Authority has an agency agreement with the Criminal Records Bureau (an Executive Agency of the Home Office) whereby the Authority is responsible for processing security checks. The expenditure noted below is included in the Consolidated Revenue Account and is fully reimbursed by the Home Office.

2001-02 £'000		2002-03 £'000
0	Expenditure	135

# NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

## 1.7. PUBLICITY

Section 5 of the Local Government Act 1986 requires the Authority to keep a separate account of expenditure incurred on publicity.

2001-02 £'000		<u>2002-03</u> £'000
54	Employee Costs	57
77	Staff Advertising	101
8	Other Advertising	22
51	Public Relations / Community Consultancy	65
<u>190</u>		<u>245</u>

## 1.8. PENSIONS

The Authority participates in two different pension schemes to meet the needs of employees. The two schemes are as follows: -

### *i. Police Officers*

This scheme is unfunded and the charge in the accounts represents the net cost of pensions and other benefits after allowing for contributions made by employees for the year. In 2002-03, the net cost of pensions and other benefits amounted to £11.4 million, representing 28.8% of pensionable pay. It is estimated that if the cost of pensions under the scheme had been determined in accordance with SSAP 24, 'Accounting for Pension Costs' the regular cost of the scheme would have been £7.7 million, representing 19.5% of pensionable pay, while the cost of spreading the unfunded accrued liability over 40 years would have been an additional £12.4 million, representing 31.3% of pensionable pay.

The change in expenditure in 2002-03 compared with the previous financial year arises from the fluctuations caused by the number, rank, and length of service of officers retiring in each year.

### *ii. Police Support Staff*

Other employees, subject to certain qualifying criteria, are eligible to join the Local Government Pension Scheme. This scheme applies to all full time and part time employees of local authorities and certain other bodies providing public services. The Authority is a 'scheduled body' within the Dorset County Pension Fund.

The scheme is financed by contributions paid by employees and the Authority, which are accumulated in the Pension Fund, and by earnings from investments. The employer's contribution is assessed periodically by the Fund's Actuary to maintain the long term solvency of the Fund and the effect of the latest valuation is incorporated in the 2002-03 Accounts.

In 2002-03, the Authority paid an employer's contribution of £1.6 million into the Pension Fund, representing 10.9% of pensionable pay. In addition, the Authority is responsible for all pension payments relating to added years benefits it has awarded, together with the related increases. In 2002-03 these amounted to £3,000, representing 0.02% of pensionable pay. The capital costs of these discretionary payments were £58,000, representing 0.4% of pensionable pay. The Fund's actuary has advised that the pension costs that it would have been necessary to provide for in the year in accordance with SSAP 24, 'Accounting for pension costs' are £1.7million, representing 11.8% of pensionable pay.

The accounts comply with the Statement of Recommended Practice for Pension Scheme Accounts (SORP 1).

The above disclosure note will be superseded by an enhanced version of Balance Sheet Note 2.16 when the requirements of FRS17 are fully implemented next year.

## 1.9. MEMBERS' ALLOWANCES AND REMUNERATION OF SENIOR STAFF

The Authority is required to report the total amount of Members' Allowances paid. The increase reflects the additional workload placed on Members, in particular the programme of Best Value Reviews.

2001-02 £'000		<u>2002-03</u> £'000
24	Expenditure	30

## NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

The Authority is also required, under Regulation 7(2) of the Accounts and Audit Regulations 2003, to report the numbers of staff with salary payments and allowances in excess of £50,000 per annum, in multiples of £10,000. The figures below represent the amounts paid in each year taking account of starting and leaving dates where retiring staff have been replaced during the year, and include officers seconded to other Forces.

2001-02		<u>2002-03</u>
14	£50,000 - £59,999	<b>14</b>
2	£60,000 - £69,999	<b>2</b>
1	£70,000 - £79,999	<b>2</b>
1	£80,000 - £89,999	<b>0</b>
1	£90,000 - £99,999	<b>0</b>
0	£100,000 - £109,999	<b>1</b>

Police salary scales and conditions of service are negotiated and agreed at national level.

### **1.10. STAFFING STATEMENT**

The staff numbers for Police, Traffic Wardens and Support staff are expressed as whole time equivalents, while the number for the Special Constabulary is the number of individuals.

31 March 2002		<u>31 March 2003</u>
<i>In post</i>		<i>In post</i>
1,381	Police	<b>1,422</b>
12	Traffic Wardens	<b>0</b>
724	Support Staff	<b>793</b>
0	Community Support Officers	<b>6</b>
<u>2,117</u>		<u><b>2,221</b></u>
253	Special Constabulary	<b>214</b>

### **1.11. SPONSORSHIP**

The Authority directly received £36,590 in sponsorship from outside bodies during 2002-03, in support of various community-related schemes. This figure does not include sponsorship received by various crime reduction partnerships with which the Authority is involved.

### **1.12. RELATED PARTIES**

Police Authorities are required to disclose details of material transactions with related parties, including Central Government, other Local Authorities, and Members and Senior Officers and their close families.

Grants from the Home Office are shown in the Consolidated Revenue Account on page 7.

The Treasurer to the Authority was also the Director of Resources of Dorset County Council. The Authority purchases some financial and other services from the County Council.

The Clerk to the Authority has written to all Members and Senior Officers explaining the requirements and the need for disclosure. No instances of transactions involving these related parties have been declared.



# NOTES TO THE CONSOLIDATED BALANCE SHEET

## 2.1. FIXED ASSETS

	Land and Buildings	Non-operational assets*	Vehicles, Plant & Equipment	Total
<b><u>2002-03</u></b>	£'000	£'000	£'000	£'000
Gross Book Value 1 April	28,124	373	12,025	<b>40,522</b>
Transfers	849Cr	849	0	<b>0</b>
Revaluations	4,699	374	0	<b>5,073</b>
Capital Expenditure	1,129	0	2,993	<b>4,122</b>
Deferred Charges Account	2	0	0	<b>2</b>
Disposals	0	225Cr	371Cr	<b>596Cr</b>
Gross Book Value 31 March	<u>33,105</u>	<u>1,371</u>	<u>14,647</u>	<b><u>49,123</u></b>
<b>Depreciation</b>				
Balance as at 1 April	829	9	5,182	<b>6,020</b>
Depreciation for year	401	16	2,029	<b>2,446</b>
Depreciation on assets sold	0	5Cr	345Cr	<b>350Cr</b>
Balance as at 31 March	<u>1,230</u>	<u>20</u>	<u>6,866</u>	<b><u>8,116</u></b>
<b>Net Book Value 31 March</b>	<b><u>31,875</u></b>	<b><u>1,351</u></b>	<b><u>7,781</u></b>	<b><u>41,007</u></b>

\* Former Police Houses declared surplus to requirements and awaiting disposal.

### Schemes in progress and Commitments

Funding is carried forwards for works at Winton police station and for replacement of the Lyme Regis police station. It is anticipated that both these schemes will be completed in 2003-04. Significant funding (£2.3m) is also carried forwards for the Airwave scheme. The roll out of this national project to provide a modernised radio communications system has been delayed and Dorset will receive the new system in 2003. The total outstanding commitment is £4.1m.

### Fixed Asset Valuation

The freehold and leasehold assets in the Authority's Asset Register were initially valued by the Dorset County Council Valuer's Department as at 1 April 1994. Assets have to be revalued at least every five years, and 20% of the Authority's properties are valued each year in a rolling programme in order to achieve this.

The Valuer has also carried out a review of the properties and confirms that none are affected by impairment as at the valuation date.

<b>Type of Property</b>	<b>Basis of Valuation</b>	<b>Valuation Method</b>
Non-operational	Open market value	Comparative
Operational, non-specialised	Open market value for existing use	Comparative
Operational, specialised	Depreciated replacement cost	Cost of replacement
Vehicles, Plant and Equipment	Depreciated historic cost (as a proxy for current value)	Estimated life

### Asset Register

Stations provided under the Western Division PFI Scheme are no longer the property of the Police Authority, and accordingly no longer recorded in the Asset Register.

31 March 2002		<b><u>31 March 2003</u></b>
No.		No.
23	Stations including HQ	<b>23</b>
76	Houses	<b>71</b>
<u>8</u>	Other	<b><u>8</u></b>
<u>107</u>		<b><u>102</u></b>

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### 2.2. SUMMARY OF CAPITAL EXPENDITURE AND SOURCES OF FINANCE

This table shows total capital spending, the sources of funding used to finance it and, for 2002-03, a comparison with the estimated spending and funding. The underspend mainly relates to the carried forwards projects referred to in para 2.1 above

2001-02		<u>2002-03</u>	
Actual		Original	Actual
£'000		Estimate	£'000
		£'000	£'000
3,953	Capital Payments	7,926	4,122
217	Use of Capital Receipts	652	290
1,756	Home Office and Other Grants	1,069	1,160
1,092	Use of Capital Reserve	5,023	1,504
888	Revenue Financing	1,182	1,168
<u>3,953</u>		<u>7,926</u>	<u>4,122</u>

### 2.3. LONG TERM DEBTORS

An analysis of amounts due to the Authority, repayable over a period of more than one year, as at 31 March 2003 is shown below. This relates to car loans to officers authorised to use their cars on official duties.

31 March 2002		<u>31 March 2003</u>
£'000		£'000
0	Central Government Departments	0
0	Other Police and Local Authorities	0
3	Others	3
<u>3</u>		<u>3</u>

### 2.4. STOCKS AND STORES

The Authority holds a number of stocks and stores. Stocks are regularly reviewed to ensure that only necessary items are held.

31 March 2002		<u>31 March 2003</u>
£'000		£'000
122	Uniform Stocks	124
64	Fuel Stocks	68
31	Vehicle Parts	30
68	Stationery Stocks	78
13	Other Stocks	10
<u>298</u>		<u>310</u>

### 2.5. DEBTORS

An analysis of the amounts due to the Authority at 31 March 2003 is shown below. The accounts include a provision for potential bad debts.

31 March 2002		<u>31 March 2003</u>
£'000		£'000
1,183	Central Government Departments	1,450
95	Other Police and Local Authorities	671
469	Others	581
<u>1,747</u>		<u>2,702</u>

# NOTES TO THE CONSOLIDATED BALANCE SHEET

## 2.6. TEMPORARY INVESTMENTS

The Authority has contracted with the Dorset County Council Financial Services for the provision of this facility. The CIPFA Code of Practice for Treasury Management in Local Authorities, which governs the way in which surplus cash is invested, has been adopted. The Authority's surplus cash is invested with other local authorities, nationalised industries, and approved commercial banks and building societies.

## 2.7. CASH BALANCES

Cash in hand includes imprest accounts held by accounting officers. Cash overdrawn includes the value of cheques drawn shortly before the end of the financial year and unrepresented as at 31 March.

## 2.8. CREDITORS

An analysis of the amounts owed by the Authority at 31 March 2003 is shown below.

31 March 2002 £'000		<b>31 March 2003</b> £'000
17	Central Government Departments	222
382	Other Police and Local Authorities	354
4,983	Others	6,965
<u>5,382</u>		<u>7,541</u>

## 2.9. LOANS OUTSTANDING

A capital reserve has been established to even out the fluctuations caused by large capital schemes. This, together with Home Office capital grant, revenue account contributions, and the use of accumulated capital receipts, will be used to finance capital expenditure. The Authority is free of external debt, and the medium term budget strategy is to remain debt free, without recourse to external borrowing.

## 2.10. DEFERRED LIABILITIES

This balance originates from the system of Capital Financing and Home Office Capital Grant Aid in use until 1990. There is a commitment to repay this sum to Dorset County Council over the life of the relevant assets that were built or purchased prior to 1990.

## 2.11. DEFERRED CREDITS

The value of the assets which were transferred to the Western Division PFI scheme provider are shown under this heading. The balance is written down over the period of the contract.

## 2.12. PROVISIONS

	Balance 1 April 2002 £'000	Income £'000	Expenditure £'000	<b>Balance</b> <b>31 March 2003</b> £'000
Insurance	1,114	502	267	1,349
Pensions	1,415	1,176	1,198	1,393
Taxation	0	471	0	471
	<u>2,529</u>	<u>2,149</u>	<u>1,465</u>	<u>3,213</u>

The following notes describe the purpose for which these provisions have been made.

### Insurance

The Authority operates an internal insurance fund, with external policies covering larger and catastrophic losses. Provision has been made for all potential claims that may arise from the 2002-03 and earlier financial years.

### Pensions

The provision covers potential payments to those officers eligible to retire after 30 years service, including those who choose to remain in service.

### Taxation

This is a new provision, made following discussions with the District Auditor, and covers payments to officers who are in receipt of a Rent Allowance. It relates to the Compensatory Grant payable under their conditions of service in respect of the additional tax liability arising from the Allowance in later financial years.

# NOTES TO THE CONSOLIDATED BALANCE SHEET

## 2.13. RESERVES AND OTHER BALANCES

The notes below describe the purpose for which these reserves have been set up.

	Balance 1 April 2002	Income	Expenditure / Transfers	Balance <b>31 March 2003</b>
<b>Reserves</b>	£'000	£'000	£'000	£'000
Capital	2,036	8	798	<b>1,246</b>
Airwave	4,238	2,474	2,909	<b>3,803</b>
Special Operations	1,340	362	310	<b>1,392</b>
Pensions	1,038	3,135	1,954	<b>2,219</b>
Insurance	541	2,448	2,933	<b>56</b>
PFI	172	1,269	621	<b>820</b>
Other Reserves	221	65	136	<b>150</b>
	<b>9,586</b>	<b>9,761</b>	<b>9,661</b>	<b>9,686</b>
<b>Other Balances</b>	36	3,444	3,480	<b>0</b>

### **Capital Reserve**

The Capital Reserve was set up to provide for large capital projects. Annual contributions are made to the fund in years when demands are low to assist in those years when high capital payments have to be made. This avoids undue fluctuations in the level of capital financing required from the revenue budget from year to year.

### **Airwave (formerly Public Safety Radio Communications Project) Reserve**

All police forces are about to change their radio communications systems to benefit from new technologies. This reserve has been set up to help meet the expected cost when the changeover takes place. The balance includes Home Office Grant carried forward due to slippage in the date that the new system is brought into use.

### **Special Operations Reserve**

This reserve is to provide for costs arising from major incidents and events taking place in the Authority's area.

### **Pensions Reserve**

This reserve was set up to cater for a known peak of retirements that will occur over the next few years.

### **Insurance Reserve**

Provision has been made for all known or possible claims (see Para. 2.12 above). This reserve is to cater for claims that may not be covered by the provision.

### **PFI Reserve**

Surplus grant from early years of the scheme is held here to fund shortfalls in later years.

### **Other Reserves**

This includes a reserve established to provide for unscheduled maintenance of the force helicopter.

### **Other Balances**

This related to a number of accounts that mainly operated as holding accounts, whereby monies were deposited with the Authority, and then forwarded on to other bodies. Examples include warrants (fines and fees), and staff payroll deductions for a range of items including direct payment of Council Tax. These balances have been reclassified as debtors, creditors or earmarked reserves as appropriate.

## 2.14. TRUST FUNDS

The Authority administers the Dorset Police Scholarship Trust fund. This was established to provide scholarships that enable officers of the Force to gain experience of work practices in other Police Forces, for the benefit of this Authority. Although the Authority holds this fund as Trustee, it does not belong to the Authority and does not form part of the annual accounts.

## 2.15. EUROPEAN MONETARY UNION

No date has yet been established by the Government for entry into the EMU, and a detailed assessment of the implications and costs involved has yet to be carried out. Consideration will be given to the implications of accommodating the euro when new financial systems are being specified.

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### 2.16. RETIREMENT BENEFITS

In accordance with the requirements of Financial Reporting Standard No 17 – Retirement Benefits (FRS 17) the Police Authority has to disclose its share of assets and liabilities related to pension schemes for its employees. As explained in Note 1.8 the authority participates in two defined benefit schemes, the Police Pension Scheme for Police officers which is unfunded, and the Local Government Pension Scheme for other employees which is administered by Dorset County Council. The last actuarial valuation was completed as at 31 March 2001 and updated to 31 March 2003 by a qualified independent actuary. In addition the Authority has made arrangements for the payment of added years to certain retired employees outside the provisions of the schemes.

Liabilities have been valued on an actuarial basis using the projected unit method which assesses the future liabilities of the fund discounted to their present value. Both the Police Scheme and the County Council Fund liabilities have been valued by Punter Southall Co., an independent firm of actuaries.

The main assumptions used in the calculations are: -

2001-02			2002-03	
County Scheme	Police Scheme		Police Scheme	County Scheme
2.5%	2.5%	Rate of inflation	2.5%	2.5%
4.3%	4.3%	Rate of increase in salaries	4.3%	4.3%
2.5%	2.5%	Rate of increase in pensions	2.5%	2.5%
6.1%	6.1%	Rate for discounting scheme liabilities	6.0%	6.0%

The Authority's assets and liabilities are: -

2001-02			2002-03	
Rate of Return	£'000		£'000	Rate of Return
7.50%	18,260	Equities	13,095	7.50%
5.25%	2,446	Gilts	4,549	4.50%
6.00%	3,111	Other Bonds and Property	1,769	5.50%
4.50%	983	Cash	1,995	3.75%
	<u>24,800</u>	Share of Assets in County Council Fund	<u>21,408</u>	
	430,000	Estimated Liabilities in Police Pension Scheme	454,450	
	<u>33,400</u>	Share of Liabilities in County Council Fund	<u>36,466</u>	
	<u>463,400</u>	Total Liabilities	<u>490,916</u>	
	<u>(438,600)</u>	Net Pensions Surplus / (Deficit)	<u>(469,508)</u>	

Analysis of the attributable movements in the surplus / (deficit) in the scheme during the year

2001-02			2002-03	
Civilian £'000	Uniformed £'000		Uniformed £'000	Civilian £'000
		Surplus / (Deficit) as at 1 April	(430,000)	(8,600)
		Current Service Cost	(10,148)	(1,599)
		Contributions	0	1,585
		Past Service Cost	0	(50)
		Other Finance Income	(26,100)	(271)
		Actuarial gain / (loss)	11,798	(6,123)
<u>0</u>	<u>0</u>	Surplus / (Deficit) as at 31 March	<u>(454,450)</u>	<u>(15,058)</u>

## STATEMENT OF TOTAL MOVEMENTS IN RESERVES

2001-02			<u>2002-03</u>	
£'000	£'000	Note	£'000	£'000
174Cr			<b>290Cr</b>	
1,268			<b>62</b>	
	1,094			<b>228Cr</b>
2			<b>7Cr</b>	
	2	3.1		<b>7Cr</b>
668			<b>5,073</b>	
	668	3.2		<b>5,073</b>
	2,997Cr			<b>248Cr</b>
3,886			<b>1,694</b>	
768			<b>10</b>	
	4,654	3.3		<b>1,704</b>
	<b>3,421</b>			<b>6,294</b>

## NOTES TO THE STATEMENT OF TOTAL MOVEMENTS IN RESERVES

### 3.1. MOVEMENTS IN REALISED CAPITAL RESOURCES

Capital receipts from the sale of capital assets (chiefly surplus police housing stock) can be used to finance new capital expenditure.

2001-02		<u>2002-03</u>
£'000		£'000
26	Balance as at 1 April	<b>28</b>
219	Receipts in the year	<b>283</b>
0	Transfer to Capital Reserve	<b>0</b>
217Cr	Less Applied during the year	<b>290Cr</b>
28	Balance at 31 March	<b>21</b>

### 3.2. MOVEMENTS IN UNREALISED VALUE OF FIXED ASSETS

The Fixed Asset Restatement Reserve represents the difference between asset valuations arising from the new system of capital accounting introduced in 1994 and valuations under the previous system. The reserve is written down as the assets are disposed of.

2001-02		<u>2002-03</u>
£'000		£'000
19,630	Balance as at 1 April	<b>17,301</b>
668	Revaluations	<b>5,073</b>
2,997Cr	Net Book Value of Disposals	<b>248Cr</b>
17,301	Balance at 31 March	<b>22,126</b>

## STATEMENT OF TOTAL MOVEMENTS IN RESERVES

### **3.3. MOVEMENTS IN AMOUNTS SET ASIDE TO FINANCE CAPITAL INVESTMENT**

The Capital Financing Reserve contains the amount of capital expenditure that has been financed from revenue and capital receipts. It also contains the difference between the Minimum Revenue Provision and depreciation and also the release of government grant from the government grants deferred account. This avoids any impact on the consolidated revenue account, and hence ultimately the Council Tax payers.

2001-02		<u>2002-03</u>
£'000		£'000
4,395	Balance as at 1 April	8,281
1,979	Capital Financing	2,672
217	Capital Receipts Applied	290
2,138Cr	Minimum Revenue Provision (less depreciation)	2,446Cr
54Cr	Deferred Charges written out in year	2
121	Reduction in Deferred Liability	121
2,773	Movement in Deferred Consideration	96Cr
988	Release of Government Grant	1,151
<u>8,281</u>	Balance at 31 March	<u>9,975</u>

### **3.4. MOVEMENTS IN CAPITAL GRANTS DEFERRED**

Where the acquisition of a fixed asset is financed either wholly or partly by a government grant or other contribution, the amount of the grant is credited initially to the government grants deferred account. Amounts are released to the asset management revenue account over the useful life of the asset to match the depreciation charged on the asset to which it relates.

2001-02		<u>2002-03</u>
£'000		£'000
7,799	Balance as at 1 April	8,567
1,756	Grants used for Capital Financing	1,160
988Cr	Release of Government Grant	1,150Cr
<u>8,567</u>	Balance at 31 March	<u>8,577</u>

## CASH FLOW STATEMENT

2001-02			2002-03	
£'000	£'000	Note	£'000	£'000
		<b>Revenue Activities</b>		
		Expenditure		
81,951		Cash paid to or on behalf of employees	<b>85,877</b>	
<u>12,502</u>		Other operating costs	<b>18,134</b>	
	94,453			<b>104,011</b>
		Income		
24,925Cr		Precept - Council Tax income	<b>28,155Cr</b>	
15,908Cr		Non-Domestic Rate income	<b>17,393Cr</b>	
6,558Cr		Revenue Support Grant	<b>4,740Cr</b>	
41,157Cr		Home Office Grants	<b>46,328Cr</b>	
<u>7,273Cr</u>		Cash received for goods and services	<b>10,385Cr</b>	
	<u>95,821Cr</u>			<b>107,001Cr</b>
	1,368Cr	<b>Revenue Activities Net Cash Flow</b>		<b>2,990Cr</b>
		<b>Servicing of Finance</b>		
		Expenditure		
0		Interest paid	<b>2</b>	
		Income		
<u>810Cr</u>		Interest received	<b>607Cr</b>	
	810Cr			<b>605Cr</b>
		<b>Capital Activities</b>		
		Expenditure		
3,932		Purchase of fixed assets	<b>3,740</b>	
		Income		
440Cr		Sale of fixed assets	<b>594Cr</b>	
54Cr		Sale of vehicles	<b>31Cr</b>	
<u>1,756Cr</u>		Capital Grants received	<b>1,160Cr</b>	
	1,682			<b>1,955</b>
		<b>Management of liquid resources</b>		
72,750		Short Term Lending	<b>77,260</b>	
71,750Cr		Short Term Loans Repaid	<b>76,360Cr</b>	
725Cr		Short Term Borrowing	<b>4,650Cr</b>	
<u>725</u>		Short Term Borrowing Repaid	<b>4,650</b>	
	1,000			<b>900</b>
	<u>504</u>	<b>Net cash flow before financing</b>		<b>740Cr</b>
		Financing		
	<u>0</u>			<b>0</b>
	<u>504</u>	<b>Movement in Cash</b>		<b>740Cr</b>

# CASH FLOW STATEMENT

<u>NOTES TO THE CASH FLOW STATEMENT</u>				
2001-02			2002-03	
£'000	£'000		£'000	£'000
	174	<b>4.1. Reconciliation of Movement in Cash</b>		
		Net surplus / (deficit) on Revenue Account		291
		Movement in accruals items:-		
9Cr		Long Term Debtors	0	
34		Stocks	12	
3		Debtors	955	
1Cr		Creditors	2,160Cr	
573		Provisions	684Cr	
	600			1,877Cr
		Movement in non-cash items:-		
95		Funds & Other Balances	36	
1,363Cr		Specific Reserves	98Cr	
2Cr		Capital Receipts Reserve	7	
	1,270Cr			55Cr
		Movement in financing items:-		
1,000		Short Term Loans	900	
	1,000			900
	504	Increase / Decrease in Cash		741Cr
		<b>4.2. Reconciliation of Movement in Net Debt</b>		
18Cr		Cash in Hand & at Bank 1 April	522Cr	
504Cr		Increase / Decrease in Cash in the Period	741	
	522Cr	Cash in Hand & at Bank 31 March		219
		<b>4.3. Reconciliation of Movement in Liquid Resources</b>		
16,500		Temporary Investments as at 1 April	17,500	
1,000		Increase / Decrease in Loans in the Period	900	
	17,500	Temporary Investments as at 31 March		18,400
		<b>4.4. Analysis of Government Grants</b>		
3,574Cr		Home Office (inc. PITO & NCS)	8,653Cr	
69Cr		Govt. Office for the South West	75Cr	
	3,643Cr			8,728Cr

Debtors £'000	Creditors £'000	Increases / (Decreases) in Debtors & creditors	Debtors £'000	Creditors £'000
206Cr	141Cr	Revenue Activities	978	1,898
89	0	Financing Activities	96	0
121	142	Capital Activities	120Cr	261
4	1		954	2,159

## HOLDING ACCOUNTS

### 5.1. Seconded Officers

This account shows the cost of officers based in the force, who are seconded to other bodies including the National Crime Squad, Training Establishments, etc. These costs are fully reimbursed.

ACTUAL 2001-02 £'000	<b>SECONDED OFFICERS</b>	ACTUAL <b>2002-03</b> £'000
1,303	EMPLOYEES	1,402
26	TRANSPORT RELATED EXPENSES	33
39	SUPPLIES AND SERVICES	46
<u>1,368</u>	EXPENDITURE	<u>1,481</u>
(1,368)	OTHER GRANTS, REIMBURSEMENTS & CONTRIBUTIONS	(1,481)
<u>(1,368)</u>	INCOME	<u>(1,481)</u>
<u>-</u>	<b>NET EXPENDITURE</b>	<u>-</u>

### 5.2. Transport

These costs relate to the vehicle fleet, the costs of which are charged to operational units. Other transport costs (e.g. marine and air support) are charged directly to the revenue account.

ACTUAL 2001-02 £'000	<b>TRANSPORT</b>	ACTUAL <b>2002-03</b> £'000
284	EMPLOYEES	294
68	PREMISES RELATED EXPENSES	83
1,213	TRANSPORT RELATED EXPENSES	1,375
17	SUPPLIES AND SERVICES	15
779	CAPITAL CHARGES	782
<u>2,361</u>	EXPENDITURE	<u>2,549</u>
(13)	OTHER GRANTS, REIMBURSEMENTS & CONTRIBUTIONS	(11)
(28)	CUSTOMER & CLIENT RECEIPTS	(26)
(2,320)	RECHARGES TO OTHER ACCOUNT HEADS	(2,512)
<u>(2,361)</u>	INCOME	<u>(2,549)</u>
<u>-</u>	<b>NET EXPENDITURE</b>	<u>-</u>

## HOLDING ACCOUNTS

### 5.3. Pensions

This holding account collects all the costs relating to former police officer pensioners, the income from current contributors and transfer values, and the recharge to the revenue account.

ACTUAL 2001-02 £'000	<b>PENSIONS</b>	ACTUAL <u>2002-03</u> £'000
18,013	EMPLOYEES	17,024
<u>18,013</u>	EXPENDITURE	<u>17,024</u>
(5,353)	OTHER GRANTS, REIMBURSEMENTS & CONTRIBUTIONS	(6,229)
-	TRANSFER FROM RESERVE	-
(12,660)	RECHARGES TO OTHER ACCOUNT HEADS	(10,795)
<u>(18,013)</u>	INCOME	<u>(17,024)</u>
<u>-</u>	<b>NET EXPENDITURE</b>	<u>-</u>

### 5.4. Special Operations

This holding account collects all the costs relating to policing political party conferences, central government grant support and the net recharge to the revenue account.

ACTUAL 2001-02 £'000	<b>SPECIAL OPERATIONS</b>	ACTUAL <u>2002-03</u> £'000
25	EMPLOYEES	622
2	PREMISES RELATED EXPENSES	135
1	TRANSPORT RELATED EXPENSES	13
1	SUPPLIES AND SERVICES	202
(35)	THIRD PARTY PAYMENTS	41
<u>(6)</u>	EXPENDITURE	<u>1,013</u>
(31)	GOVERNMENT GRANTS	(987)
-	OTHER REIMBURSEMENTS & CONTRIBUTIONS	(26)
37	TRANSFER FROM / TO REVENUE ACCOUNT	-
<u>6</u>	INCOME	<u>(1,013)</u>
<u>-</u>	<b>NET EXPENDITURE</b>	<u>-</u>

## DIRECT SERVICE ORGANISATION

During the 1996-97 financial year, the Authority set up its own Direct Service Organisation (DSO) to compete with the private sector for the work of cleaning authority premises. The DSO tendered successfully for a four year contract which was later extended until September 2002.

The legislation governing these activities was contained in the Local Government Act 1988. This specified the accounts to be kept, the financial targets to be achieved, and the types of work that must be won in competition if an authority's workforce carries it out. This legislation has since been replaced by the Local Government Act 1999, which introduced the 'Best Value' regime to all Authorities.

A comprehensive review was undertaken examining the nature and extent of the Authority's role in the management of cleaning services. The review concluded that the Police Authority would not be entering a DSO bid on this occasion and that a competitive tendering exercise would be undertaken.

Following a full tendering exercise a five year contract commencing on 1 October 2002 was awarded to a private sector firm. All DSO staff transferred to the new employer under the Transfer of Undertakings (Protection of Employment) Regulations 1981 and the DSO ceased to exist from that date.

A summary of the accounts to the date of cessation is shown below.

### SUMMARY REVENUE ACCOUNT

2001-02 £'000		<u>2002-03</u> £'000
289	<b>INCOME</b>	<b>144</b>
293	<b>EXPENDITURE</b>	<b>146</b>
<u>(4)</u>	<b>(PROFIT) / LOSS FOR THE PERIOD</b>	<u>(2)</u>

### SUMMARY APPROPRIATION ACCOUNT

2001-02 £'000		<u>2002-03</u> £'000
6	<b>Balance brought forward</b>	<b>2</b>
(4)	<b>(Profit) / Loss for the period</b>	<b>(2)</b>
-	<b>Charge to Police Revenue Account</b>	<b>-</b>
<u>2</u>	<b>Balance carried forward</b>	<u>-</u>

### NOTES TO THE ACCOUNTS

**6.1.** The accounts were prepared in accordance with the Code of Practice for Compulsory Competition issued by the Chartered Institute of Public Finance and Accountancy.

**6.2.** Charges for central services and accommodation have been determined either through an agreed service level agreement or on the basis of time spent or floor area occupied.

**6.3.** The Government required DSO's at least to break even, after charging depreciation where appropriate, and a 6% return on capital assets, if any.

**6.4.** Number of employees: - 46 (16.6 whole time equivalents)