



SOUTH YORKSHIRE
POLICE
AUTHORITY

STATEMENT OF ACCOUNTS

2011/12

SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2011/12

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SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2011/12

EXPLANATORY FOREWORD

1. Introduction

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

The information contained in the various statements and notes are of a highly technical nature and it may be useful to refer to the Glossary on page 90 for further explanation.

Explanation of Financial Statements

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

- ***Movement in Reserves Statement***

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

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

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

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

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

- ***Balance Sheet***

This sets out the financial position of the Authority and shows the value of assets and liabilities recognised by the Authority at 31 March each year. The net assets (assets less liabilities) are matched by the reserves held by the Authority, split between usable and unusable reserves.

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- **Cash Flow Statement**

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

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

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

2. Summary of the Financial Year - Revenue Budget

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

The budget for 2011/12 was set in February 2011 against a continuing uncertain future funding position for the Authority. It was recognised that budget levels would have to be reduced over the next four years, as government grant levels were forecast to decrease year on year. The forecast cash shortfall for 2011/12 was £15m, rising to over £40m by 2014/15. In view of the reducing resources, the objectives agreed by the Authority for its financial strategies were aimed at protecting local policing services as far as possible by implementing efficiency savings and productivity improvements.

Under the direction of the Diamond Programme, reviews had been carried out and detailed savings plans of £14m for 2011/12 were developed, which relied heavily on natural wastage in both police officers and police staff. In addition, the Authority had approved a voluntary redundancy and early retirement scheme (VER) in the previous financial year which was offered to all police staff. A sum of £4.3m had therefore been set aside in a provision at 31 March 2011 to provide for the anticipated costs arising from this in 2011/12.

The Authority was able to balance its budget for 2011/12 by utilising £1.4m from its earmarked reserves to fund probationer police officers in excess of establishment, and was able to budget for a small contribution of nearly £0.5m to its general reserves. The Authority's reserves levels were available, over and above a minimum level to cover financial risks, as part of a strategy for utilisation to manage the implementation of budget reductions beyond 2011/12, where the Authority was still facing substantial deficits.

The actual revenue expenditure for the year was £247.8m as compared to an approved budget of £257.5m, an underspend of £9.7m. This underspend was generated following an acceleration of the Diamond Programme and, after adjustments with earmarked reserves, allowed a further £8.4m to be added to general reserves. As a result of this, the Authority was able to defer the planned reduction of police officer and community support officer numbers and reinstate recruitment in 2012/13.

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

	Budget £000	Actual £000	Variation £000
Police Authority Costs	2,291	2,225	-66
Police Force Costs			
Employee costs	229,206	232,353	3,147
Premises costs	7,464	7,433	(31)
Transport costs	5,407	5,668	261
Other costs	27,929	21,714	(6,215)
Capital financing costs	4,681	5,993	1,312
	274,687	273,161	(1,526)
Income	(19,464)	(27,605)	(8,141)
Total Police Force Costs	255,223	245,556	(9,667)
Total Net Expenditure	257,514	247,781	(9,733)
Contribution from Earmarked reserves	(1,397)	(107)	1,290
Contribution to General Fund Balance	481	8,924	8,443
Budget Requirement	256,598	256,598	

The Authority's net spending was funded as follows:

	£000	£000	%
Budget Requirement		256,598	
Sources of Finance			
General Government Grant		22,318	} 51.9
Police Grant		110,770	
Non-Domestic Rates Redistribution		72,202	28.1
Council Tax Income			
• Barnsley	9,260		
• Doncaster	11,533		
• Rotherham	10,234		
• Sheffield	20,281	51,308	20
Total Financing		256,598	100

The above figures do not reconcile to the Comprehensive Income and Expenditure Statement due to presentational differences required by proper accounting practice; however the above contributions of £0.107m from earmarked reserves and £8.924m to the General Fund Balance is reflected in the Movement in Reserves Statement.

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3. Summary of the Financial Year - Capital Expenditure

The Authority spent £9.8m on capital expenditure in 2011/12. A sum of £6m was spent improving the Authority's buildings, including £3.2m on the acquisition of a new Force Headquarters at Carbrook in Sheffield following the sale of West Bar police station and the requirement to make Snig Hill, the current headquarters, an operational police station. In addition, £0.6m was incurred as work commenced to provide a new police station at Adwick, which is scheduled for completion in July 2012.

A further £2.4m was spent on information, communications and operational equipment. This included £0.6m on mobile technology for frontline officers.

New vehicles totalling £1.4m were purchased during the year in accordance with the vehicle replacement programme.

4. Capital Financing and Borrowing

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

In view of the continuing impact of the banking crisis and economic situation, the Authority's strategy was to continue to use internal cash to fund capital expenditure in 2011/12 in order to reduce cash levels and limit investment risk. No borrowing was therefore undertaken during the year.

However funding capital expenditure from cash balances is not sustainable in the long term. The Authority's total outstanding borrowing from the Public Works Loans Board (PWLB) at 31 March 2012 is £32.3m as compared with the Authority's underlying need to borrow (capital financing requirement) of £34.8m. This means that at some point in the future, the Authority is likely to need to borrow an additional £2.5m to ensure that it retains its liquidity position.

5. General and Earmarked Reserves

The actual movements in usable reserves are summarised below:

	1 April 2011 £000	Movement in Year £000	31 March 2012 £000
Earmarked Reserves	13,376	(107)	13,269
Capital Grants Unapplied	2,600	(991)	1,609
General Reserves	24,602	8,924	33,526
	40,578	7,826	48,404

A detailed breakdown of the movements in earmarked reserves is included in Note 6.

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6. Retirement Benefits

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

The inclusion of this estimated liability of £2,189m is matched by a pensions reserve within unusable reserves in the Balance Sheet. The negative balance on the Pensions Reserve therefore measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flow rather than as benefits are earned by employees.

The inclusion of this reserve has a substantial impact on the net worth of the Authority. However, since statutory provisions require that the amount charged to the General Fund Balance is that paid by the Authority to pensions funds rather than that calculated under accounting standards, the financial position of the Authority remains healthy, with usable reserves of £48.4m.

7. Regional Working

The Authority and Force engage in collaborative working in partnership with the Yorkshire and Humber Authorities / Forces to deliver a number of specific services on a regional basis. The initial aim was to improve the capacity and capability of the four forces to meet the protective services gaps, and in order to further this, a number of shared units were created: the Regional Intelligence Unit, the Regional Asset Recovery Team and the Regional Roads Crime Team.

The vision for collaboration widened in 2009, with the publication of a regional strategy for efficiency and productivity through collaboration. Implementation of this strategy has led to an active programme of collaboration between the four forces and between pairing of forces; for example South Yorkshire and Humberside are in the process of combining their Human Resources (HR) departments and Information and Communications Technology (ICT) departments in order to increase capacity and further reduce costs by standardising, learning from the best and by improving leverage over suppliers.

The governance for this regional programme is via the Joint Police Authorities Committee (JPAC) in accordance with the Heads of Agreement. JPAC is a sub-committee of each participating Police Authority and comprises the chairs, vice-chairs and other members from each of the four police authorities. Regional Collaboration is funded from contributions made by the four participating forces.

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

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

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The impact of regional working on the Authority's financial statements is shown in the Comprehensive Income and Expenditure Statement which includes the Authority's own costs in support of regional working together with a net contribution to or from the region depending on the activity. The Balance Sheet includes assets owned by the Authority but contributed for use in regional working. More information is included in the Accounting Policies and Notes to the Core Financial Statements.

8. Sustainability Reporting

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

- In May 2012, South Yorkshire Police has been awarded a Bronze performance award having achieved a score of 73% in the Yorkshire and Humberside Business in the Community Environment Index. The Environment Index is an on-line survey that looks at all aspects of environmental management and performance. Each year around 90 – 100 of the region's organisations take part. The index assesses participants' strategy, integration of strategy into operations, environmental management and performance in reducing negative impacts on the environment.
- South Yorkshire Police has a Carbon Management Plan initially drawn up in March 2011 currently being revised, and due to be presented to the Police Authority in July 2012. The Plan includes a carbon reduction target, which is to reduce the carbon footprint by 30% by 2015 from 2009 levels. South Yorkshire Police is on track to meet its overall commitment made to the Carbon Trust; to date a 20% reduction has been achieved, reducing from 19,020 tonnes in 2009 to 15,205 tonnes in 2011.
- South Yorkshire Police and Humberside Police have jointly agreed seven key sustainability commitments and in January 2012 South Yorkshire Police formulated a sustainability strategy around these commitments.
- South Yorkshire Police fleet is reducing its carbon footprint. Almost all new vehicles have a lower g CO₂ per km less than the vehicle they replace. The average g CO₂ per km was 146.66 in 2010/11 and at the end of 2011/12, this had fallen to 143.17 a reduction of 2.38%. The Force also had 217 pedal cycles in March 2012 for operational use.
- During 2011/12 South Yorkshire Police ran a cycle to work scheme offering employees the chance to purchase a pedal cycle at a discounted rate, an initiative which supports employees wishing to commute to and from work on a bicycle.
- All Information Systems are designed to make the best use of resources and by doing so will achieve significant improvements in efficiency and productivity, without compromising a maximum return on investment and value for money. The use of Multi-Functional Devices and Document Management Software solutions has reduced the unnecessary use of consumables (such as ink and paper) and reduced the need for multiple copies of a single document. Computer room facilities are provided using the latest energy efficient technology. Equipment life is extended where prudent, maximising efficiency and reducing capital expenditure. All technological solutions reinforce the Force's sustainable policies. At the design stage of information systems and equipment, full consideration is given to the diverse needs of staff and officers working for the organisation, balanced against the green agenda. Collaboration with Humberside will bring new opportunities re joint IT systems, reducing carbon footprint via shared infrastructure. In addition the introduction of "Cloud" type technology will provide further opportunities for improved sustainability.

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9. Financial Prospects

The financial year ended 31 March 2012 is the last full year for which South Yorkshire Police Authority is responsible for the funding of Policing. In November 2012, responsibility will pass to the elected Police and Crime Commissioner, and the Authority will hand over all its financial assets and liabilities to the Commissioner.

A long term strategy of building up financial reserves has placed the Authority in a strong position to manage the budget reductions demanded by the Comprehensive Spending Review guidelines. The availability of reserves enabled the Authority to agree a short to medium term strategy for maintaining front line services without weakening financial strength. This has involved increasing the Council Tax base in 2012/13, and at the same time using a proportion of the reserves to defer reductions in Policing numbers. Even with the planned withdrawal from reserves, the Authority continues to have good cover against identified budgetary risks.

The Authority remains vulnerable to factors outside its control, and this would affect the longer term viability of its financial strategy. Policing has been exempted from the changes in the national Business Rate scheme, but its future funding levels could be affected by changes in Council Tax benefits, and on the successful delivery of projected savings in employee costs arising from the Winsor Review. The Police Service will also be affected by wider changes in communities arising from the economic recession, and this is another reason why reserves and contingencies will be protected.

In future years, the structure of the financial statements may change, as the Commissioner receives new sources of funding for community safety, and secures services from a wider market. From November 2012, the Chief Constable takes on a new statutory existence, and this will require a clearer separation between the financial transactions of the Commissioner and the Force, and ultimately the preparation of separate accounting statements along with a set of Group accounts.

10. Further information about the accounts is available from:

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

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STATEMENT OF RESPONSIBILITIES

The Authority's Responsibilities

The Authority is required to:

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

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

Date: 21 September 2012

The Treasurer's Responsibilities

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

In preparing this Statement of Accounts, the Treasurer has:

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

The Treasurer has also:

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

I certify that the attached Statement of Accounts presents a true and fair view of the financial position of the Authority at 31 March 2012 and its income and expenditure for the year then ended. These replace the unaudited Statement of Accounts previously certified on 30 June 2012.

Date: 21 September 2012

S Pick CPFA, Treasurer

SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2011/12 MOVEMENT IN RESERVES STATEMENT

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

	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Reserves £000
Balance at 1 April 2010	23,264	22,966	-	4,511	50,741	(2,234,675)	(2,183,934)
Movement in reserves during 2010/11							
Surplus / (deficit) on the provision of services	119,087	-	-	-	119,087	-	119,087
Other Comprehensive Income and Expenditure	-	-	-	-	-	73,587	73,587
Total Comprehensive Income and Expenditure	119,087	-	-	-	119,087	73,587	192,674
Adjustments between accounting basis and funding basis under regulations (Note 5)	(127,339)	-	-	(1,911)	(129,250)	129,250	-
Net Increase / (Decrease) before Transfers to Earmarked Reserves	(8,252)	-	-	(1,911)	(10,163)	202,837	192,674
Transfers to/(from) Earmarked Reserves (Note 6)	9,590	(9,590)	-	-	-	-	-
Increase/(Decrease) in 2010/11	1,338	(9,590)	-	(1,911)	(10,163)	202,837	192,674
Balance at 31 March 2011 carried forward	24,602	13,376	-	2,600	40,578	(2,031,838)	(1,991,260)
Movement in reserves during 2011/12							
Surplus / (deficit) on the provision of services	(98,641)	-	-	-	(98,641)	-	(98,641)
Other Comprehensive Income and Expenditure	-	-	-	-	-	(20,300)	(20,300)
Total Comprehensive Income and Expenditure	(98,641)	-	-	-	(98,641)	(20,300)	(118,941)
Adjustments between accounting basis and funding basis under regulations (Note 5)	107,458	-	-	(991)	106,467	(106,467)	-
Net Increase / (Decrease) before Transfers to Earmarked Reserves	8,817	-	-	(991)	7,826	(126,767)	(118,941)
Transfers to/(from) Earmarked Reserves (Note 6)	107	(107)	-	-	-	-	-
Increase/(Decrease) in 2011/12	8,924	(107)	-	(991)	7,826	(126,767)	(118,941)
Balance at 31 March 2012 carried forward	33,526	13,269	-	1,609	48,404	(2,158,605)	(2,110,201)

SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2011/12 COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

2010/11			2011/12			
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
129,981	(19,336)	110,645	Local Policing	119,430	(11,478)	107,952
21,683	(517)	21,166	Dealing with the Public	18,721	(518)	18,203
26,460	(2,798)	23,662	Criminal Justice Arrangements	24,086	(2,600)	21,486
13,630	(1,797)	11,833	Road Policing	12,762	(1,736)	11,026
33,838	(1,096)	32,742	Specialist Operations	29,198	(2,484)	26,714
15,903	(750)	15,153	Intelligence	14,793	(1,038)	13,755
59,341	(1,269)	58,072	Specialist Investigations	58,105	(2,264)	55,841
9,471	(200)	9,271	Investigative Support	9,128	(186)	8,942
7,793	(3,393)	4,400	National Policing	5,375	(2,929)	2,446
1,541	-	1,541	Corporate & Democratic Core	1,438	-	1,438
			Non Distributed Costs:			
(243,896)	-	(243,896)	- Change in inflation factor for retirement benefits	-	-	-
2,448	-	2,448	- Other Non Distributed Costs	141	-	141
78,193	(31,156)	47,037	Cost of Services	293,177	(25,233)	267,944
700	(391)	309	Other Operating Expenditure (Note 7)	833	(227)	606
121,683	(305)	121,378	Financing and investment income and expenditure (Note 8)	117,571	(473)	117,098
-	(287,811)	(287,811)	Taxation and non-specific grant income (Note 9)	-	(287,007)	(287,007)
200,576	(319,663)	(119,087)	(Surplus) or Deficit on Provision of Service	411,581	(312,940)	98,641
		(606)	(Surplus) or deficit on revaluation of Property, Plant and Equipment			(344)
		(72,981)	Actuarial (gains)/losses on pensions assets/liabilities			20,644
		(73,587)	Other Comprehensive Income and Expenditure			20,300
		(192,674)	Total Comprehensive Income and Expenditure			118,941

Note: Cost of Services for 2010/11 has been restated to take account of the revised Police Objective Analysis guidance issued in 2011/12.

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BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves is usable reserves, that is those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2011 £000	Notes	31 March 2012 £000	
76,802	Property, Plant and Equipment	10	77,914
2,881	Intangible Assets	11	3,325
79,683	Long Term Assets		81,239
34,532	Short Term Investments	12	38,384
1,888	Assets Held for Sale	17	231
972	Inventories	14	812
15,743	Short Term Debtors	15	18,147
8,904	Cash and Cash Equivalents	12 / 16	5,188
62,039	Current Assets		62,762
(58)	Short Term Borrowing	12	(670)
(16,735)	Short Term Creditors	18	(15,647)
(13,181)	Provisions	19	(8,591)
(854)	Revenue Grants Receipts in Advance	33	(342)
(162)	Capital Grants Receipts in Advance	33	(134)
(30,990)	Current Liabilities		(25,384)
(1,629)	Long Term Provisions	19	(1,546)
(30,013)	Long Term Borrowing	12	(29,622)
(2,070,350)	Other Long Term Liabilities	21	(2,197,650)
(2,101,992)	Long Term Liabilities		(2,228,818)
(1,991,260)	Net Assets		(2,110,201)
40,578	Usable Reserves	20	48,404
(2,031,838)	Unusable Reserves	22	(2,158,605)
(1,991,260)	Total Reserves		(2,110,201)

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CASH FLOW STATEMENT

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

2010/11		2011/12
£000		£000
(119,087)	Net (surplus) or deficit on the provision of services	98,641
114,707	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 23)	(109,019)
	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	
1,212	- Proceeds from sale of property	2,552
(3,168)	Net Cash flows from Operating Activities (Note 24)	(7,826)
4,542	Investing Activities (Note 25)	11,214
479	Financing Activities (Note 26)	328
1,853	Net Increase or decrease in cash and cash equivalents	3,716
(10,757)	Cash and cash equivalents at the beginning of the period	(8,904)
(8,904)	Cash and cash equivalents at the end of the reporting period (Note 16)	(5,188)

SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2011/12

NOTES TO ACCOUNTS

1. ACCOUNTING POLICIES

a) General Principles

The Statement of Accounts summarises the Authority's transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012. The Authority is required to prepare an annual Statement of Accounts in accordance with proper accounting practices by the Accounts and Audit (England) Regulations 2011. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code), and the Service Reporting Code of Practice 2011/12, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

b) Accruals of Income and Expenditure

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

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

c) Cash and Cash Equivalents

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

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

d) Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively,

SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2011/12 NOTES TO ACCOUNTS

that is in the current and future years affected by the change and do not give rise to a prior period adjustment.

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

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

e) **Exceptional Items**

When items of income and expenditure are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the Notes to the Accounts, depending on how significant the items are to an understanding of the Authority's performance.

f) **Employee Benefits**

Benefits Payable During Employment

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

Termination Benefits

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

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

SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2011/12

NOTES TO ACCOUNTS

Retirement Benefits

The Authority participates in the following pensions schemes:

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

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

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

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

- current service cost – the increase in liabilities as a result of service earned by employees in the current year. This is charged to services within the Comprehensive Income and Expenditure Statement
- past service cost – the increase in liabilities arising from current year decisions, the effect of which relates to service earned in earlier years. This is part of Non Distributed Costs in the Comprehensive Income and Expenditure Statement
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid. This is charged to the Financing and Investment Income and Expenditure line within the Comprehensive Income and Expenditure Statement
- expected return on assets (LGPS only) – the annual investment return on the fund assets attributable to the Authority, based on the average of the expected long-term return. This is credited to the Financing and Investment Income and Expenditure line within the Comprehensive Income and Expenditure Statement

SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2011/12 NOTES TO ACCOUNTS

- gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees. This is part of Non Distributed Costs in the Comprehensive Income and Expenditure Statement
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because actuaries have updated their assumptions. This is shown in the Movement in Reserves Statement as a charge to the Pensions Reserve
- Contributions paid / benefits paid – cash paid as employer's contribution by the Authority either to LGPS or directly to pensioners to reduce the scheme liabilities.

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

g) Government Grants and Contributions

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

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

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

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

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

SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2011/12

NOTES TO ACCOUNTS

h) Intangible Assets

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

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

Intangible assets are measured initially at cost. The depreciable amount of the intangible asset balance is subsequently amortised over its useful life to the relevant service line in the Comprehensive Income and Expenditure Statement. Any gain or loss arising from the disposal of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation and gain or losses on disposal are not permitted to have an impact on the General Fund Balance and are reversed out in the Movement in Reserves Statement to the Capital Adjustment Account and the Capital Receipts Reserve (for sale proceeds greater than £10,000).

i) Property, Plant and Equipment

Assets that have physical substance and are held for use in the provision of services or for administrative purposes and are expected to be used for more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost can be measured reliably. Expenditure on repairs that maintains but does not add to an asset's potential to deliver future economic benefits or service potential is charged as an expense when it is incurred.

Measurement

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

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

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

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they

SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2011/12

NOTES TO ACCOUNTS

are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

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

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

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

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indication exists and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

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

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

Depreciation

Depreciation is provided on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life, such as freehold land, and assets that are not yet available for use (assets under construction).

SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2011/12

NOTES TO ACCOUNTS

Depreciation is calculated on the following bases:

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

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

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

Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continued use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and the fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposal (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

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

SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2011/12 NOTES TO ACCOUNTS

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

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

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

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

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

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

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

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

l) **Leases**

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

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

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

The Authority as a Lessee

Finance Leases

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

SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2011/12

NOTES TO ACCOUNTS

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

Lease payments under finance leases are apportioned between:

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

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

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

Operating Leases

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

The Authority as a Lessor

Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet and rental income is credited to the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (for example there is a premium paid at the commencement of the lease).

m) Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA's *Service Reporting Code of Practice*. The total absorption costing principle is used, where the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the democratic processes of the Authority and other corporate costs
- Non distributed costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2011/12 NOTES TO ACCOUNTS

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

n) **Financial Instruments**

Financial Liabilities

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

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

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

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

Financial Assets

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

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o) Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Provisions are reviewed at the end of each financial year and where it becomes less probable that a transfer of economic benefits will now be required, or a lower settlement than anticipated is made, the provision is reversed and credited back to the relevant service.

Contingent Liabilities

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

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

Contingent Assets

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

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

p) Reserves

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

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

SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2011/12 NOTES TO ACCOUNTS

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

q) **Regional Working**

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

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

- the Comprehensive Income and Expenditure Statement incorporates the Authority's own costs together with a further net contribution to or from the region depending on the activity
- the assets contributed to regional working are retained on the Authority's Balance Sheet

More information is included in Note 39.

r) **Inventories**

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

s) **Foreign Currency Translation**

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

t) **VAT**

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

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

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

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material affect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

**SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2011/12
NOTES TO ACCOUNTS**

2. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

- There is a high degree of uncertainty about the future levels of funding for the Authority. However the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to reduce levels of service provision.
- The Police Reform and Social Responsibility Act 2011 introduces Police and Crime Commissioners (PCCs) to replace Police Authorities. The Authority will therefore cease to exist following the election of the PCC for South Yorkshire on 22 November 2012. However whilst the governance structures will change, the obligations and responsibilities will still exist. For the purposes of preparing these accounts therefore the assumption that the Authority remains a going concern has been adopted

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

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

The items in the Authority's Balance Sheet at 31 March 2012 for which there is a significant risk of material adjustment in the forthcoming year as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of usage of individual assets and the repairs that will be incurred to maintain individual assets in the future. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending in either maintaining or replacing its assets, bringing into doubt the useful lives assigned to assets.	If the useful lives of assets are reduced then depreciation increases and the carrying amount of the assets falls. The reverse occurs if the useful lives of assets are increased. It is estimated that the annual depreciation charge would change by around £480k for every year that useful lives increased or decreased.

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Insurance Provision	<p>The Authority has made a provision of £2.2m for the settlement of outstanding insurance claims, based on information provided by the Authority's insurance brokers. It is difficult to predict the final outcome of claims until they are actually settled.</p>	<p>There is a risk that existing claims are settled at higher or lower figures than estimated. In addition, since insurance claims develop over time, the requirement to make provisions could be increased by the identification in future years of additional liabilities incurred but not yet reported.</p> <p>The Authority has earmarked sums in an Insurance Reserve to provide cover should this occur.</p>
Pensions Liability	<p>Estimation of the net liability to pay pensions is extremely volatile as it depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.</p> <p>Actuaries are engaged to provide the Authority with expert advice about the assumptions to be applied for each of its pension schemes.</p>	<p>Whilst the effects on the net pensions liability of changes in individual assumptions can be measured, the assumptions interact in complex ways.</p> <p>During 2011/12, the Authority's actuaries advised that the net pensions liability has increased by £22.2m because events have not coincided with assumptions made at the last actuarial valuation or assumptions have been updated.</p>

4. MATERIAL ITEMS OF INCOME AND EXPENSE

There are no material items included in the Comprehensive Income and Expenditure Statement for 2011/12.

**SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2011/12
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5. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATION

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

2011/12	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
Adjustments primarily involving the Capital Adjustment Account:				
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i>				
• Charges for depreciation and impairment of non-current assets	5,483	-	-	(5,483)
• Revaluation losses on Property, Plant and Equipment	1,403	-	-	(1,403)
• Amortisation of Intangible Assets	891	-	-	(891)
• Capital grants and contributions applied	(2,717)	-	-	2,717
• Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,477	-	-	(2,477)
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i>				
• Statutory provision for the financing of capital investment	(2,283)	-	-	2,283
• Capital expenditure charged against the General Fund	(1,629)	-	-	1,629
• Capitalised insurance settlements	(248)	-	-	248
Adjustments primarily involving the Capital Grants Unapplied Account:				
• Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-	-	-	-
• Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	(991)	991

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2011/12	Usable Reserves			Movement in Unusable Reserves
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
Adjustments primarily involving the Capital Receipts Reserve:				
<ul style="list-style-type: none"> • Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement 	(2,552)	2,552	-	-
<ul style="list-style-type: none"> • Use of the Capital Receipts Reserve to finance new capital expenditure 	-	(2,552)	-	2,552
<ul style="list-style-type: none"> • Contribution from the Capital Receipts Reserve towards costs of non-current asset disposals 	-	-	-	-
Adjustments primarily involving the Financial Instruments Adjustment Account:				
<ul style="list-style-type: none"> • Amount by which the finance costs charged to the Comprehensive Income and Expenditure Statement are different from the finance costs chargeable in the year in accordance with statutory requirements 	(21)	-	-	21
Adjustments primarily involving the Pensions Reserve:				
<ul style="list-style-type: none"> • Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement 	169,272	-	-	(169,272)
<ul style="list-style-type: none"> • Employer's pensions contributions and direct payments to pensioners payable in the year 	(34,449)	-	-	34,449
<ul style="list-style-type: none"> • Additional contribution to Pension Account to balance deficit on the Account 	(27,360)	-	-	27,360
Adjustments primarily involving the Collection Fund Adjustment Account:				
<ul style="list-style-type: none"> • Amount by which the council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements 	(332)	-	-	332
Adjustments primarily involving the Accumulated Absences Account:				
<ul style="list-style-type: none"> • Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements 	(477)	-	-	477
Total Adjustments	107,458	-	(991)	(106,467)

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2010/11	Usable Reserves			Movement in Unusable Reserves
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
Adjustments primarily involving the Capital Adjustment Account:				
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i>				
• Charges for depreciation and impairment of non-current assets	5,436	-	-	(5,436)
• Revaluation losses on Property, Plant and Equipment	2,640	-	-	(2,640)
• Amortisation of Intangible Assets	394	-	-	(394)
• Capital grants and contributions applied	(3,265)	-	-	3,265
• Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	997	-	-	(997)
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i>				
• Statutory provision for the financing of capital investment	(2,242)	-	-	2,242
• Capital expenditure charged against the General Fund	(7,750)	-	-	7,750
• Capitalised insurance settlements	(235)	-	-	235
Adjustments primarily involving the Capital Grants Unapplied Account:				
• Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-	-	-	-
• Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	(1,911)	1,911
Adjustments primarily involving the Capital Receipts Reserve:				
• Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,212)	1,212	-	-
• Use of the Capital Receipts Reserve to finance new capital expenditure	-	(1,196)	-	1,196
• Contribution from the Capital Receipts Reserve towards costs of non-current asset disposals	16	(16)	-	-

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2010/11	Usable Reserves			Movement in Unusable Reserves
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
Adjustments primarily involving the Financial Instruments Adjustment Account:				
<ul style="list-style-type: none"> • Amount by which the finance costs charged to the Comprehensive Income and Expenditure Statement are different from the finance costs chargeable in the year in accordance with statutory requirements 	(22)	-	-	22
Adjustments primarily involving the Pensions Reserve:				
<ul style="list-style-type: none"> • Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement 	(62,861)	-	-	62,861
<ul style="list-style-type: none"> • Employer's pensions contributions and direct payments to pensioners payable in the year 	(34,726)	-	-	34,726
<ul style="list-style-type: none"> • Additional contribution to Pension Account to balance deficit on the Account 	(24,330)	-	-	24,330
Adjustments primarily involving the Collection Fund Adjustment Account:				
<ul style="list-style-type: none"> • Amount by which the council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements 	28	-	-	(28)
Adjustments primarily involving the Accumulated Absences Account:				
<ul style="list-style-type: none"> • Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements 	(207)	-	-	207
Total Adjustments	(127,339)	-	(1,911)	129,250

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6. TRANSFERS TO AND FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2011/12.

	Balance	Transfers		Balance	Transfers		Balance
	at 1 April 2010	Out 2010/11	In 2010/11	at 31 March 2011	Out 2011/12	In 2011/12	at 31 March 2012
	£000	£000	£000	£000	£000	£000	£000
Earmarked Reserves:							
• Insurance Reserve	8,667	(166)	1,309	9,810	-	884	10,694
• Devolved Budget Reserve	6,573	(5,752)	220	1,041	(905)	1,103	1,239
• Capital Reserve	4,642	(4,642)	-	-	-	-	-
• Revenue Grants Reserve	1,238	(1,221)	50	67	(37)	77	107
• Accelerated Recruitment Reserve	1,397	-	-	1,397	(1,397)	-	-
• Police Community Support Officers Reserve	-	-	514	514	-	228	742
• Helicopter Reserve	272	(272)	-	-	-	-	-
• Operational Support Service Reserve	-	-	220	220	-	-	220
• Regional Working Reserve	177	-	-	177	(51)	-	126
• Storage Reserve	-	-	150	150	(87)	-	63
• PCC Transition Reserve	-	-	-	-	-	78	78
Total	22,966	(12,053)	2,463	13,376	(2,477)	2,370	13,269

The purpose of each reserve held is set out below:

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

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Usable Earmarked Reserve	Purpose
• Revenue Grants Reserve	The treatment of revenue grants in accordance with the Code may result in a mismatch between spending and income. In order to address this, any grant which has not been used to fund related expenditure is contributed to this reserve and used to fund expenditure when it is incurred in future years.
• Accelerated Recruitment Reserve	This reserve was utilised to fund the accelerated recruitment of probationer police officers in 2011/12.
• Police Community Support Officers (PCSOs) Reserve	This reserve was set up in 2010/11 to cover the potential claw back of grant funding by the Home Office as a result of the Force not maintaining the required number of PCSOs during the year.
• Helicopter Reserve	This reserve was used to smooth out fluctuations in spending on helicopter running costs between financial years. The reserve was reversed during 2010/11 as these spending variations are now met from in-year budgets.
• Operational Support Reserve	This reserve was created during 2010/11 to support operational support spending in future years.
• Regional Working Reserve	This reserve is available to support regional collaborative working.
• Storage Reserve	Sums were set aside in this reserve in 2010/11 to fund the revenue costs of file storage for the next four years following the closure of West Bar Police Station.
• PCC Transition Reserve	A sum has been set aside to fund any costs that may be required to prepare for the transition to the new PCC arrangements during 2012/13.

7. OTHER OPERATING EXPENDITURE

2010/11 £000	2011/12 £000
700 Levies	833
(391) (Gains) / Losses on the disposal of non-current assets	(227)
309 Total	606

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8. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2010/11		2011/12
£000		£000
2,055	Interest payable and similar charges	2,049
119,628	Pensions interest cost and expected return on pensions assets	115,522
(305)	Interest receivable and similar income	(473)
121,378	Total	117,098

9. TAXATION AND NON SPECIFIC GRANT INCOME

2010/11		2011/12
£000		£000
(50,974)	Council tax income	(51,640)
(89,240)	Non domestic rates	(72,202)
(12,958)	Revenue support grant	(22,318)
(107,043)	Police grant	(110,770)
(24,331)	Home Office pension grant	(27,360)
(3,265)	Capital grants and contributions	(2,717)
(287,811)	Total	(287,007)

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10. PROPERTY, PLANT AND EQUIPMENT

Movement in Balances 2011/12:

	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Surplus Assets	Assets under Cons- truction	Total Property, Plant & Equipment
	£000	£000	£000	£000	£000
Cost or Valuation:					
At 1 April 2011	62,329	35,892	62	-	98,283
Additions	2,168	2,399	-	3,807	8,374
Revaluation increases / (decreases) recognised in the Revaluation Reserve	136	-	-	-	136
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(1,655)	-	-	-	(1,655)
Derecognition – disposals	(166)	(2,161)	-	-	(2,327)
Derecognition - other	(83)	-	-	-	(83)
Assets reclassified (to)/from Held for Sale	(295)	-	(176)	-	(471)
Other reclassifications and movements in cost or valuation	(208)	(158)	176	145	(45)
At 31 March 2012	62,226	35,972	62	3,952	102,212
Accumulated Depreciation and Impairment					
At 1 April 2011	(1,978)	(19,500)	(3)	-	(21,481)
Depreciation charge	(1,271)	(3,992)	(11)	-	(5,274)
Depreciation written out to the Revaluation Reserve	209	-	-	-	209
Depreciation written out to the Surplus / Deficit on the Provision of Services	252	-	-	-	252
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	-	-	-	-	-
Derecognition – disposals	2	1,967	-	-	1,969
Derecognition - other	2	-	-	-	2
Assets reclassified (to)/from Held for Sale	16	-	9	-	25
Other reclassifications and movements in depreciation and impairment	-	-	-	-	-
At 31 March 2012	(2,768)	(21,525)	(5)	-	(24,298)
Net Book Value					
At 31 March 2012	59,458	14,447	57	3,952	77,914
At 31 March 2011	60,351	16,392	59	-	76,802

SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2011/12
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Comparative Movements in 2010/11:

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

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Depreciation

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

- Property – 10 to 72 years
- Vehicles, Plant and Equipment – 2 to 30 years

Capital Commitments

At 31 March 2012, the Authority has entered into a number of contracts for the construction, enhancement or purchase of Property, Plant and Equipment in 2012/13 budgeted to cost £0.537m, the most significant relating to vehicle purchase of £0.381m. Similar commitments at 31 March 2011 were £0.693m, which included £0.203m for vehicle purchases.

Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. The valuations are carried out by an external valuer and following a tendering exercise this year, Mouchel have been appointed. The valuations are carried out in accordance with the Royal Institute of Chartered Surveyors (RICS) Professional Standards 2012 (the Red Book). The progress at 31 March 2012 of the Authority's rolling programme for the revaluation of non-current assets is:

	Land & Buildings £000	Vehicles & Equip £000	Under Construction £000	Surplus £000	Total £000
Carried at historical cost	844	35,972	3,952	-	40,768
Valued at fair value in:					
• Current Year	9,884	-	-	-	9,884
• 2010/11	20,019	-	-	15	20,034
• 2009/10	11,348	-	-	42	11,390
• 2008/09	19,470	-	-	5	19,475
• 2007/08	661	-	-	-	661
Total Cost or Valuation	62,226	35,972	3,952	62	102,212

11. INTANGIBLE ASSETS

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

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

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The useful lives assigned to the major software suites used by the Authority are:

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

The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £0.891m in 2011/12 is charged to the Information Systems Department and then absorbed as an overhead across all service headings in the Cost of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

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

	Internally Generated Assets £000	Other Assets £000	2011/12 Total £000	Internally Generated Assets £000	Other Assets £000	2010/11 Total £000
Balance at start of year						
• Gross carrying amount	1,144	3,520	4,664	232	2,176	2,408
• Accumulated amortisation	(78)	(1,705)	(1,783)	-	(1,389)	(1,389)
Net carrying amount at start of year	1,066	1,815	2,881	232	787	1,019
Additions						
• Internal development	608	-	608	878	-	878
• Purchases	-	827	827	-	1,291	1,291
Disposals	(76)	(5)	(81)	(87)	-	(87)
Reclassifications / Other changes	-	(19)	(19)	121	53	174
Amortisation for the period	(331)	(560)	(891)	(78)	(316)	(394)
Net carrying amount at end of year	1,267	2,058	3,325	1,066	1,815	2,881
Comprising:						
• Gross carrying amount	1,676	4,317	5,993	1,144	3,520	4,664
• Accumulated amortisation	(409)	(2,259)	(2,668)	(78)	(1,705)	(1,783)

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The following items of capitalised software are individually material:

	Carrying Amount		Remaining
	31 March 2012	31 March 2011	Amortisation Period
	£000	£000	Years
Mobile Information Project	1,169	755	2
Case Preparation System Development	574	724	2

12. FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability of another. The definition is broad and covers instruments used in treasury management activities including the borrowing and lending of money and making of investments. However it also extends to include such items as trade receivables (debtors) and trade payables (creditors) but excludes statutory obligations such as the debt transferred from the former South Yorkshire County Council, managed by Rotherham MDC.

Financial Instruments Balances

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

	Long - term		Current	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011
	£000	£000	£000	£000
Investments				
Loans and receivables	-	-	38,384	34,532
Total Investments	-	-	38,384	34,532
Cash and Cash Equivalents				
Loans and receivables	-	-	5,188	10,047
Financial liabilities at amortised cost	-	-	-	(1,143)
Total Cash and Cash Equivalents	-	-	5,188	8,904
Debtors				
Loans and receivables	-	-	-	-
Financial assets carried at contract amounts	-	-	1,887	1,817
Total Debtors	-	-	1,887	1,817
Borrowing				
Financial liabilities at amortised cost	(29,622)	(30,013)	(670)	(58)
Total Borrowing	(29,622)	(30,013)	(670)	(58)
Creditors				
Financial liabilities carried at contract amount	-	-	(2,263)	(670)
Total Creditors	-	-	(2,263)	(670)

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Financial Instrument Income, Expense, Gains and Losses

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

	2011/12			2010/11		
	Financial Liabilities at Amortised Cost £000	Financial Assets: Loans and Receivables £000	Total £000	Financial Liabilities at Amortised Cost £000	Financial Assets: Loans and Receivables £000	Total £000
Surplus or Deficit on the Provision of Services						
Interest expense	(1,517)	-	(1,517)	(1,513)	-	(1,513)
Interest income	-	473	473	-	305	305
Net Income / Expense	(1,517)	473	(1,044)	(1,513)	305	(1,208)
Gains and Losses	-	-	-	-	-	-
Net Gain / (Loss) for the year	(1,517)	473	(1,044)	(1,513)	305	(1,208)

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

Fair Value of Assets and Liabilities carried at Amortised Cost

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

The fair value of the Authority's financial liabilities are set out below. The PWLB borrowing has been calculated by PWLB by using rates for premature repayment of loans on 31 March 2012.

	31 March 2012		31 March 2011	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Financial liabilities – Borrowing	30,292	39,305	30,071	34,369
Financial liabilities – cash overdrawn at bank	-	-	(1,143)	(1,143)

The fair value is higher than the carrying amount for Financial Liabilities because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates currently available for similar loans at the Balance Sheet

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date. The commitment to pay interest at above the current market rate increases the amount that the Authority would have to pay if the lender requested or agreed to early repayment of the loans.

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

	31 March 2012		31 March 2011	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Loans and receivables	38,384	38,384	34,532	34,532

13. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

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

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

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

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

SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2011/12 NOTES TO ACCOUNTS

The annual Treasury Management Strategy which incorporates the prudential indicators was approved by the Authority in February 2011. The key issues within the Strategy were:

- The Authorised Limit for 2011/12 was set at £57m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £49m. This is the expected level of debt and other long term liabilities during the year.
- The maximum limits on principal sums outstanding in respect of borrowing at fixed and variable interest rates were set at £57m and £14m respectively based.

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

Credit Risk

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

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

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

The Authority's surplus funds are pooled with those of South Yorkshire Fire and Rescue Authority and South Yorkshire Integrated Transport Authority for investment which enables access to a wider range of investments and the sharing of risk. For the majority of the year, deposits with institutions were limited to a maximum of £15m with any counterparty for the total investment pool of which the Authority's share is approximately £8m. The maximum limit with any counterparty was increased to £20m for part nationalised UK banks in February 2012 as part of a revised Investment Strategy.

The Authority's maximum exposure to credit risk in relation to its investments cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all the Authority's deposits but there was no evidence at the 31 March 2012 that this was likely to crystallise. The Authority therefore expects full repayment on the due dates of existing deposits.

SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2011/12
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The Authority does not generally allow credit for customers. The total value of trade debtors at 31 March 2012 is £1.887m of which £0.769m is past its due date, analysed as follows:

31 March 2011 £000		31 March 2012 £000
789	Less than 3 Months	669
24	3 to 6 Months	10
53	6 to 12 Months	11
42	Over 12 Months	79
908 Total		769

The Authority has a historical experience of default of 0.6% in trade debtors, which equates to a risk of uncollectability of £11k.

Liquidity Risk

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

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

The maturity analysis of loans outstanding to PWLB as at 31 March 2012 is:

31 March 2011 £000		31 March 2012 £000
Maturing within:		
3,410	>1 to 5 years	3,600
1,650	>5 to 10 years	900
9,240	>10 to 20 years	13,240
14,780	>20 to 30 years	10,780
1,600	>30 to 40 years	3,050
1,450	>40 to 50 years	-
32,130 Total		31,570

SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2011/12

NOTES TO ACCOUNTS

The average rate payable by the Authority is 4.59% with rates ranging from 4.05% to 5.1%. The Amortised Cost of the above loans is £30.112m.

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

Market Risk

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

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

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

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

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

The Authority received interest of £0.473m for the financial year with an average rate of 0.88%. A change of 0.1% in the interest rate achieved would have resulted in a decrease or increase in interest of approximately £54k provided that bank balances had remained the same.

Price Risk

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

Foreign Exchange Risk

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

**SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2011/12
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14. INVENTORIES

	2011/12			2010/11		
	Consumable Stores	Vehicle Maintenance Spares	Total	Consumable Stores	Vehicle Maintenance Spares	Total
	£000	£000	£000	£000	£000	£000
Balance at 1 April	879	93	972	1,059	107	1,166
Purchases	2,688	1,124	3,812	3,010	1,142	4,152
Recognised as an expense in the year	(2,843)	(1,127)	(3,970)	(3,180)	(1,156)	(4,336)
Written off balances	(2)	-	(2)	(10)	-	(10)
Balance at 31 March	722	90	812	879	93	972

15. DEBTORS

31 March 2011 £000		31 March 2012 £000
8,241	Central government bodies	6,305
2,227	Other local authorities	2,182
7	NHS bodies	2
-	Public corporation and trading funds	-
5,268	Other entities and individuals	9,658
15,743	Total	18,147

16. CASH AND CASH EQUIVALENTS

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

31 March 2011 £000		31 March 2012 £000
48	Cash held by the Authority	76
(1,118)	Bank current accounts	145
9,974	Call and money market fund investments	4,967
8,904	Total	5,188

**SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2011/12
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17. ASSETS HELD FOR SALE

2010/11 £000		2011/12 £000
	- Balance outstanding at start of the year	1,888
1,960	Assets newly qualified as held for sale	447
(5)	Revaluation losses	-
	- Revaluation gains	-
	- Impairment losses	-
	- Assets declassified as held for sale	-
(67)	Assets sold	(2,104)
1,888	Balance outstanding at end of year	231

18. CREDITORS

31 March 2011 £000		31 March 2012 £000
4,729	Central government bodies	5,147
2,833	Other local authorities	2,205
1	NHS bodies	-
283	Public corporation and trading funds	172
8,889	Other entities and individuals	8,123
16,735	Total	15,647

Cash that is seized by the Force because it is suspected of either having been used, or intended for use, for the purpose of crime, is held pending a court decision as to whether it should be returned or awarded under a forfeiture order to the Force or the Treasury. This seized cash is held in trust for third parties by the Authority and is therefore excluded from the Balance Sheet. The sum held at 31 March 2012 is £0.392m (£0.575m 31 March 2011).

In addition, the Force is currently holding £0.012m (£0.109m 31 March 2011) on behalf of the South Yorkshire Safety Camera Partnership which has also been excluded from the Authority's Balance Sheet.

**SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2011/12
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19. PROVISIONS

Movements in provisions during the year are as follows:

	Employee Benefits £000	Insurance £000	Redundancy Cost £000	Other £000	Total £000
Balance at 1 April 2011	8,236	2,260	4,268	46	14,810
Additional provisions made in the year	7,759	735	-	272	8,766
Amounts used in the year	(8,236)	(690)	(4,202)	(126)	(13,254)
Unused amounts reversed in the year	-	(119)	(66)	-	(185)
Balance at 31 March 2012	7,759	2,186	-	192	10,137

Employee Benefits Provision

The accrual for annual leave and other related benefits earned by employees but not taken at 31 March is set aside in this provision and matched by the Accumulated Absences Account (Note 22).

Insurance Provision

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

Redundancy Cost Provision

The provision has been utilised during 2011/12 to meet the costs relating to the early voluntary release of staff. The remaining unused amount has been reversed back into the Consolidated Income and Expenditure Account.

Police Officers Overtime Provision

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

20. USABLE RESERVES

Movements in the Authority's usable reserves are detailed below:

	1 April 2011 £000	Movement in Year £000	31 March 2012 £000
Earmarked Reserves	13,376	(107)	13,269
Capital Grants Unapplied	2,600	(991)	1,609
General Reserves	24,602	8,924	33,526
	40,578	7,826	48,404

More information on Earmarked Reserves is given in Note 6.

**SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2011/12
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21. OTHER LONG TERM LIABILITIES

Other Long Term Liabilities on the Balance Sheet consist of:

31 March 2011 £000		31 March 2012 £000
2,061,088	Pensions Liability	2,189,195
7,596	Transferred Debt from former County Council	7,037
1,666	Insurance Settlements	1,418
2,070,350	Total	2,197,650

Pensions Liability

The Pensions Liability represents the net position of retirement liabilities and the pension scheme assets and is matched by the Pensions Reserve (Note 22).

Transferred Debt

This consists of debt taken over from the former South Yorkshire County Council, where the loan management rests with Rotherham MBC. Debt of £0.559m is repayable within the next twelve months and is included as part of Short Term Creditors. The interest rate paid in 2011/12 was 6.77% (6.47% in 2010/11).

31 March 2011 £000		31 March 2012 £000
559	Maturity between 1 and 2 Years	615
2,037	Maturity between 2 and 5 Years	2,241
5,000	Maturity between 5 and 10 Years	4,181
7,596	Total	7,037

Insurance Settlements

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

**SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2011/12
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22. UNUSABLE RESERVES

31 March 2011 £000		31 March 2012 £000
6,595	Revaluation Reserve	6,288
30,522	Capital Adjustment Account	31,339
(222)	Financial Instruments Adjustment Account	(201)
(2,061,088)	Pensions Reserve	(2,189,195)
591	Collection Fund Adjustment Account	923
(8,236)	Accumulated Absences Account	(7,759)
(2,031,838)	Total Unusable Reserves	(2,158,605)

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation
- disposed of and the gains are realised.

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

2010/11 £000		2011/12 £000
6,261	Balance at 1 April	6,595
945	Upward revaluations of assets	627
(339)	Downward revaluations of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	(283)
606	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	344
(186)	Difference between fair value depreciation and historical cost depreciation	(129)
(86)	Accumulated gains on assets sold or scrapped	(522)
(272)	Amount written off to the Capital Adjustment Account	(651)
6,595	Balance at 31 March	6,288

**SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2011/12
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Capital Adjustment Account

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

Note 5 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2010/11 £000		2011/12 £000
23,118	Balance at 1 April	30,522
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(5,436)	• Charges for depreciation and impairment of non-current assets	(5,483)
(2,640)	• Revaluation losses on Property, Plant and Equipment	(1,403)
(394)	• Amortisation of Intangible Assets	(891)
(997)	• Amounts of non-current assets written off on disposal or sale as part of gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2,477)
(9,467)		(10,254)
272	Adjusting amounts written out of the Revaluation Reserve	651
(9,195)	Net written out amount of the cost of non-current assets consumed in the year	(9,603)
235	Capitalised insurance settlements	248
	Capital financing applied in the year:	
1,196	• Use of the Capital Receipts Reserve to finance new capital expenditure	2,552
3,265	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	2,717
1,911	• Application of grants to capital financing from the Capital Grants Unapplied Account	991
2,242	• Statutory provision for the financing of capital investment charged against the General Fund	2,283
7,750	• Capital expenditure charged against the General Fund	1,629
16,599		10,420
30,522	Balance at 31 March	31,339

**SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2011/12
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Financial Instruments Adjustment Account

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

The Authority uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time the expense is posted back to the General Fund balance in accordance with statutory arrangements for spreading the burden on council tax. In the Authority's case, this period is the term of the replacement loan. As a result, the balance on the Account as at 31 March 2012 will be charged to the General Fund over the next 10 years.

2010/11	2011/12
£000	£000
(244) Balance at 1 April	(222)
- Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	-
22 Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	21
22 Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in accordance with statutory requirements	21
(222) Balance at 31 March	(201)

Pensions Reserve

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

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

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

SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2011/12
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The transactions on the Pensions Reserve are as follows:

2010/11 £000		2011/12 £000
(2,255,986)	Balance at 1 April	(2,061,088)
72,981	Actuarial gains or (losses) on the pensions assets and liabilities	(20,644)
62,861	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(169,272)
59,056	Employer's pensions contributions and direct payments to pensioners payable in the year	61,809
(2,061,088)	Balance at 31 March	(2,189,195)

Collection Fund Adjustment Account

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

2010/11 £000		2011/12 £000
619	Balance at 1 April	591
(28)	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	332
591	Balance at 31 March	923

Accumulated Absences Account

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

2010/11 £000		2011/12 £000
(8,443)	Balance at 1 April	(8,236)
8,443	Settlement or cancellation of accrual made at the end of preceding year	8,236
(8,236)	Amounts accrued at the end of the current year	(7,759)
207	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	477
(8,236)	Balance at 31 March	(7,759)

**SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2011/12
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23. CASH FLOW STATEMENT - ADJUSTMENTS FOR NON-CASH MOVEMENT

The adjustments to the net surplus or deficit on the provision of services for non-cash movements include the following items:

2010/11 £000		2011/12 £000
(5,436)	Depreciation	(5,483)
(2,640)	Impairment and downward valuations	(1,403)
(394)	Amortisations	(891)
1,534	Increase / decrease in creditors	489
845	Increase / decrease in debtors	441
(195)	Increase / decrease in inventories	(162)
121,917	Movement in pensions liability	(107,463)
(997)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(2,477)
(3,568)	Movement in provisions	4,197
3,265	Capital grants applied	2,717
376	Other non-cash movements	1,016
114,707	Adjustments to net surplus or deficit on provision of services for non-cash movements	(109,019)

24. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities of £7.826m (£3.168m in 2010/11) include the following items:

2010/11 £000		2011/12 £000
(356)	Interest received	(328)
2,055	Interest paid	2,058
1,699	Net cash flows from operating activities	1,730

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25. CASH FLOW STATEMENT – INVESTING ACTIVITIES

The cash flows for investing activities include the following items:

2010/11		2011/12
£000		£000
14,305	Purchase of Property, Plant and Equipment and Intangible Assets	10,646
-	- Purchase of short-term investments	3,707
(1,172)	Proceeds from sale of Property, Plant and Equipment and Intangible Assets	(544)
(5,400)	Proceeds from short-term investments	-
(3,191)	Other receipts from investing activities	(2,595)
4,542	Net cash flows from investing activities	11,214

26. CASH FLOW STATEMENT – FINANCING ACTIVITIES

The cash flows for financing activities include the following items:

2010/11		2011/12
£000		£000
	- Cash receipts of short- and long-term borrowing	(207)
17	Cash payments for the reduction of the outstanding liabilities relating to finance leases	-
	- Repayments of short and long-term borrowing	26
462	Other payments for financing activities	509
479	Net cash flows from financing activities	328

SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2011/12
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27. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

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

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

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

2011/12	Barnsley District	Doncaster District	Rotherham District	Sheffield District	Operational Support Services	Specialist Crime Services	Criminal Justice Admin Dept	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges and other service income	(126)	(115)	(220)	(187)	(3,820)	(545)	(458)	(5,471)
Total income	(126)	(115)	(220)	(187)	(3,820)	(545)	(458)	(5,471)
Employee costs	18,523	25,370	18,692	47,171	38,800	20,491	12,032	181,079
Other operating expenses	1,252	1,517	1,323	2,499	4,231	5,928	2,145	18,895
Total operating expenses	19,775	26,887	20,015	49,670	43,031	26,419	14,177	199,974
Net cost of services	19,649	26,772	19,795	49,483	39,211	25,874	13,719	194,503

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

SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2011/12
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Reconciliation of Budget Holder Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

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

2010/11		2011/12
£000		£000
206,427	Net Expenditure in the Budget Holder Analysis	194,503
62,069	Net Expenditure of services and support services not included in the analysis	53,277
(174,034)	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis	61,203
(47,425)	Amounts included reported to management not included in the Comprehensive Income and Expenditure Statement	(41,039)
47,037	Cost of Services in Comprehensive Income and Expenditure Statement	267,944

Reconciliation to Subjective Analysis

2011/12	Budget Holder Analysis	Services not in Analysis	Amounts not reported to management	Amounts not included in Comp Income & Exp Statement	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, charges and other service income	(5,402)	(6,571)	-	-	(11,973)	-	(11,973)
Interest income	-	(473)	-	473	-	(473)	(473)
Income from council tax	-	-	-	-	-	(51,640)	(51,640)
Government grants and contributions	(68)	(15,090)	-	-	(15,158)	(235,367)	(250,525)
Total income	(5,470)	(22,134)	-	473	(27,131)	(287,480)	(314,611)
Employee costs	181,079	51,282	53,274	(34,449)	251,186	115,522	366,708
Other service expenses	18,894	21,247	-	(4,181)	35,960	-	35,960
Capital financing costs	-	2,049	-	(2,049)	-	2,049	2,049
Depreciation, amortisation and impairment	-	-	7,777	-	7,777	-	7,777
Levies	-	833	-	(833)	-	833	833
Gain or loss from disposal of non-current assets	-	-	152	-	152	(227)	(75)
Total operating expenses	199,973	75,411	61,203	(41,512)	295,075	118,177	413,252
Surplus or deficit on the provision of services	194,503	53,277	61,203	(41,039)	267,944	(169,303)	98,641

**SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2011/12
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2010/11 Comparative Figures	Budget Holder Analysis	Services not in Analysis	Amounts not reported to management	Amounts not included in Comp Income & Exp Statement	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, charges and other service income	(5,064)	(4,664)	-	-	(9,728)	-	(9,728)
Interest income	-	(305)	-	305	-	(305)	(305)
Income from council tax	-	-	-	-	-	(50,974)	(50,974)
Government grants and contributions	-	(23,130)	-	-	(23,130)	(236,837)	(259,967)
Total income	(5,064)	(28,099)	-	305	(32,858)	(288,116)	(320,974)
Employee costs	190,106	58,643	(182,697)	(34,727)	31,325	119,628	150,953
Other service expenses	21,385	18,757	-	(235)	39,907	-	39,907
Interest Payments	-	12,068	-	(12,068)	-	2,055	2,055
Depreciation, amortisation and impairment	-	-	8,470	-	8,470	-	8,470
Levies	-	700	-	(700)	-	700	700
Gain or loss from disposal of non-current assets	-	-	193	-	193	(391)	(198)
Total operating expenses	211,491	90,168	(174,034)	(47,730)	79,895	121,992	201,887
Surplus or deficit on the provision of services	206,427	62,069	(174,034)	(47,425)	47,037	(166,124)	(119,087)

28. MEMBERS' ALLOWANCES

The total sum paid to members in 2011/12 was £114k (£125k in 2010/11). The allowances are initially paid to members by their respective District Councils and then subsequently recharged to the Authority.

SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2011/12
NOTES TO ACCOUNTS

29. OFFICERS' REMUNERATION

The remuneration paid to the Authority's senior employees during 2011/12 is as follows:

2011/12	Salary, Fees and Allowances	Bonuses	Expenses	Benefits in Kind	Compensation for loss of office	Total Remuneration	Pension Contribution	Total
	£	£	£	£	£	£	£	£
Chief Constable – M Hughes (Retired 9 October 2011)	85,010	-	160	9,874	-	95,044	-	95,044
Temporary Chief Constable – R Dyson (From 10 October 2011)	72,490	-	43	-	-	72,533	17,187	89,720
Deputy Chief Constable (To 9 October 2011)	66,902	5,961	135	10,636	-	83,634	15,313	98,947
Temporary Deputy Chief Constable (From 10 October 2011)	53,379	-	-	-	-	53,379	12,429	65,808
Assistant Chief Constable Territorial Operations (To 9 October 2011)	59,744	5,161	135	10,804	-	75,844	13,258	89,102
Temporary Assistant Chief Constable Territorial Operations (From 10 October 2011)	46,432	-	955	-	-	47,387	10,873	58,260
Assistant Chief Constable Specialist Operations	114,626	-	384	13,163	-	128,173	26,101	154,274
Acting Deputy Chief Constable (Regional Working)	112,634	-	16	11,664	-	124,314	26,496	150,810
Director of Finance	106,463	4,346	512	11,307	-	122,628	11,339	133,967

Notes

- The post of Assistant Chief Constable Corporate Relations is not shown in the above table, or in the comparative table for 2010/11, as it is now being covered by the Director of Human Resources from Humberside Police Authority. The Authority will be invoiced for 50% of the officer's costs.
- The post of Acting Deputy Chief Constable (Regional Working) is being covered on a secondment basis by a substantive ACC from South Yorkshire. This arrangement commenced on 18 January 2010.
- The cars used by these officers were not previously subject to tax. 2011/12 is the first full year that all Senior Command Team vehicles have been taxable.

**SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2011/12
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Comparative Figures for 2010/11	Salary, Fees and Allowances	Bonuses	Expenses	Benefits in Kind	Compensation for loss of office	Total Remuneration	Pension Contribution	Total
	£	£	£	£	£	£	£	£
Chief Constable – M Hughes	153,222	-	438	1,404	-	155,064	11,301	166,365
Deputy Chief Constable	125,722	5,961	125	897	-	132,705	29,191	161,896
Assistant Chief Constable Territorial Operations	111,377	5,161	125	779	-	117,442	25,274	142,716
Assistant Chief Constable Specialist Operations	107,234	-	125	884	-	108,243	24,398	132,641
Acting Deputy Chief Constable (Regional Working)	111,406	-	125	896	-	112,427	26,199	138,626
Director of Finance	94,660	4,346	410	8,984	-	108,400	9,561	117,961

The Authority's other employees receiving more than £50,000 remuneration for the year (excluding employer's contributions) were paid the following amounts:

2010/11 Number	£	2011/12 Number
203	50,000 - 54,999	182
125	55,000 - 59,999	115
38	60,000 - 64,999	41
13	65,000 - 69,999	14
7	70,000 - 74,999	4
11	75,000 - 79,999	7
11	80,000 - 84,999	8
8	85,000 - 89,999	5
4	90,000 - 94,999	3
2	95,000 - 99,999	2
-	100,000 - 104,999	3
-	105,000 - 109,999	-
1	110,000 - 114,999	-
-	115,000 - 119,999	-
-	120,000 - 124,999	-
-	125,000 - 129,999	-
-	130,000 - 134,999	-
-	135,000 - 139,999	1
423		385

**SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2011/12
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The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below

Exit Package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number or exit packages per cost band		Total cost of exit packages in each band	
	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11 £000	2011/12 £000
£0 - £20,000	-	-	162	13	162	13	1,655	92
£20,001 - £40,000	-	-	77	8	77	8	2,169	189
£40,001 - £60,000	-	-	36	} 2	36	} 2	1,723	
£60,001 - £80,000	-	-	7		7		408	143
£80,001 - £100,000	-	-	4		4		439	
£100,001 - £150,000	-	-	} 3	-	} 3	-	} 415	-
£150,001 - £200,000	-	-		-		-		-
	-	-	289	23	289	23	6,809	424

The total costs in the above table include all exit packages that were paid or agreed in each year. A provision was set aside in 2010/11 of £4.268m to meet approved early voluntary release of staff in 2011/12 and this was fully utilised during the current year (see Note 19). The comparative figures provided for 2010/11 are therefore the actual figures paid in 2011/12. Following an additional phase of the voluntary early release scheme, further exit packages of £424k were agreed in 2011/12 and have been charged to the Comprehensive Income and Expenditure Account in the year.

30. TERMINATION BENEFITS

Costs shown in Note 29 on exit packages include a number of termination payments. During 2011/12, the actual number of staff whose contracts were terminated as part of the voluntary early release scheme was 151 at a cost of £2.5m (160 employees at a cost of £2.5m in 2010/11).

31. SOUTH YORKSHIRE JOINT SECRETARIAT

The South Yorkshire Joint Secretariat (SYJS) is a department of Barnsley MBC with a primary role to provide independent, impartial financial, legal, policy and administrative support and advice to the members of the Police Authority and the other three South Yorkshire Joint Authorities (Fire and Rescue, Integrated Transport and Pensions Authorities). The costs of the SYJS are recharged to the Authorities based on the time spent on providing services to each Authority and the charge to the Police Authority for 2011/12 was £1.13m (£1.17m in 2010/11).

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

**SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2011/12
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The remuneration of these two officers for 2011/12, including employer pension contribution, is shown below together with the charge to the Police Authority:

2011/12	Salary	Pension Contribution	Total	Charged to Police Authority
	£	£	£	£
Chief Executive & Treasurer	47,639	8,670	56,309	33,656
Deputy Chief Executive, Solicitor & Monitoring Officer	70,543	12,839	83,382	44,578

Comparative Figures for 2010/11	Salary	Pension Contribution	Total	Charged to Police Authority
	£	£	£	£
Chief Executive & Treasurer	96,267	17,520	113,787	61,460
Deputy Chief Executive, Solicitor & Monitoring Officer	65,887	11,991	77,878	33,301

32. EXTERNAL AUDIT COSTS

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

2010/11		2011/12
£000		£000
98	Fees payable with regard to external audit services carried out by the appointed auditor for the year	89
-	Fees payable in respect of others services provided during the year	1
98		90

**SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2011/12
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33. GRANT INCOME

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

2010/11 £000		2011/12 £000
	Credited to Taxation and Non Specific Grant Income	
(89,240)	National Non Domestic Rates	(72,202)
(12,958)	Revenue Support Grant	(22,318)
(107,043)	Police Grant	(110,770)
(24,331)	Home Office Pension Grant	(27,360)
(3,060)	Home Office Capital Grant	(2,333)
(205)	Other capital grants	(384)
(236,837)	Total	(235,367)
2010/11 £000		2011/12 £000
	Credited to Services	
(7,802)	Community Support Officers	(7,254)
(5,875)	Crime Fighting Fund	-
(1,481)	South Yorkshire Safety Camera Partnership	(1,461)
-	Council Tax Freeze Grant	(1,269)
(1,139)	South Yorkshire Drug Testing Pilot	(1,074)
(965)	Basic Command Unit Challenge grants	-
(965)	Home Office Dedicated Security Posts Grant	(955)
(112)	DNA Expansion and other DNA related grants	-
(165)	Special Priority Payments	-
(40)	UK Human Trafficking Centre	-
(735)	Debt Charges Grant	(747)
(499)	Prevent Funding	(440)
(330)	Beat Team Grants	(245)
(167)	Drug Intervention Programme	(123)
(46)	Police Learning and Development Programme	-
(190)	Tackling Knife Crime	-
-	Anti Social Behaviour grants	(259)
-	Children and Young Persons Officer funding	(139)
-	Prisons Intelligence	(121)
(2,619)	Other Miscellaneous Grants	(994)
(23,130)	Total	(15,081)

**SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2011/12
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The Authority has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies to be returned to the giver if not met. The balances at the year-end are as follows:

31 March 2011 £000		31 March 2012 £000
Capital Grants Receipts in Advance		
151	Mobile Information (National Police Improvement Agency)	134
11	Other miscellaneous capital grants	-
162	Total	134
Revenue Grants Receipts in Advance		
483	UKHTC Human Trafficking	119
105	Drug Testing Pilot	-
100	Case Preparation System	53
-	National Police Procurement Hub	25
166	Other miscellaneous revenue grants	145
854	Total	342

34. RELATED PARTIES

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

Central Government

Central Government has significant influence over the general operations of the Authority. It is responsible for providing the statutory framework within which the Authority operates, and provides the majority of funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (for example council tax bills). Grants received from government departments are set out in Notes 9 and 33.

Members

Members of the Authority have direct control over the Authority's financial and operating policies. The total of members' allowances paid in 2011/12 is shown in Note 28. From examination of the Register of Members' Interests, there were no related party transactions to disclose.

**SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2011/12
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Officers

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

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

Rotherham MBC manages the debt taken over from the former South Yorkshire County Council on behalf of the Authority. Details are set out in Note 21.

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

35. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

2010/11 £000		2011/12 £000
36,463	Opening Capital Financing Requirement	34,683
	Capital Investment	
11,953	Property, Plant and Equipment	8,374
2,169	Intangible Assets	1,435
	Sources of Finance	
(1,196)	Capital receipts	(2,552)
(5,176)	Government grants and contributions	(3,708)
	Sums set aside from revenue:	
(7,750)	• Direct revenue contributions	(1,629)
(1,780)	• Minimum Revenue Provision	(1,774)
34,683	Closing Capital Financing Requirement	34,829
	Represented by:	
(1,780)	Increase / (Decrease) in underlying need to borrow	146

**SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2011/12
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36. LEASES

Authority as Lessee

Finance Leases

The Authority currently has two properties which have been acquired under finance leases which are carried as Property, Plant and Equipment in the Balance Sheet with the following net amounts:

31 March 2011 £000		31 March 2012 £000
3,554	Land and Buildings	3,795
3,554	Total	3,795

The Authority acquired the lease of the property for 999 years and paid a premium of £1.8m in 2008 with an ongoing charge of £200 per annum. Also during 2011/12, the Authority acquired the lease of land for 999 years, paying a premium of £0.125m.

Operating Leases

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

31 March 2011 £000		31 March 2012 £000
813	Not later than one year	578
1,079	Later than one year and not later than five years	1,047
8	Later than five years	39
1,900	Total	1,664

The expenditure charged to the Comprehensive Expenditure and Income Statement during the year in relation to these leases was £0.824m in 2011/12 (£1.101m in 2010/11)

**SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2011/12
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Authority as Lessor

Operating Leases

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

31 March 2011 £000	31 March 2012 £000
33	33
41	8
74 Total	41

37. IMPAIRMENT LOSSES

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

38. DEFINED BENEFIT PENSION SCHEMES

Participation in Pensions Schemes

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

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

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

SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2011/12
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Transactions relating to Post-employment Benefits

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

2011/12	PPS 1987 £000	PPS 2006 £000	PCS £000	LGPS £000	Total £000
Comprehensive Income and Expenditure Statement					
<i>Cost of Services</i>					
• current service cost	40,860	3,810	770	8,216	53,656
• past service cost	-	-	40	-	40
• Curtailment Gains and Losses	-	-	-	54	54
<i>Financing and Investment Income and Expenditure</i>					
• interest cost	108,830	1,310	3,880	11,898	125,918
• expected return on scheme assets	-	-	-	(10,396)	(10,396)
Total post employment benefit charged to the Surplus or Deficit on the Provision of Services	149,690	5,120	4,690	9,772	169,272
<i>Other post employment benefit charged to the Comprehensive Income and Expenditure Statement</i>					
• actuarial (gains) and losses	9,724	813	8,697	1,410	20,644
Total post employment benefit charged to the Comprehensive Income and Expenditure Statement	159,414	5,933	13,387	11,182	189,916
Movement in Reserves Statement					
• reversal of net charges to Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(149,690)	(5,120)	(4,690)	(9,772)	(169,272)
<i>Actual amount charged against the General Fund Balance for pensions in the year</i>					
• employer's contribution payable	23,357	2,501	-	7,061	32,919
• retirement benefits payable to pensioners	-	-	1,530	-	1,530
• additional contribution to Pension Fund to balance deficit on the account	30,875	(3,515)	-	-	27,360

SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2011/12
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Comparative figures for 2010/11 are:

	PPS 1987 £000	PPS 2006 £000	PCS £000	LGPS £000	Total £000
Comprehensive Income and Expenditure Statement					
Cost of Services					
• current service cost	44,520	3,630	1,230	9,615	58,995
• past service cost	(219,400)	(1,910)	(8,960)	(13,626)	(243,896)
• Curtailment (Gains) and Losses	-	-	-	2,412	2,412
Financing and Investment Income and Expenditure					
• interest cost	111,040	1,000	4,290	12,559	128,889
• expected return on scheme assets	-	-	-	(9,261)	(9,261)
Total post employment benefit charged to the Surplus or Deficit on the Provision of Services	(63,840)	2,720	(3,440)	1,699	(62,861)
Other post employment benefit charged to the Comprehensive Income and Expenditure Statement					
• actuarial (gains) and losses	(54,600)	290	(7,740)	(10,931)	(72,981)
Total post employment benefit charged to the Comprehensive Income and Expenditure Statement	(118,440)	3,010	(11,180)	(9,232)	(135,842)
Movement in Reserves Statement					
• reversal of net charges to Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	63,840	(2,720)	3,440	(1,699)	62,861
Actual amount charged against the General Fund Balance for pensions in the year					
• employer's contribution payable	23,958	2,280	-	7,015	33,253
• retirement benefits payable to pensioners	-	-	1,325	-	1,325
• additional contribution to Pension Fund to balance deficit on the account	28,102	(3,772)	-	-	24,330

**SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2011/12
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Assets and Liabilities in relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities:

2011/12	Unfunded			Funded
	PPS 1987 £000	PPS 2006 £000	PCS £000	LGPS £000
Opening balance at 1 April	1,915,439	20,682	68,424	214,559
Current service cost	40,860	3,810	770	8,216
Interest cost	108,830	1,310	3,880	11,898
Contributions by active participants	10,530	985	-	3,401
Actuarial (gains) / losses	9,723	813	8,697	1
Benefits Paid	(64,762)	30	(1,531)	(8,086)
Past service cost	-	-	40	-
Curtailments	-	-	-	54
Closing balance at 31 March	2,020,620	27,630	80,280	230,043

Comparative figures for 2010/11 are:

2010/11	Unfunded			Funded
	PPS 1987 £000	PPS 2006 £000	PCS £000	LGPS £000
Opening balance at 1 April	2,086,088	16,179	80,930	215,742
Current service cost	44,520	3,630	1,230	9,615
Interest cost	111,040	1,000	4,290	12,559
Contributions by active participants	10,900	890	-	3,707
Actuarial (gains) / losses	(54,600)	290	(7,740)	(11,709)
Benefits Paid	(63,109)	603	(1,325)	(4,141)
Past service cost	(219,400)	(1,910)	(8,960)	(13,626)
Curtailments	-	-	-	2,412
Closing balance at 31 March	1,915,439	20,682	68,424	214,559

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Reconciliation of fair value of the LGPS assets:

2010/11 £000		2011/12 £000
142,953	Opening balance 1 April	158,016
9,261	Expected rate of return	10,396
(778)	Actuarial gains and (losses)	(1,409)
7,014	Employer contributions	7,060
3,707	Contributions by scheme participants	3,401
(4,141)	Benefits Paid	(8,086)
158,016	Closing balance at 31 March	169,378

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

The actual return on scheme assets in the year was £6.952m in 2011/12 (£13.163m in 2010/11).

Scheme History

	2007/08 £000	2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000
Present Value of Liabilities:					
• LGPS	(163,457)	(137,792)	(215,742)	(214,559)	(230,043)
• PPS 1987	(1,499,741)	(1,391,518)	(2,086,088)	(1,915,439)	(2,020,620)
• PPS 2006	(4,088)	(5,590)	(16,179)	(20,682)	(27,630)
• PCS	(23,279)	(52,260)	(80,930)	(68,424)	(80,280)
Fair value of Assets in LGPS	117,049	103,030	142,953	158,016	169,378
Surplus / (Deficit) in Scheme					
• LGPS	(46,408)	(34,762)	(72,789)	(56,543)	(60,665)
• PPS 1987	(1,499,741)	(1,391,518)	(2,086,088)	(1,915,439)	(2,020,620)
• PPS 2006	(4,088)	(5,590)	(16,179)	(20,682)	(27,630)
• PCS	(23,279)	(52,260)	(80,930)	(68,424)	(80,280)
Total Surplus / (Deficit)	(1,573,516)	(1,484,130)	(2,255,986)	(2,061,088)	(2,189,195)

The liabilities show the underlying commitments that the Authority has in the long run to pay employment benefits. The total liability of £2,189m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance of £2,110m.

SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2011/12 NOTES TO ACCOUNTS

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

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

The total contributions expected to be made to the LGPS by the Authority in the year to 31 March 2013 is £6.77m. Expected contributions for the Police Pensions Schemes in the year to 31 March 2013 are £26.81m.

Basis for Estimating Assets and Liabilities

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

The principal assumptions used by the actuaries have been:

2010/11			2011/12	
PPS	LGPS		PPS	LGPS
<i>Long-term expected rate of return on assets:</i>				
-	7.5%	Equity investments	-	7.0%
-	4.4%	Government bonds	-	3.1%
-	5.1%	Other bonds	-	4.1%
-	6.5%	Property	-	6.0%
-	0.5%	Cash / Liquidity	-	0.5%
<i>Mortality Assumptions:</i>				
Longevity at 65 for future pensioners (in years)				
26.1	22.8	• Men	25.6	22.8
29.2	25.7	• Women	27.8	25.8
Longevity at 65 for current pensioners (in years)				
24.1	21.4	• Men	23.3	21.5
27.3	24.1	• Women	25.7	24.2
3.0%	3.5%	Rate of Inflation	2.5%	2.6%
5.3%	4.75%	Rate of Increase in Salaries	4.7%	4.35%
3.0%	3.0%	Rate of Increase in Pensions	2.5%	2.6%
5.7%	5.5%	Rate for Discounting Scheme Liabilities	4.9%	5.1%
-	50%	Take-up option to convert annual pension into retirement lump sum	-	50%

**SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2011/12
NOTES TO ACCOUNTS**

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

31 March 2011 %		31 March 2012 %
67.4	Equity Investments	62.3
21.8	Bonds	24.7
10.8	Other Assets	13.0
100	Total	100

History of Experience Gains and Losses

The actuarial losses and gains identified as movements on the Pension Reserve in 2011/12 can be analysed into the following categories measured as a percentage of assets or liabilities at 31 March 2012:

	2007/08 %	2008/09 %	2009/10 %	2010/11 %	2011/12 %
Differences between expected and actual return on assets					
• LGPS	(7.4)	(27.9)	(19.0)	0.5	2.0
Experience gains and (losses) on liabilities					
• LGPS	0.5	32.1	29.4	1.3	0
• PPS 1987	1.8	2.2	1.6	1.7	1.9
• PPS 2006	6.4	(9.7)	(0.2)	(5.5)	2.3
• PCS	(3.1)	4.1	(0.5)	5.3	(0.8)

39. REGIONAL COLLABORATION

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

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

SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2011/12 NOTES TO ACCOUNTS

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

West Yorkshire Police Authority publishes memorandum accounts for the Regional Collaboration Programme within their Financial Statements. The memorandum accounts for 2011/12 show the following information:

2010/11 £000		2011/12 £000
5,006	Staff Costs	6,368
845	Property related expenses	379
1,136	Supplies and services	1,418
696	Transport related expenses	729
7,683	Expenditure	8,894
(6,295)	Contributions	(7,712)
(1,528)	Other income	(1,240)
(7,823)	Income	(8,952)
(140)	Surplus in year	(58)
(1,280)	Humberside Police Authority	(1,446)
(1,091)	North Yorkshire Police Authority	(1,189)
(1,558)	South Yorkshire Police Authority	(1,987)
(2,366)	West Yorkshire Police Authority	(3,090)
(6,295)	Total	(7,712)

South Yorkshire Police Authority acts as lead with regard to police officers and police staff engaged in regional activity in order to provide consistent employment policies and practices. The Authority directly employs police staff on a permanent basis with police officers being seconded to South Yorkshire Police. The other Yorkshire and Humber Police Authorities have agreed to indemnify the Authority to ensure that any costs are shared in the event of any employment tribunal or civil court claims related to regional employment.

As regional lead employer, the Authority incurred £3.122m in relation to the Yorkshire and the Humber regional collaboration work and received £1.135m from the region leaving a net contribution of £1.987m (£1.558m in 2010/11) within Net Cost of Services in the Comprehensive Income and Expenditure Statement.

In addition, the Authority has entered into collaborative working arrangements with Humberside Police Authority with the creation of two joint services, Human Resources (HR) and Information and Communication Technology (ICT). Each of these ventures has a collaboration agreement under Section 22A of the Police Act 1996 covering the main responsibilities, and it has been agreed that expenditure will be split based on proportionate size with South Police Authority's share being 59.2%. These arrangements are in the early stages of development with the only shared cost currently being that of the Director of Human Resources from Humberside Police Authority for which South Yorkshire Police Authority contributes 50%.

SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2011/12 NOTES TO ACCOUNTS

40. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Treasurer on 21 September 2012. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2012, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

41. CONTINGENT LIABILITIES

The Authority has two contingent liabilities.

- The Authority's former insurance company, MMI Limited, ceased trading in September 1992. A 'Scheme of Arrangement' was agreed in case of insolvency, involving a claw back of claims paid. However the Scheme has been held in reserve, since agreed claims have continued to be paid in full. The Authority's maximum liability in the event that the Scheme comes into effect is £10m.

There has been a recent Supreme Court judgement in relation to a number of test cases designed to create certainty as to which insurers should respond to occupational disease claims where there is difficulty in determination of when the injury arises. This has been unfavourable for MMI and as a result, the company is currently seeking legal, financial and actuarial advice in order to assess the implications. However it has increased the likelihood that the Scheme of Arrangement will be triggered but as yet no further information has been received. A sum of £5m, representing 50% of the maximum liability, has been set aside in the Insurance Reserve.

- On behalf of the Yorkshire and Humber Authorities' Regional Collaboration, Humberside Police Authority has entered into a property lease arrangement. The annual costs associated with this property are shared equally between the four Police Authorities. The other three Police Authorities (South Yorkshire, North Yorkshire and West Yorkshire) have agreed to indemnify Humberside Police Authority against the future costs in the unlikely event that the joint collaborative arrangements are discontinued during the lifetime of the lease arrangement. The maximum liability for each Authority is currently less than £50k.

**SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2011/12
POLICE PENSION ACCOUNT AND NOTES**

2010/11 £000		2011/12 £000	£000
	Contributions Receivable		
	<i>From Police Authority</i>		
(26,238)	• Normal	(25,655)	
(155)	• Early retirements	(205)	
(11,793)	Officers' Contributions	(11,517)	
<u>(38,186)</u>			(37,377)
(697)	Transfers In from Other Schemes		(53)
	Benefits Payable		
46,242	• Pensions	49,552	
16,339	• Commutations and lump sum retirement benefits	14,540	
220	• Death benefits	75	
<u>62,801</u>			64,167
	Payments to and on account of Leavers		
15	• Refunds of contributions	10	
397	• Transfers out to other Schemes	613	623
<u>24,330</u>	Net Amount Payable for the year		27,360
(24,330)	Additional Contribution from the Police Authority		(27,360)
<u>-</u>	Net Amount Payable / Receivable for Year		<u>-</u>

NET ASSETS STATEMENT

31 MARCH 2011 £000		31 MARCH 2012 £000
	Current Assets	
311	• Contributions due from Police Authority General Fund	100
	Current Liabilities	
(215)	• Contributions received in advance from Police Authority	(69)
(96)	• Contributions received in advance from Officers	(31)
<u>-</u>	TOTAL	<u>-</u>

SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2011/12 POLICE PENSION ACCOUNT AND NOTES

Notes to the Pension Fund Account

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

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

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

The accounting policies adopted for the Pension Fund follow those set out in the Authority's Statement of Accounting Policies (Note 1). However the Net Assets Statement does not include liabilities to pay pensions and other benefits after the Balance Sheet date. These are dealt with within the Core Financial Statements and Note 38 in accordance with the application of International Accounting Standard 19 - Retirement Benefits.

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

SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2011/12 INDEPENDENT AUDITOR'S REPORT TO THE AUTHORITY

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

Opinion on the Authority and Pension Fund financial statements

I have audited the financial statements and the police pension fund financial statements of South Yorkshire Police Authority for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes. The police pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

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

Respective responsibilities of the Treasurer and auditor

As explained more fully in the Statement of the Treasurer's Responsibilities, the Treasurer is responsible for the preparation of the Statement of Accounts, which includes the financial statements and the police pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority and Pension Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Treasurer; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2011/12

INDEPENDENT AUDITOR'S REPORT TO THE AUTHORITY

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the financial position of South Yorkshire Police Authority as at 31 March 2012 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial transactions of the police pension fund during the year ended 31 March 2012 and the amount and disposition of the fund's assets and liabilities as at 31 March 2012, other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

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

Matters on which I report by exception

I report to you if:

- in my opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects

Other matters on which I am required to conclude

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am also required by the Audit Commission's Code of Audit Practice to report any matters that prevent me being satisfied that the audited body has put in place such arrangements.

I have undertaken my audit in accordance with the Code of Audit Practice and, having regard to the guidance issued by the Audit Commission in October 2011, I have considered the results of the following:

- my review of the annual governance statement;
- the work of other relevant regulatory bodies or inspectorates, to the extent the results of the work have an impact on my responsibilities; and
- my locally determined risk-based work on how the Authority and Force is preparing itself for the challenge brought about by the Police Reform and Social Responsibility Act.

As a result, I have concluded that there are no matters to report.

**SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2011/12
INDEPENDENT AUDITOR'S REPORT TO THE AUTHORITY**

Certificate

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

John Prentice
District Auditor

Audit Commission
3 Leeds City Office Park
Holbeck
Leeds
LS11 5BD

24 September 2012

SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2011/12

ANNUAL GOVERNANCE STATEMENT 2011/12

1. Scope of Responsibility

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

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

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

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

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

2. The Purpose of the Governance Framework

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

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

This is the final Annual Governance Statement prior to the abolition of the Police Authority which is to be replaced by the direct election of a Police and Crime Commissioner in November 2012. Extensive work is underway to develop a new governance framework to

SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2011/12 ANNUAL GOVERNANCE STATEMENT 2011/12

hand over to the Commissioner in order to ensure a smooth transition to the new way of working.

The governance framework as set out has been in place at the Authority for the year ended 31 March 2012 and up to the date of approval of the Statement of Accounts.

3. The Governance Framework

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

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

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

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

- The Authority and Force review the policing strategy and associated objectives on an annual basis and this is reflected in the current Policing Plan, which sets out a Vision, Mission and Values, and how the Authority plans to deliver its priorities.
- The Authority has a well established process for consulting the community at County, Divisional, and Neighbourhood levels.
- Authority meetings have been webcast live since Autumn 2007 and all webcasts are archived.
- In 2011/12 the Authority updated its Communication Strategy to reflect the increasing use of social media.

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

- The CIPFA/SOLACE guidance, as expanded by the joint CIPFA/APA/ACPO guidance, forms the basis of the annual review of governance. An improvement programme is prepared each year to address the identified gaps. The Authority and the Internal Control & Governance Committee are formally responsible for governance. An officer Board, composed of Force/Authority representatives, undertakes the annual reviews.
- The Authority maintains forward Work Programmes for itself and its Committee and future strategy is coordinated by the Chair and Vice Chair along with the Chief Constable and the Chief Executive and Treasurer and the Authority as a whole,

SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2011/12 ANNUAL GOVERNANCE STATEMENT 2011/12

following the restructuring of the Police Authority's governance structures during 2010/11

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

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

- The process for reviewing and updating policing objectives and their associated targets is integrated with the whole Strategic Planning cycle. The Authority determines Policing Objectives and targets, in conjunction with the Chief Constable, informed by consultation results, force performance and national direction. This year the Authority has involved its partners in a more inclusive way with a view to better aligning planning processes in the future.

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

- The Authority holds the Chief Constable to account for the delivery of an efficient and effective policing service in a variety of ways. Formal arrangements exist through the provision of information to the Police Authority and Internal Control & Governance Committee.
- The Authority has developed an action plan to support delivery of the VfM strategy and this is monitored on a regular basis. Within the Service, there is a structured process for monitoring progress at all levels, through Corporate Health Checks and Monthly Performance Visits, led by members of the Senior Command Team. Police Authority members are invited to attend these internal performance management arrangements, providing complete transparency and openness of the process.
- The introduction of "Task and Finish Groups" as part of the new governance arrangements during 2010/11 has provided an opportunity to review in detail specific aspects of policing and its associated expenditure.
- During the year formal collaborative activity has commenced between Humberside and South Yorkshire Police. A Joint Collaboration Group has been set up to provide proper governance for this activity and provide assurances to each Authority.

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

- Service quality is monitored through the countywide consultation processes and by direct engagement of members and officers in Community Safety Partnerships (CSP). The results of this activity are brought to the Authority for further consideration.

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

- Corporate Risk, including Information Assurance Risk, is managed at all levels within the Force, and separately by the Authority. A Risk Management Board has been established to coordinate the process.
- The Authority and Force have Business Continuity Plans. Regular external emergency planning exercises are carried out in conjunction with partners.

SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2011/12 ANNUAL GOVERNANCE STATEMENT 2011/12

- The Force has appointed a Risk Manager and an Authority officer is designated to coordinate Authority related risks, via a Management Team Planning Group. Members have received specific training in risk management.
- The Deputy Chief Constable is the nominated Senior Information Risk Owner (SIRO) in line with national and Force policy.

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

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

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

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

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

- Standing Orders and Financial Regulations are part of the Constitution and are reviewed on a regular basis with any amendments being approved by the Authority. The Chief Constable has issued detailed Financial Instructions to supplement the Authority's Financial Regulations.
- Contract Standing Orders set out the rules to be followed in respect of contracts for the supply of goods and services. These have been jointly reviewed with the other Police Authorities in the Yorkshire and Humber region to facilitate the introduction of a regional procurement unit.

SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2011/12 ANNUAL GOVERNANCE STATEMENT 2011/12

- The Authority has adopted the CIPFA Code of Treasury Management and approves an annual treasury management strategy and an annual investment strategy. The operation of the treasury management function is set out in more detail in Treasury Management Practice notes.

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

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

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

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

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

SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2011/12 ANNUAL GOVERNANCE STATEMENT 2011/12

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

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

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

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

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

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

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

- The Authority sets the conditions of employment and remuneration of those senior police officers which form the Command Team in the Force, and monitors in-service arrangements. All matters relating to other police officers and police staff are delegated to the Chief Constable. A workforce plan is in place covering the period and officers at the Force and the Authority are encouraged and supported to engage fully in Continuing Professional Development.

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

- Member Training and Development plans, drawn up with member involvement, are in place. In addition Members are supported by comprehensive briefing arrangements, overviews, newsletters and information bulletins.
- The Authority participates extensively in Association of Police Authorities (APA) and regional activity, which ensures leading members are up to date.
- The Authority and Force recognise the importance of good financial management and as a consequence the Treasurer and the Director of Finance actively participate in CIPFA, being the Chair of the Police Panel and the Chair of the Financial Management Panel respectively. The Director of Finance is also a member of the CIPFA Council. The

SOUTH YORKSHIRE POLICE AUTHORITY - STATEMENT OF ACCOUNTS 2011/12 ANNUAL GOVERNANCE STATEMENT 2011/12

Force / Authority are together recognised as an accredited employer by CIPFA, ACCA, CIMA and AAT for providing Continuing Professional Development for finance staff.

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

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

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

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

4. **Review of Effectiveness**

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

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

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

Through the normal ongoing business of the Authority

- Review and restatement of objectives and performance targets
- Regular reporting of performance
- Budget monitoring and consideration of the Authority's statement of accounts
- Approval of a Code of Corporate Governance

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- Receipt of the Audit Commission's annual report
- Review of the Authority's role and involvement in external partnerships, including CSPs
- Monitoring the performance of Chief Officers

Through formal processes of compliance

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

By the adoption of Risk Management

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

By participating externally in processes which enhance the quality of governance

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

Through other processes in support of the main review

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

The Internal Control and Governance Committee, advised by the Governance Board, has overseen the whole process of review, and this statement is for the purpose of advising the Authority on the implications of the review, including a plan to address weaknesses and ensure that continuous improvement takes place.

During 2011/12, the following governance improvements have been made:

- The financial and governance arrangements relating to regional and collaborative activity has been strengthened. This includes the design of a standard approach to evaluating costs and savings on regional projects including the development of a template for costing mechanism. Improved financial reporting and monitoring arrangements have been introduced.
- Work has been completed on developing regional contract standing orders to support the introduction of a regional procurement unit.
- The introduction of an impact assessment on reports to the Authority, together with officer training on report writing, has enabled better use of risk management to inform priorities and support decision making.
- Governance processes around the implementation of significant reductions in spending whilst effectively managing service delivery have been strengthened during the year.

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- In December, the HMIC published the results of its national thematic inspection of police integrity and it was recommended that each Police Authority undertake a self-assessment to establish any requirement for improvement. This was completed during the year and the findings were presented to the Authority in March 2012, together with proposed Strategies to address the areas for further development that were identified. The delivery of the Strategies will be subject to robust monitoring and governance by the Professional Standards Control Board chaired by the Deputy Chief Constable.
- Election of the Police and Crime Commissioner (PCC) - work is underway to ensure that there are processes in place for the efficient and effective transition from the Police Authority to the PCC in accordance with the provisions contained within the Police Reform and Social Responsibility Act 2011. An implementation plan has been developed and approved by the Police Authority and a Transition Board has been established to oversee the delivery of the plan.

5. Significant Governance Issues

5.1 The review of effectiveness has generated a number of governance issues for improvement during 2012/13. Some are related to areas where existing processes could be strengthened. Others are the result of looking ahead to developments in the service, or in external requirements, where the Authority needs to be ready to respond.

5.2 The issues are summarised below:

- **Introduction of Regional Procurement Unit**

During 2011/12, it was agreed to establish a single procurement unit for the Yorkshire and Humber region which was to go live on 1 April 2012. Common contract standing orders have been agreed; however the unit was implemented significantly later than envisaged with the Senior Management Team being incomplete at the end of the financial year. As a result the detailed working practices and guidance are yet to be resolved and further work needs to be undertaken to ensure that the unit is operating effectively, including audit review by the Regional Internal Audit team to give reassurance on the control mechanisms.

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

This was an action on the existing governance improvement plan. Whilst some progress has been made in raising management awareness, this action is not regarded as complete. It is relevant to also include in this action the training requirements arising from the self assessment completed in response to the publication of the HMIC report on its review of integrity, "Without Fear or Favour". Draft training plans have been produced with the intention of delivering training during 2012/13 to all new and existing members of the Force.

- **Collaborative working with Humberside Police Authority**

South Yorkshire and Humberside Police are now operating single departments for HR and IT. A Section 22A Collaboration Agreement exists between the two Authorities/Forces which incorporates the governance arrangements and risk escalation protocols. A joint Risk Register and Benefits Realisation Strategy has been developed

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and is monitored through the HR Transformation Project Board and the HR / ICT Collaboration Group.

However appropriate performance and financial systems are still being developed, including the establishment of recharging mechanisms, to enable the units to operate effectively and to be monitored by the Joint Collaboration Board / Group.

- **Audit of Regional and Collaborative Working**

There has been a substantial increase in regional and collaborative working and it is not always clear how regional and sub regional working is audited and how the Authority will gain appropriate assurances on the operation of critical systems and processes.

Whilst informal meetings have taken place and some sharing of audit plans has recently been undertaken between the Authority's internal audit and the regional internal audit teams, a protocol is required to ensure a more formal co-ordinated approach.

- **Review of Internal Audit Resources**

The Force has reduced staffing levels significantly, and whilst risk assessments have been done as part of the restructuring process, there is a risk that governance and internal control arrangements could weaken and become ineffective. This, coupled with the increase in regional working, may put greater demands on the Authority's audit team and there is therefore a need to review internal audit resources to enable more frequent testing to be undertaken.

As part of the new arrangements following the PCC election, the Chief Constable (CC) will become a Corporation Sole and will require access to internal audit resources. The new Financial Management Code of Practice recommends that a single combined internal audit team to service the needs of both the PCC and the CC would be the most cost effective arrangement and the Authority has recently endorsed this approach. The Head of Internal Audit will be requested to prepare a report for the Authority, in conjunction with the CC, on the required level of resources and skillsets for internal audit team under the new structure.

- **Introduction of governance and internal control arrangements following the election of the PCC and the introduction of two corporation soles and statutory financial officers**

Planning for the transition to the PCC arrangements began during 2011/12 and several workstreams are now underway. The development and approval of a new governance and financial framework will be a priority for 2012/13 which will include:

- revised Financial Regulations and Instructions
- an Information Sharing Protocol
- Scheme of Consent
- development of appropriate decision making processes
- new governance review arrangements including potentially the preparation of two AGSs
- risk management arrangements
- setting up of an Audit Committee

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- new external audit arrangements

This is being monitored by a Transition Board and the Authority.

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

Chair of Police Authority

Chief Constable

Chief Executive and Treasurer

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GLOSSARY OF TERMS

Accrual

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

Actuarial Gain or Loss

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

Amortisation

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

Assets

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

Budget

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

Capital Expenditure

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

Capital Financing Requirement

This measures the underlying need to borrow for capital purposes.

Capital Receipt

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

Chartered Institute of Public Finance and Accountancy (CIPFA)

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

Contingent Liability

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

Corporate and Democratic Core

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

Creditor

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

Current Service Cost (Pensions)

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

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GLOSSARY OF TERMS

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

Debtor

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

Defined Benefit Pension Scheme

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

Depreciation

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

Earmarked Reserves

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

Expected Rate of Return on Pensions Assets

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

Finance Lease

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

Financial Instrument

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

General Fund Balance

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

Government Grants

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

Gross Book Value

The value of an asset before deducting depreciation and impairment.

Impairment

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

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GLOSSARY OF TERMS

Intangible Fixed Assets

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

Interest Costs (Pensions)

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

Liabilities

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

Minimum Revenue Provision

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

Net Book Value

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

Operating Leases

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

Outturn

Actual income and expenditure for the financial year.

Past Service Cost (Pensions)

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

Precept

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

Provisions

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

Prudential Code

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

Public Works Loans Board

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

Reserves

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

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GLOSSARY OF TERMS

Revenue Expenditure

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

Treasury Management

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