



**GRAMPIAN**  
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*Keeping our communities safe*

**GRAMPIAN JOINT POLICE BOARD**

**ANNUAL STATEMENT OF ACCOUNTS**

**2012-13**

**GRAMPIAN JOINT POLICE BOARD**  
**STATEMENT OF ACCOUNTS 2012-13**

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## **GRAMPIAN JOINT POLICE BOARD**

### **MEMBERS AND OFFICIALS 2012-13**

#### **CONVENER**

Councillor C R McKail, Aberdeenshire Council

#### **VICE CONVENERS**

Councillor F Forsyth, Aberdeen City Council

Councillor R H Shepherd, Moray Council

#### **ABERDEENSHIRE COUNCIL**

##### **Appointed Members:**

Councillor G Blackett

Councillor A Evison

Councillor A Hendry

Councillor I Tait

Councillor I Walker

#### **MORAY COUNCIL**

##### **Appointed Members:**

Councillor D Ross

Councillor C Tuke

#### **ABERDEEN CITY COUNCIL**

##### **Appointed Members:**

Councillor M Boulton

Councillor J Dunbar

Councillor M Greig

Councillor J A Taylor

Councillor W Young

#### **OFFICIALS**

Chief Constable	-	Colin McKerracher, Grampian Police
Clerk	-	Jane G MacEachran, Aberdeen City Council
Treasurer	-	Steven Whyte, Aberdeen City Council

## **EXPLANATORY FOREWORD BY THE TREASURER**

### **INTRODUCTION**

Grampian Joint Police Board (thereafter referred to as the Board) was created by a Statutory Instrument in 1995, known as 'The Grampian Combined Police Area Amalgamation Scheme Order 1995' and came into operation on 1 April 1996, to administer the policing provision for the new local government areas of Aberdeen City, Aberdeenshire and Moray. The Statutory Instrument makes provision with respect to the Members and Officers of the Board and its procedures, powers and duties. As part of these duties, the Board was required to publish an Annual Statement of Accounts, the object of which is to demonstrate publicly the proper stewardship of its financial affairs.

The Board was abolished at midnight on 31 March 2013 by the repeal of the Police (Scotland) Act 1967. Accounting and reporting obligations of the Joint Board transferred to Aberdeen City Council, the local authority where the Treasurer is based (the Accounting Authority), and the Treasurer has prepared these accounts as the Director of Finance of that local authority.

The 2012-13 Statement of Accounts have been laid before a meeting of the accounting authority and sent to each of the constituent councils in the Grampian policing area and the Scottish Police Authority.

The requirement for police authorities to keep accounts is embodied in section 96 of the Local Government (Scotland) Act 1973 and statutory specific guidance relating to specific financial issues is provided by the Scottish Government in Finance Circulars.

This foreword provides an explanation of the Board's overall financial position, along with a summary of the financial out-turn for the year ended 31 March 2013. It also assists in interpreting the core financial statements included within the accounts.

This is the third year that the Force has presented its Statement of Accounts applying the rules and conventions under International Financial Reporting Standards (IFRS), and the comparative figures are on a consistent basis.

The Chartered Institute of Public Finance and Accountancy (CIPFA) / Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Local Authority Code Board has published the Code of Practice on Local Authority Accounting 2012-13. This is based upon approved accounting standards issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee, except where they are inconsistent with specific statutory requirements.

The Code sets out the accounting concepts and principles which underpin the Statement of Accounts. The Code requires that the financial statements are prepared in order to give a true and fair view of the financial position, financial performance and cash flows of the Force. A true and fair view requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the Code.

Compliance with the Code is presumed to result in financial statements that achieve a true and fair view.

The financial statements and their purpose are noted below.

**Statement of Responsibilities** - sets out the respective responsibilities of the Board, the Treasurer and of Aberdeen City Council (accounting authority) for the accounts.

**Statement on the System of Internal Financial Control** - sets out the framework in which financial control is managed and reviewed and the main components including the arrangements for internal audit.

**Movement in Reserves Statement** - shows the movement in the year on the different reserves held by the Force, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce the requirement for core grant funding) and other reserves. The (Surplus) or Deficit on the Provision of Services line shows the true economic cost of providing the Force's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund.

**Comprehensive Income and Expenditure Statement** - shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be met from core grant funding. Forces are allocated core grant funding to cover expenditure in accordance with regulations; this may be different from the accounting cost. The grant funding position is shown in the Movement in Reserves Statement.

**Balance Sheet** – shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Force. The net liabilities of the Force (assets less liabilities) are matched by the unusable reserves held by the Force. These reserves are those that the Force is not able to use to provide services. This 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'.

**Cash Flow Statement** – shows the changes in cash and cash equivalents of the Force during the reporting period. The statement shows how the Force 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 Force are funded by way of grant income or from the recipients of services provided by the Force. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Force's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Force.

## REVENUE OUT-TURN 2012-13

The financial year was set against a background of a significant reduction in overall resources. The budget for 2012-13 was prepared to address an estimated funding gap of £1.5m. During the year preparations continued, under the Police Reform agenda, towards a Single Police Force for Scotland from 1 April 2013. This background led to three main streams of activity for the Force during the year, namely, business as usual, building a strong policing legacy in the North East of Scotland and ensuring a smooth transition to the Single Force.

Although the Comprehensive Income and Expenditure Statement (page 24) for the year ended 31 March 2013, identifies a deficit of £45.105million(m), this is only comparable to the budgeted position after excluding significant additional items amounting to £36.748m. These items are required to be included in the Board's Statement of Accounts to ensure compliance with accounting practices and conventions in respect to International Financial Reporting Standards on notional employee, pension and capital costs. These adjustments are reflected in the Movement in Reserves Statement (page 23).

The Comprehensive Income and Expenditure Statement also includes a deficit of £96.007m relating to the revaluation of pension and injury benefit liabilities, together with net revaluation gains of £0.076m. These are referred to as Other Comprehensive Income and Expenditure.

In terms of budget monitoring the actual underspend for the year was £1.408m. This underspend represents an overall budget variance of 1.16% against a net revenue expenditure budget of £121.451m. The aim throughout 2012-13 was to maximise savings in order to help fund committed capital projects going forward into 2013-14.

The information presented in the following table shows in summary, the approved budget for 2012-13 and actual expenditure incurred to 31 March 2013, which is presented to the Board for monitoring purposes. A detailed reconciliation between the figures appearing in the report below and those included in the Comprehensive Income and Expenditure Statement is set out in Note 31.

Expenditure Type	Approved Budget £000	Spend to 31 March 2013 £000	Variance Over / (Under) £000
Employees (excluding Police Officer Pensions)	86,907	85,430	(1,477)
Police Officer Pensions	19,427	19,460	33
Property	5,293	5,386	93
Transport	2,271	2,094	(177)
Supplies and Services	7,815	7,314	(501)
Payments to Agencies and Other Bodies	1,865	1,982	117
Statutory Financing Charges	3,050	1,856	(1,194)
Contingency Costs	233	0	(233)
Income	(5,410)	(5,543)	(133)
<b>Total Net Expenditure</b>	<b>121,451</b>	<b>117,979</b>	<b>(3,472)</b>
Scottish Government/Local Authority Funding	(119,651)	(119,387)	264
Use of Reserves	(1,800)	0	1,800
Operational Underspend	0	(1,408)	(1,408)
Transfer to General Fund			(1,408)

The table below shows the financial impact of the Force's activities on the General Fund.

General Fund	£000
Original Balance as at 31 March 2012	(8,357)
Budget underspend for 2012-13	(1,408)
Balance as at 31 March 2013	(9,765)
Less: to be repaid to Local Authorities/Scottish Government	9,765
Revised Balance as at 31 March 2013	0
 Reserves earmarked for future capital spend by Police Scotland (from General Fund to be repaid)	 <u>9,010</u>

In terms of expenditure against individual budget heads, the following provides a summary of some of the contributing factors resulting in budget variances.

### Employee Costs

When the 2012-13 budget was prepared the Force had budgeted for 70 leavers and retirements during the year, together with a few additional career breaks. During the year an additional 10 officers retired, with an additional 4 officers starting career breaks and several others extending theirs. Together with savings in Police Officers Overtime of £0.274m, savings generated within the Police Officers pay budget amounted to £0.386m, compared with the final approved budget of £65.332m.

Police Staff numbers continued to reduce during 2012-13, with a recruitment freeze continuing for all but the most important front line posts. A local and national early retirement/voluntary redundancy scheme was run during the year - this was part

funded by Scottish Government grant, with the remainder of costs being deducted from the Scottish Government share of reserves to be repaid to the Local Authorities. Savings of £1.006m had been generated as a result of the recruitment freeze.

### **Devolved Budgets**

During the year Budget Holders were asked to make efficiency savings within their budgets to help pay for ongoing capital commitments within 2013-14. As a result of this, savings were made in various budget lines.

### **Transport**

In spite of an increase in petrol and diesel prices, the Force made savings of £54,000. Car repair costs and insurance were also lower than budgeted for, and there were also reductions in Car Hire and Travel and Subsistence costs of £86,000.

### **Supplies and Services**

The Force made savings of £0.501m against the overall Supplies and Services budget. The main areas of savings were in IT and telephony costs and through a reduction in training and attendance at conferences, together with printing, stationery, postages and a range of small administrative items.

### **Statutory Financing Charges**

The underspend of £1.194m in Statutory Financing Charges relates to the delay in some of the capital projects resulting in less Capital Financing for Current Revenue being required in 2012-13.

### **Income**

Income has increased due to additional recharges for Abnormal Load Escorts and Social Work Calls, and increases in fees generated for Part V Disclosure, Firearms Certificates and Accident Reports.

### **Scottish Police Services Authority (SPSA)**

On 1 April 2008, all Scottish Police Forces transferred their ICT services to the SPSA following on from the previous transfer of Forensic Services. Thereafter, all of the Joint Police Boards across Scotland signed an Agency Agreement with SPSA, which allowed SPSA to purchase ICT goods and services directly from suppliers, on behalf of the Force. This came into effect on 1 July 2009 and was subsequently extended to 31 March 2013.

Under these arrangements SPSA pays the suppliers, and thereafter recovers an equivalent sum from the Force. The Force then draws down the funding to finance that sum from the Scottish Government.

An adjustment is made at the year end to reflect expenditure which has been pre-paid or requires to be accrued by both SPSA and the Force. The total revenue spend by



SPSA on ICT goods and services during 2012-13, which was grant funded, amounted to £1.485m. The total capital expenditure for SPSA ICT assets amounted to £0.182m.

### **General Fund**

In 2010-11 the Scottish Government revised the carry forward limits associated with revenue underspends in any given financial year, as well as maximum balances on the General Fund. In any given year, the Force is permitted to carry forward up to 4% of its core funding and can now hold balances on its General Fund up to 8% of its core funding.

The closing balance on the General Fund increased by £1.408m, from £8.357m to £9.765m.

As reserves cannot be held by the single Force, an accounting entry was made to reduce the amount of requisitions received from the Local Authorities during 2012-13 to match the balance on the General Fund at year end (£9.765m), with the balance going to creditors as funding due back to the Local Authorities/Scottish Government. Of this £9.765m, £9.010m has been committed towards future capital spend during 2013-14.

### **Capital Plan**

Capital expenditure is determined by the Board, based upon its priorities and the available resources which comprise capital grant, capital receipts, revenue funding and Prudential borrowing, if required.

The Force's approved Capital Plan is updated during the financial year as the Board considers appropriate. At 31 March 2013 the Force's Capital Plan included a budget for the year of £8.572m, while the actual spend was £6.499m. The total capital spend can be split into two different elements. The first is the on-going programme of replacement/improvement of capital assets (including buildings, ICT equipment and vehicles) and the second, individual projects where capital investment is required. The total budget for these different categories in 2012-13 was £2.510m and £6.062m respectively and the actual spend was £1.800m and £4.699m respectively.

The total expenditure of £6.499m was funded by £0.212 Scottish Government SPSA and Resilience grants, the application of capital receipts £5.811m and contributions from current revenue totalling £0.476m. The balance of capital receipts at the start of 2012-13 was £4.578m and the Force generated £1.233m of receipts in 2012-13 from the sale of surplus assets resulting in a revised balance of £5.811m. The whole of this balance was applied to finance 2012-13 capital expenditure.

The Force has a portfolio of long-term debt originating from 1995 to 1997. This comprises a number of fixed-term loans that have fixed interest rates of between 7% and 11%. The cost of redemption is relatively high, given the interest rates, but the portfolio is subject to periodic review to assess whether or not any re-financing of the loans would generate any savings. No new borrowing was undertaken during 2012-13.

## **NATIONAL PLATFORM PROJECT**

The Force, acting on behalf of all Scottish Police Forces, was previously awarded a grant from the Efficient Government Fund totalling £5.378m, towards the capital cost of implementing the National Platform Project. Grampian Police acted as the Lead Force for this project, which would have provided all Forces access to shared performance management information. In August 2012 the Police National Reform Team undertook a review of all major ICT projects as part of the preparations for the Police Service of Scotland. It was decided that the National Platform Project no longer matched future business needs and arrangements were made to manage the project to an early end. During 2012-13 a national decision was made to write off all expenditure on the project and the share for Grampian Police in the sum of £0.392m was written off as an impairment. The charge to the revenue account has been reversed out to the balance sheet in accordance with regulations. In total the Project spent £3.973m of the £5.378m grant, leaving a balance of £1.405m which is repayable to the Scottish Government.

In addition to the above capital expenditure and financing, the Force's share of national IT schemes was £0.164m for the year and this was financed from an equivalent charge to revenue which has been reversed out to the balance sheet via the Movement in Reserves Statement.

## **NATIONAL SHARED ASSETS**

The accounting treatment for spend and associated funding on national capital projects (including the National Platform Project) changed during the financial year 2008-09. Each Scottish Police Force now includes a share of these national assets on their respective Balance Sheet, based upon its share of the associated benefits and risks. This process has been agreed by all Scottish Police Forces and Audit Scotland. These adjustments are required to be made in order to adhere to particular accounting standards; however it is important to note that under the Code, none of these changes impacts upon the Force's General Fund.

There are currently five national ICT projects being classified as shared assets, namely the Infrastructure Project, Command and Control, Vulnerable Persons Database, Information Management Systems and the National Platform Project. Grampian Police includes 9.82% of the total cost of these national assets on the Balance Sheet, in line with the national funding allocations. There are both tangible and intangible fixed assets, whose values are written down in accordance with the Force's accounting policies, once the assets become operational. The total net book value of the national shared assets as at 31 March 2013 was £0.920m (£1.172m at 31 March 2012).

## **VOLUNTARY AND EARLY RETIREMENT REDUNDANCY SCHEME**

The Force ran a Voluntary and Early Retirement Redundancy Scheme for Police Staff towards the end of the year. A National scheme was also launched at the same time, the costs of which were to be funded by the Scottish Government. Only the costs of the Force scheme that were over and above the National scheme were to be funded by Grampian Police.

The total costs incurred by this scheme were £1.206m. Funding amounting to £0.632m was received from the Scottish Government, with a further £0.545m to be met from Scottish Government share of reserves being repaid to Local Authorities. The Force's share of costs amounted to £0.029m.

## **PENSION AND INJURY AWARD LIABILITIES**

The application of IAS19 (Employee Benefits) means that the Force is required to recognise the cost of post employment benefits and include these within the Comprehensive Income and Expenditure Statement when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge to the General Fund should equate to the cash paid into the Police Pension Account or the Pension Fund (Police Staff) during the financial year. Consequently, the accounting transactions pertaining to IAS19 are reversed through the Movement in Reserves Statement. The Force is also required to show the net liability that exists at the year end.

The Force's total net pension liability was £838.032m at 31 March 2013. This was made up of £30.884m for Police Staff and £807.148m for Police Officers. The Police Officers' pension scheme is unfunded and therefore is a significant future liability for the Force. However, the Force receives funding year on year specifically to cover the anticipated annual Police Officer pension costs (net of Police Officer contributions).

This is the fourth year that the liability associated with Police Officer Injury Awards, has been disclosed separately. The total liability at 31 March 2013 was £36.714m, which compares to the balance for the previous financial year, of £30.316m. Details of the various rates applied are set out in Note 29.

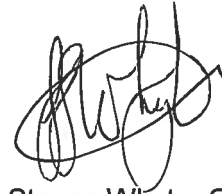
## **ROUNDINGS**

All figures shown in the main financial statements and supporting disclosure notes and tables have been rounded to the nearest one thousand pounds.

## **POLICE REFORM**

The Police and Fire Reform (Scotland) Act 2012 transferred responsibility for the provision of police and fire functions from local authorities to the newly formed Scottish Police Authority and Scottish Fire and Rescue Service with effect from 1 April 2013. Police and Fire Joint Boards therefore ceased to exist on 31 March 2013. Throughout the whole of 2012-13 the Force was involved in a wide range of preparatory work for the new service. At the same time the Force provided business as usual, funded by the usual combination of Police Grant and Local Authority Requisitions.

Accordingly, it has been considered appropriate to adopt a going concern basis for the preparation of these financial statements as all current policing functions will be continued by the new national police force from 1 April 2013.



Steven Whyte, CPFA  
Treasurer  
27 September 2013

## STATEMENT OF RESPONSIBILITIES

### The Board's Responsibilities to 31 March 2013

#### The Board was required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its Officers has the responsibility for such administration of those affairs. For this Board that Officer is the Treasurer, who is the Head of Finance for Aberdeen City Council; and
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

### Aberdeen City Council's responsibilities from 1 April 2013

Part 3 of The Police and Fire Reform (Scotland) Act 2012 (Supplementary, Transitional, Transitory and Saving Provisions) Order 2013 transferred the accounting and reporting obligations from the Board to Aberdeen City Council and its officers (i.e. the constituent authority where the Treasurer of the Board is employed) from 1 April 2013.

#### The Treasurer's Responsibilities:

The Treasurer is responsible for the preparation of the Board'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 Code;
- kept proper accounting records, which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.



Steven Whyte, CPFA  
Treasurer  
27 September 2013

## **STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL**

This statement is given in respect of the Statement of Accounts for 2012-13 for Grampian Joint Police Board. I acknowledge my responsibility for ensuring that an effective system of financial control is maintained and operated in connection with the resources concerned.

The Force is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded, properly accounted for and used economically.

The system of internal financial control can provide only reasonable and not absolute assurance that:

- assets are safeguarded,
- transactions are authorised and properly recorded, and
- material errors or irregularities are either prevented or would be detected within a timely period.

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

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

It is the responsibility of the Force's senior management to establish an appropriate and sound system of internal control and to monitor the continuing effectiveness of that system.

### **Internal Audit Arrangements**

Since January 2008 the Force has contracted the services of Deloitte LLP to provide an Internal Audit Service. A programme of work (referred to as the Annual Audit Plan) has been approved by the Stewardship Sub-Committee, although this is subject to regular review and updated where necessary. Whilst the plan includes a periodic review of all key financial processes, there is also a requirement to assess the adequacy of other non-financial procedures, systems and controls.

The Force receives an overall independent assessment of the adequacy and effectiveness of the internal control system based on the internal audit work undertaken in the period. The Internal Auditor cannot be expected to give total assurance that control weaknesses or irregularities do not exist. The Internal Auditor undertakes work as part of the agreed Audit Plan to assess:

- the adequacy and effectiveness of the internal controls in relation to processes
- adherence to Force policies, strategies, objectives and any statutory requirements where appropriate, and,
- the means of safeguarding assets and, as appropriate, verifying their existence.

In accordance with the principles of corporate governance, the Internal Auditor reports on all of the above issues with independence and impartiality to the Stewardship Sub-Committee of the Joint Police Board on a regular basis.

### **Final 2012-13 Internal Audit Report Findings**

In overall terms, Force management have undertaken a significant and comprehensive exercise to ensure implementation of outstanding Internal Audit recommendations. Detailed reports have been compiled internally and co-ordinated through the Force's Development and Governance Team. This has involved regular updates and internal reporting on the status and details related to all outstanding recommendations.

The Internal Auditors have noted that Force management have assessed that no further practical work can be undertaken in some specific areas in light of the move to the National Force. They also noted a small number of instances where additional changes to procedure or approach were not considered beneficial in light of the imminent move to the National Force. However, their review has indicated that such recommendations have been fully assessed for risk and practicality by Force management before this decision had been reached.

The results of the Internal Audit testing and follow up have confirmed the robustness of the Force's internal process for follow up and where the Force had reported that internal actions had been implemented, Internal Audit testing confirmed this - with no noted exceptions in this regard.

## Basis of Opinion

My evaluation of the effectiveness of the system of internal financial control is informed by a number of sources:

- the work of the Force finance Team and other managers within the Force;
- the work of the Internal Audit Service as described above;
- the External Auditors in their annual audit letter and other reports to the Stewardship Sub-Committee;
- my knowledge of the Force's governance, risk management and performance monitoring arrangements.

## Opinion

It is my opinion based on the above that the Force has in place a sound system of internal controls for the year to 31 March 2013. There is also an appropriate mechanism in place to identify any areas of weakness and to take corrective action through implementation of recommended actions from reports issued by Internal and External Audit and other review agencies.

The Joint Police Board's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

(Signed)



Steven Whyte, CPFA

Treasurer

(Dated)

27 September 2013



## REMUNERATION REPORT

The Force is required to produce a Remuneration Report and include it within the Annual Accounts. This follows on from the requirements set out in the Local Authority Accounts (Scotland) Amendment Regulations 2011 (SSI No 2011/64), which have amended the Local Authority Accounts (Scotland) Regulations 1985 (SI No 1985/267). The Remuneration Report is a statement in its own right and is not a note to the Annual Accounts.

### Remuneration Arrangements

The salaries of Chief Police Officers are set through national arrangements overseen by the Police Negotiating Board (PNB). The PNB circular 08/9 includes the salaries for the Chief Police Officers for the period 2008 to 2012. The remuneration for the posts of Director of Corporate Services and Director of Finance is set by the Chief Constable, commensurate with other national positions.

Members of the Force Executive may increase their remuneration through performance related pay. Key objectives are set by the Board and assessed using the Force's system of Performance Development Review. The appraisal process is overseen by the Board.

### Remuneration of Chief Police Officers and Senior Employees of the Force

The following table provides details of the remuneration paid to the members of the Force Executive.

	Salary, fees and allowances	Non-cash expenses & benefits in kind	2012-13 Compensation for Loss of Office	2012-13 Total Remuneration 2012-13	2011-12 Total remuneration 2011-12
	£000	£000	£000	£000	£000
Chief Constable:					
Colin McKerracher	196	3	0	199	146
Deputy Chief Constable:					
John McNab to 20 May 2012	16	1	0	17	121
Deputy Chief Constable:					
Colin Menzies from 20 May 2012	101	2	0	103	0
Assistant Chief Constable:					
Colin Menzies to 19 May 2012	17	0	0	17	114
Assistant Chief Constable:					
William Gordon	103	1	0	104	99
Assistant Chief Constable:					
Simon Blake from 27 May 2012	84	0	0	84	0
Director of Corporate Services:					
Karen Williams	95	0	314	409	87
Director of Finance:					
Gary Craig to 31 March 2013	89	0	303	392	79
<b>Total</b>	<b>701</b>	<b>7</b>	<b>617</b>	<b>1,325</b>	<b>646</b>

Following bi-lateral discussions with the Scottish Government, performance related payments were suspended for 2010-11 and this continued in 2011-12 and 2012-13.

The pension entitlements of Chief Police Officers and Senior Employees for the year to 31 March 2013 are shown in the table below, together with the contribution made by the Force to each Senior Employees' pension during the year.

	In year pension contributions			Accrued pension benefits	
	For year to 31 March 2013 £000	For year to 31 March 2012 £000		As at 31 March 2013 £000	Difference from 31 March 2012 £000
Chief Constable: Colin McKerracher	33	33	Pension	88.71	0.00
Deputy Chief Constable: John McNab to 20 May 2012	4	27	Pension	59.10	0.49
Deputy Chief Constable: Colin Menzies from 20 May 2012	20	0	Pension	58.64	3.77
Assistant Chief Constable: Colin Menzies to 19 May 2012	4	26	Pension	0	0.00
Assistant Chief Constable: William Gordon	24	23	Pension	51.33	(0.13)
Assistant Chief Constable: Simon Blake from 27 May 2012	19	0	Pension	55.50	10.23
Director of Corporate Services: Karen Williams	18	16	Pension Lump Sum	29.33 70.10	15.94 42.75
Director of Finance: Gary Craig to 31 March 2013	17	15	Pension Lump Sum	38.58 98.94	3.61 5.89
<b>Total</b>	<b>139</b>	<b>140</b>	<b>Pension Lump Sum</b>	<b>381.19 169.04</b>	<b>33.91 48.64</b>

Whilst there is no Pension Fund for Police Officers, the Force does provide for an equivalent notional charge for Police Officer pensions based upon the Police Pension Account (Scotland) Regulations 2010 (SSI 2010 No. 232). The Force contributes 24.7% of the Police Officers' pensionable pay.

Both the Director of Corporate Services and the Director of Finance are members of the Local Government Pension Scheme. Their pension figures show the benefits that have accrued over a period of time and may include balances transferred from other pension funds linked to previous employment.

#### GENERAL DISCLOSURE BY PAY BAND

The table below indicates the numbers of Grampian Police employees receiving remuneration (excluding pension contributions) greater than £50,000 in bands of £5,000. Remuneration includes all sums actually paid to an employee and sums due by way of expenses, allowances (as far as those sums are chargeable to UK income tax) as well as the money value of any other benefits received other than cash.

Remuneration Bands	Number of Employees	
	2011-12	2012-13
£50,000 - £54,999	75	86
£55,000 - £59,999	79	81
£60,000 - £64,999	8	12
£65,000 - £69,999	1	5
£70,000 - £74,999	1	3
£75,000 - £79,999	10	7
£80,000 - £84,999	6	1
£85,000 - £89,999	2	4
£90,000 - £94,999	0	1
£95,000 - £99,999	0	1
£100,000 - £104,999	1	2
£110,000 - £114,999	1	0
£120,000 - £124,999	1	2
£145,000 - £149,999	1	0
£195,000 - 199,999	0	1
<b>Totals</b>	<b>186</b>	<b>206</b>

### EXIT PACKAGES

There were no exit packages for either Police Officers or Police Staff in 2011-12. In 2012-13 the Force introduced a voluntary redundancy scheme for Police Staff only. The number of exit packages with total cost per band is shown in the table below. There were no compulsory redundancies and all exit package costs relate only to voluntary redundancy payments. Pension strain costs that were not known by the pension scheme Actuary and included in his pension report or forecast of future employer's contributions are charged to the Force by the pension fund managers. The pension strain costs are paid in one lump sum in the year in which individuals leave the Force.

The exit packages in the band £250,001 to £300,000 relate to senior members of police staff.

The exit packages cost comprises redundancy/early retirement costs, payments in lieu of notice, pension strain costs and compensatory added years lump sums paid to the individuals. These are summarised in the following table.

<b>Exit package cost band including special payments</b>	<b>Total number of exit packages by cost band 2011-12</b>	<b>Total number of exit packages by cost band 2012-13</b>	<b>Total cost of exit packages in each band 2011-12 £000</b>	<b>Total cost of exit packages in each band 2012-13 £000</b>
£0 - £20,000	0	5	0	71
£20,001 - £40,000	0	9	0	246
£40,001 - £60,000	0	3	0	131
£60,001 - £80,000	0	2	0	141
£250,001 - £300,000	0	2	0	617
<b>Total cost included in bandings</b>	<b>0</b>	<b>21</b>	<b>0</b>	<b>1,206</b>
<b>Amounts provided for in CIES not included in bandings</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total cost included in CIES</b>	<b>0</b>	<b>21</b>	<b>0</b>	<b>1,206</b>

## MEMBERS ALLOWANCES

The Convener and Vice-Conveners of the Board are remunerated by the Council of which they are a Council Member.

The remuneration of Councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007 (SSI No. 2007/183). The Regulations provide for the grading of Councillors for the purposes of remuneration arrangements. These regulations set out the amounts a Councillor may be paid for being a Convener or Vice-Convener of a Joint Board. This is inclusive of any amount payable to them as either a Councillor or Senior Councillor within the Constituent Authority.

The Board has an arrangement with each Council who remunerates the Convener and Vice-Convener to reimburse the Council for the additional costs of that Councillor arising from them being a Convener or Vice-Convener of the Board. The disclosures made in this report are limited to the amounts paid to the Council by the Board for remuneration and does not reflect the full value of the remuneration that may be paid to the Councillor.

The table below shows the amounts that were paid to Members of the Board. This includes the recharge from the Constituent Authorities for the recovery of salary costs for the Convener and Vice-Convener of the Board.

		2011-12			2012-13		
		Salaries	Allowances	Total	Salaries	Allowances	Total
		£000	£000	£000	£000	£000	£000
Aberdeen City Council	M Greig (Convener)	14	0	14	1	0	1
Aberdeenshire Council	R.McKail (Convener)	0	0	0	0	0	0
Aberdeen City Council	F.Forsyth (Vice Convener)	0	0	0	3	0	3
Moray Council	R H Shepherd (Vice-Convener)	0	0	0	0	0	0
		<b>14</b>	<b>0</b>	<b>14</b>	<b>4</b>	<b>0</b>	<b>4</b>

The Board also receives services from the Treasurer and the Clerk under a Service Level Agreement with Aberdeen City Council. The individuals involved receive no additional payments for carrying out these roles and are included in the Council's Remuneration Report.

All information disclosed in the tables in this Remuneration Report has been audited by Audit Scotland. The other sections of the Remuneration Report were reviewed by Audit Scotland to ensure that they were consistent with the financial statements.

Treasurer  
Grampian Joint  
Police Board:



Steven Whyte, CPFA

27 September 2013

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## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ABERDEEN CITY COUNCIL AND THE ACCOUNTS COMMISSION FOR SCOTLAND**

I certify that I have audited the financial statements of Grampian Joint Police Board for the year ended 31 March 2013 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet, Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2012-13 (the 2012-13 Code).

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice approved by the Accounts Commission for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

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

As explained more fully in the Statement of Responsibilities, the Treasurer is responsible for the preparation of the financial statements 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) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. 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 Board'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 accounts 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.

### **Opinion on financial statements**

In my opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2012-13 Code of the state of the affairs of Grampian Joint Police Board as at 31 March 2013 and of the income and expenditure of the Board for the year then ended;

- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2012-13 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973 and the Local Government in Scotland Act 2003.

### **Opinion on other prescribed matters**

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 1985; and
- 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 am required to report by exception**

I am required to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- the Statement on the System of Internal Financial Control does not comply with the 2012-13 Code; or
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.



Rachel Browne  
Senior Audit Manager  
Audit Scotland  
18 George Street  
Edinburgh  
EH2 2QU

27 September 2013

## MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Force.

	General Fund Balance	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Note
	£000	£000	£000	£000	£000	
<b>Balance at 31 March 2011</b>	<b>(5,361)</b>	<b>(4,001)</b>	<b>(9,362)</b>	<b>676,568</b>	<b>667,206</b>	
<b>Movement in reserves during 2011-12</b>						
(Surplus) or deficit on the provision of services	37,249	0	37,249	0	37,249	
Other Comprehensive Income and Expenditure	0	0	0	(3,418)	(3,418)	
<b>Total Comprehensive Income and Expenditure</b>	<b>37,249</b>	<b>0</b>	<b>37,249</b>	<b>(3,418)</b>	<b>33,831</b>	
Adjustments between accounting basis & funding basis under regulations	(40,245)	(577)	(40,822)	40,822	0	8
<b>(Increase)/ Decrease in 2011-12</b>	<b>(2,996)</b>	<b>(577)</b>	<b>(3,573)</b>	<b>37,404</b>	<b>33,831</b>	
<b>Balance at 31 March 2012</b>	<b>(8,357)</b>	<b>(4,578)</b>	<b>(12,935)</b>	<b>713,972</b>	<b>701,037</b>	
<b>Movement in reserves during 2012-13</b>						
(Surplus) or deficit on the provision of services	45,105	0	45,105	0	45,105	
Other Comprehensive Income and Expenditure	0	0	0	96,083	96,083	
<b>Total Comprehensive Income and Expenditure</b>	<b>45,105</b>	<b>0</b>	<b>45,105</b>	<b>96,083</b>	<b>141,188</b>	
Adjustments between accounting basis & funding basis under regulations	(36,748)	4,578	(32,170)	32,170	0	8
<b>(Increase)/ Decrease in 2012-13</b>	<b>8,357</b>	<b>4,578</b>	<b>12,935</b>	<b>128,253</b>	<b>141,188</b>	
<b>Balance at 31 March 2013</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>842,225</b>	<b>842,225</b>	



## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

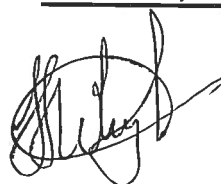
This statement shows the changes in the Force's financial resources over the year.

Gross Expenditure	2011-12			2012-13		Note	
	Gross Income	Net Expenditure		Gross Expenditure	Gross Income		Net Expenditure
£000	£000	£000		£000	£000	£000	
69,027	(18,277)	50,750	<b>Local Policing</b>	72,482	(18,307)	54,175	
10,356	(839)	9,517	<b>Dealing with the Public</b>	9,072	(704)	8,368	
7,815	(1,164)	6,651	<b>Criminal Justice Arrangements</b>	7,883	(1,071)	6,812	
7,892	(2,156)	5,736	<b>Roads Policing</b>	8,222	(2,097)	6,125	
5,253	(1,768)	3,485	<b>Specialist Operations</b>	4,436	(1,561)	2,875	
5,718	(821)	4,897	<b>Intelligence</b>	6,306	(840)	5,466	
7,896	(1,406)	6,490	<b>Specialist Investigations</b>	7,872	(1,412)	6,460	
704	(54)	650	<b>Investigative Support</b>	555	(32)	523	
5,441	(3,448)	1,993	<b>National Policing</b>	5,323	(3,907)	1,416	
2,495	0	2,495	<b>Non Distributed Costs</b>	308	0	308	
734	(34)	700	<b>Corporate and Democratic Core</b>	782	(34)	748	
<b>123,331</b>	<b>(29,967)</b>	<b>93,364</b>	<b>Cost of Services</b>	<b>123,241</b>	<b>(29,965)</b>	<b>93,276</b>	
		(183)	Other operating expenditure			(699)	9
		38,632	Financing and investment income and expenditure			37,559	10
		(94,564)	Non-specific grant income			(85,031)	11
		<b>37,249</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>45,105</b>	
		(2,333)	Actuarial (gains)/losses on Pension assets/liabilities & Injury Award liabilities			96,007	38&39
		(1,085)	Net Revaluation (Losses)/Gains on Non-Current Assets			76	26
		<b>(3,418)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>96,083</b>	
		<b>33,831</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>141,188</b>	

## BALANCE SHEET

This statement shows how the resources available to the Force are held in the form of assets and liabilities.

31 March 2012		31 March 2013	
£000		£000	Note
35,324	Property, plant & equipment	36,122	13
3,325	Investment property	3,325	14
154	Intangible assets	66	15
0	Long term debtors	0	
<b>38,803</b>	<b>Long term assets</b>	<b>39,513</b>	
245	Assets held for sale	431	22
242	Inventories	237	19
6,680	Short term debtors	4,677	20
16,605	Cash and cash equivalents	22,330	21
<b>23,772</b>	<b>Current assets</b>	<b>27,675</b>	
0	Short term borrowing	(386)	18
(10,249)	Short term creditors	(26,148)	23
(500)	Provisions	(314)	24
<b>(10,749)</b>	<b>Current liabilities</b>	<b>(26,848)</b>	
(8,124)	Long term borrowing	(7,738)	18
(744,739)	Other long term liabilities	(874,827)	36,38,39
<b>(752,863)</b>	<b>Long term liabilities</b>	<b>(882,565)</b>	
<b>(701,037)</b>	<b>Net liabilities</b>	<b>(842,225)</b>	
(12,935)	Usable reserves	0	25
713,972	Unusable reserves	842,225	26
<b>701,037</b>	<b>Total reserves</b>	<b>842,225</b>	



Steven Whyte, CPFA  
Treasurer  
27 September 2013

The unaudited accounts were issued on 17 June 2013 and the audited accounts were authorised for issue on 27 September 2013.

**CASH FLOW STATEMENT**

This statement shows how the movement in resources has been reflected in cash flows.

<b>2011-12</b>		<b>2012-13</b>	
<b>£000</b>		<b>£000</b>	<b>Note</b>
37,249	Net (surplus) or deficit on the provision of services	45,105	
(40,301)	Adjustments to net surplus or deficit on the provision of services for non cash movements	(52,132)	27
<u>2,827</u>	Adjustments for items in the net surplus or deficit on the provision of services that are for investing and financing activities	<u>1,701</u>	
(225)	Net cash flows from operating activities	(5,326)	28
861	Investing activities	224	29
<u>(625)</u>	Financing activities	<u>(623)</u>	30
<u><b>11</b></u>	Net (increase) / decrease in cash and cash equivalents	<u><b>(5,725)</b></u>	
16,616	Cash and cash equivalents at the beginning of the reporting period	16,605	
<u>16,605</u>	Cash and cash equivalents at the end of the reporting period	<u>22,330</u>	

## **NOTES TO THE ACCOUNTS**

### **1. ACCOUNTING POLICIES**

#### **a) General Principles**

The Statement of Accounts summarises the Board's transactions for the financial year 2012-13 and its position as at 31 March 2013. The Local Authority Accounts (Scotland) Regulations 1985 require the Board to prepare an Annual Statement of Accounts in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2012-13 and the Service Reporting Code of Practice 2012-13, supported by International Financial Reporting Standards (IFRS).

Accounting policies are the principles, bases, conventions, rules and practices applied by the Board that specify how the effects of transactions and other events are to be reflected in its financial statements through recognising, selecting measurement bases for, and presenting assets, liabilities, gains, losses and changes in reserves.

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.

The Board has adopted accounting policies with the intention that the Statement of Accounts will reflect a True and Fair View of the financial performance and position of the Force.

#### **b) Accruals of Income and Expenditure**

Estimation techniques are the methods adopted by the Force to arrive at the estimated monetary amounts, corresponding to the measurement bases selected for assets, liabilities, gains, losses and changes in reserves. The Force's accounting policies are set to specify the basis on which an item will be measured. Where there is uncertainty over how to measure this, the amount has been arrived at using an estimation or accrual technique.

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

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.

Fees, charges, rent and other income are accounted for in the period to which they relate, i.e. any payments received in advance are included as a liability within the Balance Sheet.

Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Income and expenditure are credited and debited to the relevant revenue account, unless they properly represent capital receipts or capital expenditure.

The full cost of employees is charged to the Comprehensive Income and Expenditure Statement of the period within which the employees worked.

### **c) Capital Expenditure**

Expenditure is charged to capital where it meets the definition of capital, as set out in the Code of Practice on Local Authority Accounting in the United Kingdom, and is greater than the Force's de minimis level of £6k.

### **d) Capital Receipts**

Capital receipts from the disposal of property, plant and equipment assets are accounted for on an accrual basis. The receipts arising from the disposal of General Fund assets are 100% usable by the Force.

All capital receipts from the disposal of non-current assets are taken directly to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement, but are then transferred to the Usable Capital Receipts Account on the Balance Sheet via the Movement in Reserves Statement.

### **e) Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In 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 Force's cash management arrangements.

Confiscation Bank Accounts are monies seized under the Proceeds of Crime Act 2002. These monies are held on behalf of the Crown Office Procurator Fiscal Service (COPFS) until the outcome of the relevant court cases are known. Monies are then returned either to the COPFS or the individual from whom the monies were seized.

## **f) Changes in Accounting Policies and Estimates and Errors**

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

Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change.

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

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

Services and support services are debited with the following amounts to record the cost of holding fixed assets during the year:

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

Whilst the Force is not required to raise additional funding to cover depreciation, impairment losses or amortisations, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to either an amount calculated on a prudent basis determined by the Force in accordance with statutory guidance, or principal loan repayments). Depreciation, impairment losses and amortisations are therefore replaced by a revenue provision 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.

## **h) 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 wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense in the year in which employees render service to the Force. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off or 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 at 31 March. The accrual is charged to Surplus or Deficit on Provision of Services, but then reversed out through the Statement of Movement in Reserves so that benefits are charged to revenue in the financial year in which the

absence and cost occurs.

#### *Termination Benefits*

Termination benefits are amounts payable as a result of a decision by the Board to terminate an individual's employment before the normal retirement date or an individual's decision to accept voluntary redundancy, and are charged on an accruals basis to the Comprehensive Income and Expenditure Statement when the Force is demonstrably committed to either terminating the employment of an individual or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions allow the General Fund balance to be charged with the amount payable by the Force 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.

#### *Post Employment Benefits*

The Force participates in two different Pension Schemes that provide benefits for employees (retirement lump sums and pensions). Both are administered by the North East Scotland Pension Fund.

These include:

- Police Pension Scheme for Police Officers which is an unfunded scheme;
- Local Government Pension Scheme for Police Staff.

Both schemes provide members with defined benefits related to pay and service. The Police Pension Scheme is unfunded with the respective revenue transactions being posted to the Police Pension Account.

Both Pension Schemes are accounted for as defined benefits schemes.

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

Liabilities are discounted to their value at current prices, applying a discount rate based on the indicative rate of return on high quality corporate bonds.

The assets (if any) of the pension fund attributable to the Force are included in the Balance Sheet at their fair value:

- quoted securities – current bid price;

- unquoted securities – professional estimate;
- unlisted securities – current bid price;
- property – market value.

The change in the net pensions liability is analysed into seven components:

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- expected return on assets – the annual investment return on the fund assets attributable to the Force, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- gains/losses on settlements and curtailments – the result of actions to relieve the Force of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited/credited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
- 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 the actuaries have updated their assumptions – debited to the Pensions Reserve;
- contributions paid to the pension fund or Police Pension Account – cash paid as employer's contributions to the pension fund or the Police Pension Account in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions allow the General Fund balance to be charged with the amount payable by the Force to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises 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 flows rather than as benefits are earned by employees.

#### *Discretionary Benefits*

The Force also has restricted powers to make discretionary awards of retirement



benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to an employee is accrued in the year of the decision to make the award and accounted for using the same policies as are applied above.

A similar approach is taken when accounting for Injury Awards (payable to Police Officers who have been injured in the course of their employment and have subsequently retired from the Force). As these are not considered to be pension costs, they are disclosed separately within the respective accounting statements. This includes a separate liability on the face of the Balance Sheet. A corresponding entry is posted to the balance sheet within the Employee Statutory Adjustment Account.

#### **i) Events after the Reporting Period**

Events after the reporting period 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 effect 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.

#### **j) Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the Force becomes a party to the contractual provisions of a financial instrument and initially measured at fair value and carried 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 Force 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 and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Income and Expenditure Statement in the year of repurchase/settlement. 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 Force has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. 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.

#### **k) Financial Assets**

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market;
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

##### *Loans and Receivables*

Loans and receivables are recognised on the Balance Sheet when the Force 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 rate of interest for the instrument. For most of the loans that the Force has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited/debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

##### *Available-for-Sale Assets*

Available-for-sale assets are recognised on the Balance Sheet when the Force becomes a party to the contractual provisions of a financial instrument and are

initially measured and carried at fair value. Where the asset has fixed or determinable payments, 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 amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Force.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price;
- other instruments with fixed and determinable payments – discounted cash flow analysis;
- equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus/Deficit on Revaluation of Available-for-Sale. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain/loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains/losses previously recognised in Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

#### **I) Foreign Currency Translation**

Where the Force 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. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and

Expenditure line in the Comprehensive Income and Expenditure Statement.

### **m) Government Grants and Contributions**

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Force when there is reasonable assurance that:

- the Force will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Force are not credited to the Comprehensive Income and Expenditure Account until conditions attaching to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

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 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.

### **n) Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Force as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Force.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Force will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure is not capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Force's goods or services.

Intangible assets are measured initially at cost. Amounts are not revalued, as the fair

value of the assets held by the Force cannot be determined by reference to an active market. The depreciable amount of an intangible asset is amortised over its useful life and charged to the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are charged to the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment 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, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

#### **o) Inventories**

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

#### **p) Investment Properties**

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

#### **q) Jointly Controlled Operations and Jointly Controlled Assets**

Jointly controlled operations are activities undertaken by the Force in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Force recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the

expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Force and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Force accounts for its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

#### **r) 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 from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both 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 Force as 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 (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 of the Force are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease liability, and
- a finance charge (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 Force is not required to raise additional funds 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 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 paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense. Charges are made on a straight-line basis over the life of the lease even if this does not match the pattern of payments.

#### *The Force as Lessor*

##### *Finance leases*

Where the Force grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, 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. A gain, representing the Force's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- *a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received); and*
- *finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).*

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and will be required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are paid, the element for the charge for the acquisition of the interest in the property is used to write down the lease asset. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

#### *Operating Leases*

Where the Force grants an operating lease over a property or an item of plant or

equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in 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 (eg, there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

**s) Prior Year 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, i.e. 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 the change provides more reliable or relevant information about the effects of transactions, other events and conditions on the Force'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 applied.

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

**t) Property, Plant and Equipment**

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others for administrative purposes and that are expected to be used during 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 Force and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

*Measurement*

Assets are initially measured at cost, comprising:

- the purchase price;
- any costs attributable to bringing the asset to the location and condition



- necessary for it to be capable of operating in the manner intended by management;
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Force does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition will not increase the cash flows of the Force. In the latter case, the cost of the acquisition is the carrying amount of the asset given up by the Force.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the 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 are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- assets under construction – depreciated historical cost;
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of fair value.

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 an impairment loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the reduction in 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 reduction in the carrying amount of the asset is written down in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, 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 indications exist 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 by:

- 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, the carrying amount of the asset is written down in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to 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.

### *Disposals*

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing 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 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 previously recognised losses. Depreciation is not charged on Assets Held for Sale.

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 disposals are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received from disposals, net of any costs associated with the sale, are

categorised as capital receipts. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Force's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

### *Depreciation*

Depreciation is provided for 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 (i.e. freehold land) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following basis -

- Buildings are depreciated on a reducing balance basis over their estimated useful lives of 30 years.
- Vehicles are depreciated on a straight line basis over their estimated useful lives as follows with residual value of approximately 10% of cost:
 

Incident Vehicles	10 years
Beat and Traffic Vehicles	3 years
- Other non-current assets are depreciated on a straight-line basis over their estimated useful lives as follows:
 

Computers and software	3 – 5 years
Plant and equipment	5 –10 years

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

### *Componentisation*

Where an item of property, plant or equipment comprises two or more significant components with significantly different useful lives, then each component is treated separately for depreciation purposes. Each component is depreciated over its own useful life as though it was a separate asset.

Componentisation is applied to property, plant and equipment above a de minimis level of £1 million, where components have significantly different lives and have a value that is considered material to the overall valuation of the asset.

Where a component is replaced or restored, the old component is written off and the new component capitalised. On componentisation any Revaluation Reserve balances will remain with the structure component of the building. Any future

revaluation gains and losses will be applied across components as appropriate.

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

### *Provisions*

Provisions are made where an event has taken place that gives the Force a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

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

When payments are eventually made, they are charged against the provision carried on the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than 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 Comprehensive Income and Expenditure Statement.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the Comprehensive Income and Expenditure Statement if it is virtually certain that reimbursement will be received if the Force settles the obligation.

### *Contingent Liabilities*

A contingent liability arises where an event has taken place that gives the Force 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 Force. 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 Force 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 Force.

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 or service potential.

**v) Reserves**

Amounts set aside for purposes falling outside of the definition of provisions are considered as reserves. Reserves are categorised as either usable or unusable. The purpose and nature of each of the reserves held by the Board is disclosed in the notes to the Balance Sheet.

**w) Revenue Recognition**

The Force accounts for revenue recognition in accordance with International Accounting Standard 18. This applies to the accounting for revenue arising from the sale of goods, the rendering of services, interest, royalties, dividends, non-exchange transactions such as council tax where a creditor liability has previously been recognised.

Revenue is recognised and measured at fair value of the consideration received or receivable except for financial assets otherwise measured as financial instruments. Revenue is only recognised when it is probable that the economic benefits of service potential associated with the transaction will flow to the Force. Where there are doubts as to the collectability of an amount already included in revenue an impairment expense is recognised rather than an adjustment made to the revenue already recognised in the Comprehensive Income and Expenditure Statement.

**x) VAT**

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable from it. VAT payable is only charged to the Comprehensive Income and Expenditure Statement to the extent that it is not recoverable from HM Revenue and Customs.

**y) ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT NOT YET ADOPTED**

For 2012-13 the following accounting policy changes that need to be reported relate to:

- amendments to IAS 1 *Presentation of Financial Statements* (other comprehensive income, June 2011)
- amendments to IFRS 7 *Financial Instruments Disclosures* (offsetting financial assets and liabilities, December 2011)
- *amendments to IAS 12 Income Taxes* (deferred tax: recovery of underlying assets, December 2010)
- amendments to IAS 19 *Employee Benefits* (June 2011)
- IFRS 13 *Fair Value Measurement* (May 2011).

There is no expected impact from changes to the Accounting Standards listed above to the 2012-13 Accounts.

## **2. CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES**

In applying the accounting policies set out in Note 1, the Force has had to make certain judgments about complex transactions or those involving uncertainty about future events.

There is a level of uncertainty regarding the detail in respect of future structure and levels of funding for the new national police force with effect from 1st April 2013. However, the Force has determined that this uncertainty does not appear to provide any indication that the assets of the Force may be impaired in any way. The Scottish Government has provided key guidance in respect of certain accounting matters such as usable reserves, however for all other financial accounting matters a "business as normal" approach has been adopted in the preparation of the financial statements.

The Board has a significant net liability associated with the future pension and injury award costs. However, statutory arrangements for the funding of the deficit means that the financial position of the Board remains assured. On the basis of this funding arrangement, the Board considers it appropriate that the Statement of Accounts should follow the going concern basis of accounting.

## **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 Force about the future. 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 following items should be considered –

### **Property, Plant and Equipment**

Assets are depreciated over useful lives that are dependent on assumptions about the level of maintenance. If the Force is unable to sustain the current level of spend on the assets, there is a risk that the lives of the assets would be shortened. The resultant changes would be that the level of depreciation charged each financial year would increase and the carrying values fall.

### **Pension and Injury Award Liabilities**

The liability associated with the future payments of pensions and injury awards is calculated by an actuary applying a range of complex and varied assumptions.

Any changes to the assumptions could have a significant impact upon the net balance sheet liability and charges to the Comprehensive Income and Expenditure Statement given the relative values involved.

#### **4. EVENTS AFTER THE BALANCE SHEET DATE**

The Statement of Accounts was authorised for issue by the Treasurer on 17 June 2013. 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 2013, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The Police and Fire Reform (Scotland) Act 2012 transferred responsibility for the provision of police and fire functions from local authorities to the newly formed Scottish Police Authority and Scottish Fire and Rescue Service with effect from 1 April 2013. Police and Fire Joint Boards therefore ceased to exist on 31 March 2013.

#### **5. PRIOR YEAR ADJUSTMENTS,**

There are no prior year adjustments in 2012-13.

#### **6. CHANGES IN ACCOUNTING POLICIES**

There are no changes in 2012-13 in respect of accounting policies, however there are certain areas where the accounting procedures followed by the Force have been varied as a result of the abolition of the Joint Police Board and the Force at midnight on 31 March 2013, and the creation of the new national police service at that point in time. The variations to the normal accounting procedures have been implemented at the request of the Scottish Government.

The changes include:

- Distribution of the balance on the General Fund to the three local authorities in the Grampian policing area.
- The application of all capital receipts in full in 2012-13 and the return of unapplied capital grants to the three Local Authorities that provided the capital grants.
- Accrual of expenditure incurred in 2012-13 on a gross basis, i.e. inclusive of VAT, where the tax point for the invoice falls into 2013-14.

## **7. POLICE OBJECTIVE ANALYSIS**

The 2012-13 accounts employ the Police Objective Analysis (POA) to allocate expenditure over policing activities in accordance with the requirements of the Service Reporting Code of Practice. The nine main activities are:

- Local Policing
- Dealing with the Public
- Criminal Justice Arrangements
- Roads Policing
- Specialist Operations
- Intelligence
- Specialist Investigations
- Investigative Support
- National Policing

together with Non Distributed Costs and Corporate and Democratic Core. The costs of support functions are fully allocated over the nine main activities.

The actuals for 2012-13 are based primarily on the information supplied by Divisions for their 2012-13 budgets. Once this initial allocation of costs was made across all headings, costs held within Support Functions were then apportioned over the main service expenditure headings using appropriate cost drivers.

## **8. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS**

This note details the adjustments to the total Comprehensive Income and Expenditure Statement recognised by the Force in the year, in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Force to meet future capital and revenue expenditure.

The following sets out the description of the usable reserves that adjustments are made against (the unusable reserves are identified separately in other disclosure notes to the financial statements).

### **General Fund Balance**

The General Fund is the statutory fund into which all receipts of the Force are required to be paid and out of which all liabilities of the Force are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Force is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Force is required to recover) at the end of the financial year.



### **Capital Receipts Reserve**

The Capital Receipts Reserve holds the proceeds from the disposal of property, plant and equipment assets which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure.

	<b>2012-13</b>		
	<b>Usable Reserves</b>		
	<b>General Fund Balance £000</b>	<b>Capital Receipts Reserve £000</b>	<b>Movement in Unusable Reserves £000</b>
<b>Adjustments involving the Capital Adjustment Account:</b>			
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</i>			
Charges for depreciation and impairment of non current assets	(5,070)	0	5,070
Amortisation of intangible assets	(88)	0	88
Movement in fair value of investment properties	0	0	0
Capital grants and contributions that have been applied to capital financing	377	0	(377)
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	699	0	(699)
Capital Financed from Current Revenue	476	0	(476)
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i>			
Statutory provision for the financing of capital investment	624	0	(624)
Finance Lease Costs	2	0	(2)
<b>Adjustments involving the Capital Receipts Reserve:</b>			
Transfer of sale proceeds credited as part of the gains/loss on disposal to the Comprehensive Income and Expenditure Statement	0	(1,233)	1,233
Use of the Capital Receipts Reserve to finance new capital expenditure	0	5,811	(5,811)
<b>Adjustments involving the Pension Reserves:</b>			
Reversal of items relating to post employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(53,848)	0	53,848
Employer's pensions contributions and direct payments to pensioners payable in the year	21,681	0	(21,681)
<b>Adjustment involving the Accumulating Compensated Absences Adjustment Account:</b>			
Amount by which employee 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	312	0	(312)
<b>Adjustments involving the Employee Statutory Mitigation Account:</b>			
Statutory adjustments for Injury Benefits	(1,913)	0	1,913
<b>Total Adjustments</b>	<b>(36,748)</b>	<b>4,578</b>	<b>32,170</b>

	2011-12		
	Usable Reserves		
	General Fund Balance £000	Capital Receipts Reserve £000	Movement in Unusable Reserves £000
<b>Adjustments involving the Capital Adjustment Account:</b>			
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</i>			
Charges for depreciation and impairment of non current assets	(5,242)	0	5,242
Amortisation of intangible assets	(188)	0	188
Movement in fair value of investment properties	0	0	0
Capital grants and contributions that have been applied to capital financing	2,020	0	(2,020)
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	183	0	(183)
Capital Financed from Current Revenue	682	0	(682)
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i>			
Statutory provision for the financing of capital investment	625	0	(625)
<b>Adjustments involving the Capital Receipts Reserve:</b>			
Transfer of sale proceeds credited as part of the gains/loss on disposal to the Comprehensive Income and Expenditure Statement	0	(577)	577
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	0
<b>Adjustments involving the Pension Reserves:</b>			
Reversal of items relating to post employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(57,697)	0	57,697
Employer's pensions contributions and direct payments to pensioners payable in the year	21,209	0	(21,209)
<b>Adjustment involving the Accumulating Compensated Absences Adjustment Account:</b>			
Amount by which employee 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	75	0	(75)
<b>Adjustments involving the Employee Statutory Mitigation Account:</b>			
Statutory adjustments for Injury Benefits	(1,912)	0	1,912
<b>Total Adjustments</b>	<b>(40,245)</b>	<b>(577)</b>	<b>40,822</b>

**9. OTHER OPERATING EXPENDITURE**

2011-12 £000		2012-13 £000
(183)	Gains on disposal of non current assets	(699)
<u>(183)</u>	<b>Total</b>	<u>(699)</u>

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

2011-12 £000		2012-13 £000
760	Interest payable and similar charges	755
38,186	Pensions interest cost and expected return on pension assets	37,225
(87)	Interest receivable and similar income	(102)
(227)	Other investment income	(319)
<u>38,632</u>	<b>Total</b>	<u>37,559</u>

**11. NON-SPECIFIC GRANT INCOME**

2011-12 £000		2012-13 £000
(92,544)	Non specific government grants	(84,654)
(2,020)	Capital grants and contributions	(377)
<u>(94,564)</u>	<b>Total</b>	<u>(85,031)</u>

**12. MATERIAL ACQUISITIONS AND DISPOSALS OF ITEMS OF PROPERTY, PLANT AND EQUIPMENT**

The following material acquisitions of property, plant and equipment assets occurred during 2012-13.

2011-12 £000		2012-13 £000
475	New accommodation at Moray	0
0	New custody facility (under construction)	4,107
1,047	Replacement vehicles	992
0	Conversion of new premises at Buckie	315
0	Torry Station Refurbishment	186
0	Rosemount upgrade of new premises	160
132	Computer equipment	275
195	Body Worn equipment	242
200	IT schemes shared with other forces	165
739	Other capital schemes	222
<u>2,788</u>	<b>Total Material Acquisitions</b>	<u>6,664</u>

The following material disposals of property, plant and equipment assets occurred during 2012-13.

<b>2011-12</b>		<b>2012-13</b>
<b>£000</b>		<b>£000</b>
188	Vehicle sales	196
389	Sale of police stations and police houses	1,037
<b>577</b>	<b>Total Material Disposals</b>	<b>1,233</b>

### 13. PROPERTY, PLANT AND EQUIPMENT

#### (a) Movement on Balances

Movements During 2012-13	Other Land and Buildings £000	Vehicles, Plant and Equipment £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
<b>Cost or Valuation</b>				
<b>At 1 April 2012</b>	35,983	11,454	1,714	49,151
Additions	2,723	1,336	2,441	6,500
Transfer Across Forces	0	0	164	164
Donations	0	0	0	0
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(117)	0	0	(117)
Revaluation increases / (decreases) recognised in the Surplus / Deficit in the Provision of Services	(2)	0	0	(2)
Derecognition – disposals	0	(1,054)	0	(1,054)
Derecognition – other	0	(154)	(392)	(546)
Assets reclassified (to)/from Held for Sale	(618)	0	0	(618)
Other movement in costs or valuation	60	573	(633)	0
<b>At 31 March 2013</b>	<b>38,029</b>	<b>12,155</b>	<b>3,294</b>	<b>53,478</b>
<b>Accumulated Depreciation &amp; Impairment</b>				
<b>At 1 April 2012</b>	5,996	7,831	0	13,827
Depreciation charge	3,073	1,598	0	4,671
Derecognition – disposals	0	(896)	0	(896)
Impairment losses / (reversals) recognised in the Revaluation Reserve	(40)	0	0	(40)
Impairment losses / (reversals) recognised in Surplus / Deficit on the Provision of services	0	0	0	0
Derecognition - Other Eliminated on reclassification to Assets Held for Sale	(56)	0	0	(56)
<b>At 31 March 2013</b>	<b>8,973</b>	<b>8,383</b>	<b>0</b>	<b>17,356</b>
<b>Net Book Value</b>				
<b>At 31 March 2013</b>	<b>29,056</b>	<b>3,772</b>	<b>3,294</b>	<b>36,122</b>
<b>At 31 March 2012</b>	<b>29,987</b>	<b>3,623</b>	<b>1,714</b>	<b>35,324</b>

The Force's policy on depreciation is described in the accounting policies at Note 1(t) on page 39.

Movements During 2011-12	Other Land and Buildings £000	Vehicles, Plant and Equipment £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
<b>Cost or Valuation</b>				
<b>At 1 April 2011</b>	33,782	11,171	1,658	46,611
Additions	709	1,202	633	2,544
Transfer Across Forces	0	50	150	200
Donations	0	0	0	0
Revaluation increases / (decreases) recognised in the Revaluation Reserve	1,690	0	0	1,690
Derecognition – disposals	(10)	(1,489)	0	(1,499)
Derecognition – other	0	0	0	0
Assets reclassified (to)/from Held for Sale	(395)	0	0	(395)
Other movement in costs or valuation	207	520	(727)	0
<b>At 31 March 2012</b>	<b>35,983</b>	<b>11,454</b>	<b>1,714</b>	<b>49,151</b>
<b>Accumulated Depreciation &amp; Impairment</b>				
<b>At 1 April 2011</b>	1,897	7,499	0	9,396
Depreciation charge	2,945	1,728	0	4,673
Derecognition – disposals	(1)	(1,396)	0	(1,397)
Impairment losses / (reversals) recognised in the Revaluation Reserve	606	0	0	606
Impairment losses / (reversals) recognised in Surplus / Deficit on the Provision of Services	569	0	0	569
Eliminated on reclassification to Assets Held for Sale	(20)	0	0	(20)
<b>At 31 March 2012</b>	<b>5,996</b>	<b>7,831</b>	<b>0</b>	<b>13,827</b>
<b>Net Book Value</b>				
<b>At 31 March 2012</b>	<b>29,987</b>	<b>3,623</b>	<b>1,714</b>	<b>35,324</b>
<b>At 31 March 2011</b>	<b>31,885</b>	<b>3,672</b>	<b>1,658</b>	<b>37,215</b>

## (b) Capital Commitments

At 31 March 2013, the Force was committed to a contract for the construction or enhancement of Property, Plant and Equipment with future costs projected to be £13.345m including the commitment relating to the acquisition of new custody facilities in the sum of £12.074m. This compares with the total value of commitments at 31 March 2012 which amounted to £2.070m.

## (c) Revaluations

The Force carries out a rolling programme of property valuations. This is to ensure that all property that is measured at fair value is re-valued at least every five years. The most recent programme of valuations was carried out by Atisreal Limited (Chartered Surveyors) for all properties owned by the Force at 31 March 2009. The valuations were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

In addition to this, during 2011-12, six of the Force's largest properties, those in excess of the de minimis value, were re-valued to provide the relevant information for component depreciation accounting. In 2012-13 only one property was re-valued and this resulted in a downward revaluation. The following table shows the changes in valuation across the different categories of property spanning a period of 5 years.

	Other Land and Buildings £000s	Vehicles, Plant and Equipment £000s	Assets Under Construction £000s	Total Property, Plant and Equipment £000s
Carried at historical cost	3,403	12,155	3,294	18,852
Valued at fair value as at:				
31 March 2013	255	0	0	255
31 March 2012	28,007	0	0	28,007
31 March 2011	0	0	0	0
31 March 2010	0	0	0	0
31 March 2009	6,364	0	0	6,364
<b>Total Cost or Valuation</b>	<b>38,029</b>	<b>12,155</b>	<b>3,294</b>	<b>53,478</b>

#### (d) Impairment

During 2012-13 the Force recognised an impairment loss of £0.398m through the Comprehensive Income and Expenditure Statement in respect of a national decision to write-off all expenditure incurred in previous years on the now abortive National Platform Project (£0.392m), the write-off of obsolete plant and equipment (£4,000) and a downward property revaluation not covered by previous upward revaluation gains in the Revaluation Reserve (£2,000).

#### 14. INVESTMENT PROPERTIES

The following items of income and expenditure have been accounted for in the Comprehensive Income and Expenditure Statement.

2011-12 £000	2012-13 £000
(389)	(438)
162	119
<b>(227) Net Gain</b>	<b>(319)</b>

There are no restrictions on the Force's ability to realise the value inherent in its investment property or on the Force's right to the receipt of income and the proceeds of disposal. The Force has no contractual obligations to purchase, construct or develop investment property at 31 March 2013.

There was no movement in the fair value of investment properties in the year.



## 15. INTANGIBLE ASSETS

The Force accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both purchased licenses and software. The Force does not have any 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 Force. The useful lives assigned to the major software suites used by the Force are:

Purchased Software & Licenses	Useful Life
Other Purchased Software & Licenses	3 Years
National Infrastructure Project	4 Years

The carrying value of intangible assets is amortised on a straight line basis. The amortisation of £0.088m in 2012-13 was charged to the Comprehensive Income and Expenditure Statement. Amortisation has been attributed to the corresponding business area within the Police Objective Analysis.

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

2011-12 £000		2012-13 £000
1,095	Gross Carrying amounts	954
(797)	Accumulated amortisation	(800)
<b>298</b>	<b>Net Carrying amount at 1 April</b>	<b>154</b>
44	Purchases	0
0	Transfer across Forces	0
(185)	Other Changes	0
(3)	Amortisation for the period	(88)
<b>154</b>	<b>Net Carrying amount at 31 March</b>	<b>66</b>
	<b>Comprising -</b>	
954	Gross carrying amounts	954
(800)	Accumulated amortisation	(888)
<b>154</b>	<b>Total</b>	<b>66</b>

There are no items of capitalised software that are considered to be individually material to the financial statements.

## 16. SHARED ASSETS

There are a number of national ICT systems, which are currently in development. The accounting treatment for spend and associated funding on national projects (treated as Non-Current Assets) is clearly defined and each Scottish Police Force is required to include a share of the written down cost on their respective Balance Sheet. Grampian

Police's share of these national assets was calculated on the basis of the funding allocation for Police Grant (which equates to 9.82% of the total). Consequently, an adjustment has been made to the Force's Balance Sheet to reflect the carrying value of the national shared asset.

During 2012-13 an agreement was made between all eight police forces in Scotland to write-off the expenditure incurred to date on the abortive IT scheme in respect of the National Platform Project. The share of the capital expenditure for Grampian Police was £0.392m and this has been written out of the balance sheet in 2012-13 as an impairment.

The following tables provide a breakdown of the carrying value for each of the national assets on the Force's Balance Sheet.

**a) Intangible Assets**

	<b>National Infrastructure System</b>	<b>National Command &amp; Control System</b>	<b>Vulnerable Persons System</b>	<b>Information Management System</b>	<b>National Platform Project</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost</b>						
<b>As at 1 April 2012</b>	89	0	0	0	0	89
Transfer from/(to)Forces	0	0	0	0	0	0
<b>As at 31 March 2013</b>	<b>89</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>89</b>
<b>Amortisation</b>						
<b>As at 1 April 2012</b>	78	0	0	0	0	78
Amortisation	7	0	0	0	0	7
<b>As at 31 March 2013</b>	<b>85</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>85</b>
<b>Net Book Value</b>						
<b>As at 31 March 2013</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4</b>
<b>As at 31 March 2012</b>	<b>11</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>11</b>

**b) Property, Plant and Equipment**

	<b>National Infrastructure System</b>	<b>National Command &amp; Control System</b>	<b>Vulnerable Persons System</b>	<b>Information Management System</b>	<b>National Platform</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost</b>						
<b>As at 1 April 2012</b>	526	528	18	142	392	1,606
Additions	0	0	0	0	0	0
Transfer from /(to) Forces	0	80	0	84	0	164
<b>As at 31 March 2013</b>	<b>526</b>	<b>608</b>	<b>18</b>	<b>226</b>	<b>392</b>	<b>1,770</b>
<b>Depreciation/Impairment</b>						
<b>As at 1 April 2012</b>	445	0	0	0	0	445
Depreciation	17	0	0	0	0	17
Impairment	0	0	0	0	392	392
<b>As at 31 March 2013</b>	<b>462</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>392</b>	<b>854</b>
<b>Net Book Value</b>						
<b>As at 31 March 2013</b>	<b>64</b>	<b>608</b>	<b>18</b>	<b>226</b>	<b>0</b>	<b>916</b>
<b>As at 31 March 2012</b>	<b>81</b>	<b>528</b>	<b>18</b>	<b>142</b>	<b>392</b>	<b>1,161</b>

**17. CAPITAL EXPENDITURE AND CAPITAL FINANCING**

The total amount of capital expenditure incurred during 2012-13 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 Force, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Force that has yet to be financed. The capital expenditure and financing as well as the CFR is analysed in the following table.

2011-12 £000		2012-13 £000
7,254	<b>Opening Capital Financing Requirement</b>	6,714
	<i>Capital investment -</i>	
2,544	Property, Plant and Equipment	6,500
44	Intangible Assets	0
	<b>Sources of finance -</b>	
0	Capital receipts from the sale of property, plant and equipment, investment property and intangible assets	(5,812)
(1,774)	Local Authorities – capital grants and other contributions	0
	Scottish Government – specific capital grants and other contributions	(212)
(46)		
0	Other grants	0
0	Finance lease - Deferred liability written down	(2)
	<b>Sums set aside from revenue -</b>	
(625)	Loans fund principal	(624)
(683)	Capital Financed from Current Revenue	(476)
<b>6,714</b>	<b>Closing Capital Financing Requirement</b>	<b>6,088</b>
	<b>Explanation of movements in year -</b>	
(625)	Notional repayment of borrowing (supported by government financial assistance)	(624)
85	Assets acquired under Finance Leases	(2)
<b>(540)</b>	<b>Decrease in Capital Financing Requirement</b>	<b>(626)</b>

## 18. FINANCIAL INSTRUMENTS

The Force has adopted the disclosure requirements prescribed by the Code. These are based upon the requirements of IAS 32 Financial Instruments: Presentation.

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both of financial assets and liabilities such as trade receivables and trade payables as well as the most complex ones such as derivatives and embedded derivatives. Typical financial instruments include financial liabilities (trade payables and other payables; borrowings and financial guarantees); and financial assets (bank deposits; trade receivables; loans receivable; other receivables and advances as well as investments).

The financial instruments will be valued initially at their fair value and thereafter will be carried on the Balance Sheet at their amortised cost. The fair value is the amount for which an asset could be exchanged.

## Categories of Financial Instruments

The following categories of financial instruments are carried in the Balance Sheet.

	Long term		Short term	
	As at 31 March 2012 £000	As at 31 March 2013 £000	As at 31 March 2012 £000	As at 31 March 2013 £000
<b>Borrowings -</b>				
Financial liabilities at amortised cost	(8,204)	(7,818)	(10,249)	(26,534)
<b>Total Borrowings</b>	<b>(8,204)</b>	<b>(7,818)</b>	<b>(10,249)</b>	<b>(26,534)</b>
<b>Investments -</b>				
Loans and receivables	0	0	23,560	28,037
<b>Total Investments</b>	<b>0</b>	<b>0</b>	<b>23,560</b>	<b>28,037</b>
<b>Deposits with Bank</b>	<b>0</b>	<b>0</b>	<b>(275)</b>	<b>(1,030)</b>

Further to the initial valuation, the financial instruments are considered over the longer term, in particular the application of a constant effective interest rate over the life of the asset or liability.

The amortised cost is a method of determining the carrying amount on the Balance Sheet and periodic charges or credits to the Comprehensive Income and Expenditure Statement of a financial instrument from the expected cash flows. Ignoring impairment, the carrying amount at any point in time of a financial instrument carried at amortised cost, is the carrying amount on initial recognition plus the interest taken to the Comprehensive Income and Expenditure Statement less the cash paid or received (both interest and principal). The interest expense or income is calculated using the effective interest rate method.

Where financial assets and liabilities are not being carried on the Balance Sheet at their fair value, the Code requires disclosure of their fair value.

## Income, Expense, Gains and Losses

	2011-12					2012-13				
	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Assets: Available for sale	Assets and Liabilities at Fair Value through Profit and Loss	Total	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Assets: Available for sale	Assets and Liabilities at Fair Value through Profit and Loss	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Interest Expense	760	0	0	0	760	755	0	0	0	755
Losses on derecognition	0	0	0	0	0	0	0	0	0	0
Impairment losses	0	11	0	0	11	0	8	0	0	8
<b>Total expense In Surplus or Deficit on the Provision of Services</b>	<b>760</b>	<b>11</b>	<b>0</b>	<b>0</b>	<b>771</b>	<b>755</b>	<b>8</b>	<b>0</b>	<b>0</b>	<b>763</b>
Interest Income	0	(87)	0	0	(87)	0	(102)	0	0	(102)
<b>Total Income In Surplus or Deficit on the Provision of Services</b>	<b>0</b>	<b>(87)</b>	<b>0</b>	<b>0</b>	<b>(87)</b>	<b>0</b>	<b>(102)</b>	<b>0</b>	<b>0</b>	<b>(102)</b>
<b>Net (gain)/loss for the year</b>	<b>760</b>	<b>(76)</b>	<b>0</b>	<b>0</b>	<b>684</b>	<b>755</b>	<b>(94)</b>	<b>0</b>	<b>0</b>	<b>661</b>

## Fair Value of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors 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, using the following assumptions:

- for Public Works Loan Board (PWLB) debt, the premature repayment rate is used to calculate the discounted value on the premise that there is no opportunity to exit the loan other than to accept the repayment terms offered by PWLB;
- for other market debt and investments the discount rate used is the rate available for an instrument with the same terms from a comparable lender;
- interpolation techniques have been used between available rates where the exact maturity period was not available;
- no early repayment or impairment is recognised;
- fair values have been calculated for all major financial instruments in the portfolio;
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	As at 31 Mar 2012		As at 31 Mar 2013	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
<b>Financial liabilities</b>				
Creditors	(10,249)	(10,249)	(26,148)	(26,148)
Bank Overdraft	(327)	(327)	(1,113)	(1,113)
PWLB Loan - maturity	0	0	(386)	(411)
<b>Long-term creditors</b>				
PWLB Loan – maturity	(8,124)	(12,480)	(7,738)	(11,751)
Other Long Term Liabilities	(80)	(80)	(80)	(80)

The fair value of the liabilities is higher than the carrying amount because the Force's portfolio of loans includes a number of fixed rate loans with the PWLB, where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2013) arising from a commitment to pay interest to PWLB above current market rates.

	As at 31 Mar 2012		As at 31 Mar 2013	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
<b>Loans and receivables</b>				
Deposits with bank	52	52	83	83
Debtors	6,680	6,680	4,677	4,677
Short Term Investment	16,880	16,880	23,360	23,360
<b>Long-term debtors</b>	0	0	0	0

Where possible, the Force invests surplus cash balances with Aberdeen City Council's Loans Fund, in order to maximise the return. These investments are short term for periods of less than 3 months and are categorised as Cash and Cash Equivalents in the Balance Sheet and allow instant access to balances held, but the notional amount will not reduce below that invested. The key risk for the Force is that returns on such investments may be minimal. Consequently, the fair value equates to the carrying value of the investments held on the Balance Sheet at 31 March 2013.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

**19. INVENTORIES**

	Uniforms		Stationery		Cleaning & Medical		Vehicle Parts		Total	
	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Opening balance	179	196	5	6	4	4	27	36	215	242
Purchases	200	266	271	92	40	46	175	191	686	595
Utilised stock items	(183)	(273)	(270)	(91)	(40)	(46)	(166)	(190)	(659)	(600)
<b>Closing Balance</b>	<b>196</b>	<b>189</b>	<b>6</b>	<b>7</b>	<b>4</b>	<b>4</b>	<b>36</b>	<b>37</b>	<b>242</b>	<b>237</b>

**20. DEBTORS**

The following table provides an analysis of money owed to the Authority by its debtors and identifies particular classes of bodies in the public sector.

<b>31 March 2012</b>		<b>31 March 2013</b>	
<b>£000</b>		<b>£000</b>	
5,557	Central government bodies	2,136	
609	Local authorities	1,976	
7	NHS Organisations	0	
0	Public corporations and trading funds	0	
507	Other entities and individuals	565	
<b>6,680</b>	<b>Total</b>	<b>4,677</b>	

The Force reviews all outstanding debts throughout the year and makes a bad debt provision in respect of those debts for which payment is considered doubtful. At 31 March 2013 the bad debt provision was £0.012m (2011-12 - £0.039m).

**21. CASH AND CASH EQUIVALENTS**

The actual balance on the Force's bank account is adjusted at the year end, to take account of cheques and BACS payments that have been issued but have not been presented or drawn from the account. The bank account is managed on a daily basis to ensure that best use is made of available funds.

<b>31 March 2012</b>		<b>31 March 2013</b>	
<b>£000</b>		<b>£000</b>	
19	Cash held by the Force	19	
0	Confiscation Bank accounts	64	
(294)	Bank accounts	(1,113)	
16,880	Short term deposits with local authority	23,360	
<b>16,605</b>	<b>Total</b>	<b>22,330</b>	



**22. ASSETS HELD FOR SALE**

<b>31 March 2012</b> <b>£000</b>		<b>31 March 2013</b> <b>£000</b>
162	Opening Balance	245
	Assets newly re-classified as Held for Sale:	
375	Property, Plant & Equipment	563
0	Revaluation gains	0
(292)	Assets sold	(377)
<b>245</b>	<b>Total</b>	<b>431</b>

**23. CREDITORS**

The following table provides an analysis of money owed by the Authority to its creditors and identifies particular classes of bodies in the public sector.

<b>31 March 2012</b> <b>£000</b>		<b>31 March 2013</b> <b>£000</b>
(4,167)	Central government bodies	(4,027)
(1,103)	Local authorities	(16,171)
(84)	NHS organisations	(23)
(0)	Public corporations and trading funds	0
(4,895)	Other entities and individuals	(5,927)
<b>(10,249)</b>	<b>Total</b>	<b>(26,148)</b>

The creditors figures include capital grants receipts in advance £5.181m (2011-12 £1.405m) and revenue grants receipts in advance £0.879m (2011-12 £0.301m). Also included in the creditors figure is the sum of £2,000 due in 2013-14 to write down a deferred lease liability held on the balance sheet.

**24. PROVISIONS**

In the 2011-12 accounts the Force included a provision for claims received under Equal Pay legislation. These were settled during 2012-13 at a cost of £236K, with the remaining unutilised balance being reversed.

Towards the end of the financial year 2012-13, the Force ran a voluntary redundancy/early retirement scheme (VR/ER) for Police Staff. A provision has been made for those staff who applied for the scheme and were successful (prior to 31 March 2013) but will leave the Force during the financial year 2013-14.

VR/ER £000	2011-12 Equal Pay £000	Total £000		VR/ER £000	2012-13 Equal Pay £000	Total £000
(780)	0	(780)	Balance at 1 April	0	(500)	(500)
780	0	780	Amounts Utilised in Year	0	236	236
0	0	0	Amounts Unutilised and Reversed in Year	0	264	264
0	(500)	(500)	Amounts Provided in Year	(314)	0	(314)
0	(500)	(500)	Balance at 31 March	(314)	0	(314)

**25. USABLE RESERVES**

Movements in the Force's usable reserves are detailed in the Movement in Reserves Statement. The purposes of the usable reserves are set out at disclosure note 7.

**26. UNUSABLE RESERVES**

31 March 2012 £000		31 March 2013 £000
(3,167)	Revaluation Reserve	(2,493)
(29,168)	Capital Adjustment Account	(31,364)
714,343	Pension Reserve	838,032
31,964	Employee Statutory Adjustment Account	38,050
<b>713,972</b>	<b>Total Unusable Reserves</b>	<b>842,225</b>

## Revaluation Reserve

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

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

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

2011-12 £000		2012-13 £000	2012-13 £000
(2,327)	<b>Balance at 1 April</b>		(3,167)
(1,691)	Upward Revaluation of Assets	0	
	Downward Revaluation of Assets and Impairment Losses not charged to the		
606	Surplus/Deficit on the Provision of Services	76	
	Surplus or Deficit of revaluation of non-current assets not posted to the Surplus or Deficit on		
(1,085)	the Provision of Services		76
	Difference between fair value depreciation and		
123	historical cost depreciation	525	
122	Accumulated Gains on assets sold or scrapped	73	
	Amount written off to the Capital Adjustment		
245	Account		598
<b>(3,167)</b>	<b>Balance at 31 March</b>		<b>(2,493)</b>

## 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 from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Force as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Force.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

2011-12 £000		2012-13 £000	2012-13 £000
(31,420)	<b>Balance at 1 April</b>		(29,168)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
	Charges for depreciation and impairment of		
5,242	non-current assets	5,070	
188	Amortisation of intangible assets	88	
0	Deferred Finance lease liability - write down	(2)	
(683)	Capital financed from Current Revenue	(476)	
	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		
395		535	
5,142			5,215
(245)	Adjusting amounts written out of the Revaluation Reserve		(598)
4,897	Net written out amount of the cost of non-current assets consumed in the year		4,617
	Capital financing applied in the year:		
	Use of the Capital Receipts Reserve to finance new capital expenditure	(5,812)	
(2,020)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(377)	
(625)	Statutory provision for the financing of capital investment charged against the General Fund	(624)	(6,813)
(2,645)			(2,196)
<b>(29,168)</b>	<b>Balance at 31 March</b>		<b>(31,364)</b>

**Pension Reserve**

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

2011-12 £000		2012-13 £000
680,188	<b>Balance at 1 April</b>	714,343
(2,333)	Actuarial gains or losses on pensions assets and liabilities	91,522
	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services	
57,697	in the Comprehensive Income and Expenditure Statement	53,848
(21,209)	Employer's pensions contributions and direct payments to pensioners payable in the year	(21,681)
<b>714,343</b>	<b>Balance at 31 March</b>	<b>838,032</b>

### Employee Statutory Adjustment Account

The Employee Statutory Adjustment Account absorbs the differences that would otherwise arise on the General Fund from accruing for future payments of ill health benefits to retired Police Officers (not treated as pensionable benefits) and compensated absences earned but not taken in the year. Statutory arrangements require that the impact on the General Fund is neutralised by transfers to or from the Account.

#### (a) Injury Awards

The Force is liable for the payment of non pensionable benefits to Police Officers that have retired through ill health. The future cost has been identified through actuarial valuations and the corresponding balance appears in the Force's Balance Sheet.

2011-12 £000		2012-13 £000
28,404	<b>Balance at 1 April</b>	30,316
0	Actuarial gains or losses on injury award liabilities	4,485
	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the	
2,467	Comprehensive Income and Expenditure Statement	2,481
(555)	Employer's contributions and direct payments to pensioners payable in the year	(568)
<b>30,316</b>	<b>Balance at 31 March</b>	<b>36,714</b>

#### (b) Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund from accruing for compensated absences earned but not taken in the year, e.g. 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.

The Force operates a leave entitlement spanning the calendar year rather than the financial year. Consequently, an analysis is undertaken of the proportion of leave taken during the latter 3 months of the financial year, in order to determine the cost of annual leave that is treated as a potential liability or asset at the year end.

2011-12 £000		2012-13 £000	2012-13 £000
1,723	<b>Balance at 1 April</b>		1,648
(1,723)	Settlement or cancellation of accrual made at the end of the preceding year	(1,648)	
1,648	Amounts accrued at the end of the current year	1,336	
<hr/>			
	Amount by which employee 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		
(75)			(312)
<b>1,648</b>	<b>Balance at 31 March</b>		<b>1,336</b>

## 27. CASH FLOW STATEMENT – ADJUSTMENTS TO NET SURPLUS OR DEFICIT ON THE PROVISION OF SERVICES FOR NON CASH MOVEMENTS

The following adjustments were made to remove non-cash items from the surplus or deficit on the provision of services:

2011-12 £000		2012-13 £000
(5,242)	Depreciation and impairment of Non-current Assets	(5,070)
(188)	Amortisation of Intangible Assets	(88)
(57,697)	Reversal of items relating to post employment benefits through the Surplus or Deficit to the Provision of Services in the Comprehensive I&E	(53,848)
21,209	Employer's pensions contributions and direct payments to pensioners payable in the year	21,681
(1,912)	Statutory adjustments for Injury Benefits	(1,913)
(1)	Increase / (Decrease) in Long-term Debtors	0
26	Increase / (Decrease) in Inventories	(4)
1,482	Increase / (Decrease) in Revenue Debtors	(2,003)
1,742	(Increase) / Decrease in Revenue Creditors	(11,073)
280	(Increase) / Decrease in Provision	186
<b>(40,301)</b>		<b>(52,132)</b>

## 28. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows arising from operating activities include the following items:

2011-12 £000		2012-13 £000
(86)	Interest received	(93)
758	Interest paid	758

**29. CASHFLOW STATEMENT – INVESTING ACTIVITIES**

<b>2011-12</b> <b>£000</b>		<b>2012-13</b> <b>£000</b>
3,313	Purchase of property, plant and equipment, investment property and intangible assets	5,445
(577)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,233)
(1,875)	Other receipts from investing activities	(3,988)
<b>861</b>	<b>Net cash flows from investing activities</b>	<b>224</b>

**30. CASHFLOW STATEMENT – FINANCING ACTIVITIES**

<b>2011-12</b> <b>£000</b>		<b>2012-13</b> <b>£000</b>
(625)	Other receipts from financing activities	(623)
0	Repayment of short- and long-term borrowing	0
<b>(625)</b>	<b>Net cash flows from financing activities</b>	<b>(623)</b>

### **31. AMOUNTS REPORTED FOR RESOURCE ALLOCATION**

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is the Police Objective Analysis developed by CIPFA and police forces. However decisions about resource allocation are taken by the Force and the Joint Police Board on the basis of revenue budget reports that are prepared on a subjective analysis basis.

The following tables provide a detailed reconciliation of the subjective analysis of income and expenditure to the Deficit on the Provision of Services set out in the Comprehensive Income and Expenditure Statement.



<b>Revenue Budget Monitoring Report</b>	<b>2012-13 Budget £000</b>	<b>2012-13 Actual £000</b>
<b>Employee Costs</b>		
Police Officers (incl Overtime)	65,332	64,945
Police Staff (incl Overtime)	21,412	20,406
Recruitment and Relocation Costs	163	79
Sub-total	<b>86,907</b>	<b>85,430</b>
<b>Police Officer Pensions</b>		
Pension Costs	18,597	18,597
Injury Awards	530	568
Ill Health Awards	300	295
Sub-total	<b>19,427</b>	<b>19,460</b>
<b>Property Costs</b>		
Rent and Rates	2,281	2,323
Insurances	20	16
Repairs and Maintenance	1,609	1,685
Heating, Lighting and Cleaning	1,383	1,362
Sub-total	<b>5,293</b>	<b>5,386</b>
<b>Transport and Plant Costs</b>		
Repairs and Maintenance	292	269
Petrol and Diesel Fuel	1,010	956
Licences and Insurances	200	186
Car Hire	291	247
Travel and Subsistence	478	436
Sub-total	<b>2,271</b>	<b>2,094</b>
<b>Supplies and Services Costs</b>		
Operational Equipment and Materials	804	863
Operational Supplies and Services	2,906	2,859
Uniforms and Clothing	341	314
Computer Maintenance and Software	1,044	903
Computer Networks and Telephony	1,041	922
Catering	170	163
Conferences and Subsistence	375	314
Printing, Stationery and Postages	455	359
Insurances	350	352
Advertising	16	12
Other Administration Costs	313	253
Sub-total	<b>7,815</b>	<b>7,314</b>
<b>Payments to Agencies and Other Bodies</b>		
Council Support Services	319	257
Other Agencies	1,546	1,725
Sub-total	<b>1,865</b>	<b>1,982</b>

	<b>2012-13 Budget £000</b>	<b>2012-13 Actual £000</b>
<b>Contingency Costs</b>	<b>233</b>	<b>0</b>
<b>Statutory Financing Charges</b>		
Supported Loan Charges – Interest	758	756
Supported Loan Charges – Loan Repayment	624	624
Capital Financed from Current Revenue	1,668	476
Sub-total	<u>3,050</u>	<u>1,856</u>
<b>Gross Expenditure</b>	<u><b>126,861</b></u>	<u><b>123,522</b></u>
<b>Income</b>		
Recharges for Services	(1,876)	(1,987)
Seconded Recoveries	(830)	(833)
Sales, Fees and Lost Property	(583)	(687)
Sponsorship	(26)	(11)
Rents	(858)	(827)
Partnership Income	(692)	(675)
Non SG Funding	(465)	(422)
Other Income	(80)	(101)
Sub-total	<u>(5,410)</u>	<u>(5,543)</u>
<b>Total Net Expenditure</b>	<u><b>121,451</b></u>	<u><b>117,979</b></u>
<b>Grant Funding</b>		
SG Police Grant	(47,695)	(47,697)
LA Requisitions	(45,217)	(45,217)
SG Loan Charge Support	(705)	(764)
LA Loan Charge Support	(741)	(741)
SG Specific Grant (100% Funded)	(6,677)	(6,352)
SG Specific Grant (Part Funded)	(19)	(19)
SG Specific Grant (Police Pensions)	(18,597)	(18,597)
Sub-total	<u>(119,651)</u>	<u>(119,387)</u>
<b>Use of Reserves/(Operational Underspend)</b>	<u><b>1,800</b></u>	<u><b>(1,408)</b></u>
<b>Usable Reserves at 31 March 2013 Returned to Constituent Authorities in 2012-13</b>		<u><b>9,765</b></u>
<b>Usable Reserves at 1 April 2012</b>		<u><b>8,357</b></u>

	<b>2012-13</b> <b>£000</b>
<b>Use of Reserves</b>	<b>8,357</b>
<b>Reconciling Adjustments</b>	
IAS 19 Pension Adjustments	34,080
Movement in Short Term Absences	(312)
Depreciation of Non-Current Assets	4,671
Amortisation of Intangibles	88
Impairment on Non-Current Assets	399
Gains on Disposal of Non-Current Assets	(699)
Statutory Provision for the financing of capital investment (through Movement in Reserves)	(624)
Capital Income Grants	(377)
Capital From Current Revenue	(476)
Finance Lease Costs	(2)
<b>Deficit on Provision of Services</b>	<b><u>45,105</u></b>

### 32. AGENCY SERVICES

Under various statutory powers, the Board may agree to work with other Boards, Local Authorities and Government Bodies to progress various schemes. The main items of Agency income and expenditure were as follows:

<b>2011-12</b> <b>£000</b>		<b>2012-13</b> <b>£000</b>
1,646	Scottish Police Services Authority (SPSA)	1,485
1,160	Payments to Other Agencies and Bodies	1,725
161	Payments under Service Level Agreements	257
<b><u>2,967</u></b>	<b>Total</b>	<b><u>3,467</u></b>
<b><u>(1,156)</u></b>	Income from staff secondments	<b><u>(833)</u></b>

The payments to the SPSA are in relation to the provision of IT facilities.

#### Scottish Police Services Authority

The SPSA was fully brought into operation on 1 April 2007, when it acquired full statutory powers, duties and functions. In the first instance, the Forensic Service passed from the Force to SPSA, and from 1 April 2007 the SPSA became responsible for providing related services to all Scottish Police Forces. On 1 April 2008 the ICT function transferred from Forces to SPSA and thereafter all ICT development, provision, maintenance and support was carried out by SPSA.

All of the Forces agreed to a budget transfer in line with the amounts of spend being incurred. Whilst the costs associated with the provision of Forensic services are borne by SPSA directly with no recharge to the Force, a different approach has been

adopted for the purchase of ICT goods and services. Prior to the introduction of the Agency Agreement, SPSA purchased goods and services for each Force, with the suppliers invoicing the Force directly. The Agency Agreement allows SPSA to now purchase the ICT goods and services but also pay the supplier and recover the corresponding amounts from the Force. Thereafter, the Force will draw down an equivalent amount from the Scottish Government.

There is no expenditure relating to Forensic Services included in the Force 2012-13 Statement of Accounts. The ICT revenue costs incurred during 2012-13 in conjunction with SPSA and funded from the Scottish Government amounted to £1.485m (2011-12: £1.646m). This includes elements of spend associated with the running costs of SPSA. The total capital expenditure, comprising IT and Airwaves expenditure amounted to £0.212m (2011-12: £0.046m). The ICT revenue and capital expenditure, as well as the corresponding grant funding from the Scottish Government appears in the 2012-13 Statement of Accounts.

### 33. EXTERNAL AUDIT COSTS

The external audit for 2012-13 was the second year of Audit Scotland's appointment.

2011-12 £000		2012-13 £000
	Fees payable with regard to external audit services carried out by the appointed auditor for	
42	the year	42
(3)	Rebate of charges for previous year	(2)
<u>39</u>	<b>Total</b>	<u>40</u>

### 34. GRANT INCOME

The Force receives non-specific core funding from the Scottish Government, referred to as Police Grant. The Force also receives funding towards external loan charges (including an amount for principal loan repayments, as well as interest charges). The amount receivable from the Scottish Government equates to 51% of the total agreed funding allocation.

#### *Grants credited to non-specific grant income*

2011-12 £000		2012-13 £000
47,810	Scottish Government Police Grant and support for loan charges	48,461
44,734	Local Authority Requisitions and support for loan charges	36,193
2,020	Capital grants and contributions	377
<u>94,564</u>	<b>Total</b>	<u>85,031</u>

The Force also benefited from additional grant funding for a number of different activities and these are detailed in the table below.

### Grants credited to services

2011-12 £000		2012-13 £000
154	Counter Terrorism Advisor Grampian Resilience, Strategic Co-ordinator &	154
173	Training Post	157
1,646	SPSA ICT Costs	1,485
0	Financial Investigation Capacity	22
3,107	Additional Police Officers	3,234
18,404	Pension Account Funding (Police Officers)	18,597
75	Whole Approach	12
1,258	Counter Terrorism Additional Staff	1,262
1	Act Now	0
32	Adult Support and Protection	45
604	Other Local Authority Operational Grants	422
<b>25,454</b>	<b>Total</b>	<b>25,390</b>

The Force has received a number of grants, contributions and donations that have yet to be recognised as income because they have conditions attached to them, as yet unmet, which require them to be returned to the provider if the conditions are not satisfied. The balances at 31 March 2013 are as follows.

### Current Liabilities

#### Grant Receipts in Advance (Capital Grants)

2011-12 £000		2012-13 £000
1,405	ACPOS National Platform Project	1,405
0	Local Authority Capital Grants	3,776
<b>1,405</b>	<b>Total</b>	<b>5,181</b>

**Grant Receipts in Advance (Revenue Grants)**

2011-12 £000		2012-13 £000
0	Pensions (Police Officers) Grant	299
0	Financial Investigation Capacity	50
0	Scottish Police Services Authority	328
51	Adult Support and Protection Grampian Resilience, Strategic Co-ordinator &	48
7	Training Post	17
4	Counter Terrorism Additional Staff	47
11	Whole Approach	0
80	Drug Operations Grant	27
52	Anti Social Behaviour Grant	56
4	Domestic Abuse Liaison Grant	0
4	Shire Community Analyst Grant	0
7	Motorcycle Safety Campaign Grant	0
13	Moray Safer Streets Grant	0
63	Anti Social Behaviour Activities Grant	0
5	Scottish Natural Heritage Grant	5
0	Other Operational Grants	2
<b>301</b>		<b>879</b>

**35. RELATED PARTIES**

The Force is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Force or to be controlled or influenced by the Force. Disclosure allows interested persons to assess the extent to which the Force 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 Force.

**Scottish Government**

The Scottish Government has significant influence over the operations of the Force – it is responsible for providing the statutory framework within which the Force operates, provides a significant proportion of the Force's funding in the form of grants and prescribes certain financial procedures for Forces to adopt. The level of funding support is shown in note 34 above.

**Local Authorities**

The Board comprises Councillors from each of the three Constituent Authorities. The funding for the Force and the subsequent charge upon the three Constituent Authorities is agreed by the Board prior to the start of the financial year. The requisitions detailed below provide for revenue grant funding and support for loan charges.

## Local Authorities Related Parties Transactions 2012-13

	Aberdeen £000	Aberdeenshire £000	Moray £000	Total £000
Local Authority Requisitions	(21,749)	(16,098)	(7,370)	(45,217)
Reserves to be repaid to Local Authorities	4,649	3,523	1,593	9,765
Loan Charges Funding	(130)	(485)	(126)	(741)
<b>Sub-total Requisitions and Loan Charges</b>	<b>(17,230)</b>	<b>(13,060)</b>	<b>(5,903)</b>	<b>(36,193)</b>
Capital Grant to be repaid to Local Authorities	1,705	1,466	605	3,776
Capital Grant due from Local Authorities	(276)	(237)	(98)	(611)
Funding received for specific operations/posts	(131)	(104)	(99)	(334)
Purchases (including Non-Domestic Rates, Rent, Electricity, Service Level Agreements)	1,828	1,065	175	3,068
Sales (including NESCOMP recharge, School Based Officers, Out of Hours Call Handling, Removal of Dead Bodies, Rental Income and Service Charges)	(190)	(608)	(9)	(807)

## Local Authorities Related Parties Transactions 2011-12

	Aberdeen £000	Aberdeenshire £000	Moray £000	Total £000
Local Authority Requisitions	(21,220)	(15,706)	(7,190)	(44,116)
Loan Charges Funding	(108)	(404)	(106)	(618)
<b>Sub-total Requisitions and Loan Charges</b>	<b>(21,328)</b>	<b>(16,110)</b>	<b>(7,296)</b>	<b>(44,734)</b>
Funding received for specific operations/posts	(164)	(190)	(133)	(487)
Purchases (including Non-Domestic Rates, Rent, Electricity, Service Level Agreements)	1,177	742	506	2,425
Sales (including NESCOMP recharge, School Based Officers, Out of Hours Call Handling, Removal of Dead Bodies, Rental Income and Service Charges)	(146)	(695)	37	(804)

**36. LEASES*****Operating Leases (Force as Lessee)***

There are a number of assets which are provided to the Force through operating leases. The minimum lease payments due under non-cancellable leases in future years are shown in the table below.

2011-12			2012-13		
Land & Buildings	Vehicles	Total	Land & Buildings	Vehicles	Total
£000	£000	£000	£000	£000	£000
812	79	891	767	63	830
					Not later than one year
2,107	9	2,116	1,205	95	1,300
					Later than one year and not later than five years
4,817	0	4,817	4,558	0	4,558
					Beyond five years
<b>7,736</b>	<b>88</b>	<b>7,824</b>	<b>6,530</b>	<b>158</b>	<b>6,688</b>
					<b>Total</b>

The expenditure charged in the Comprehensive Income and Expenditure Statement during the year in relation to these leases is shown in the table below.

2011-12			2012-13		
Land & Buildings	Vehicles	Total	Land & Buildings	Vehicles	Total
£000	£000	£000	£000	£000	£000
880	91	971	783	86	869
					Minimum lease payments (Sub-lease payments receivable/contributions)
(89)	(38)	(127)	(89)	(33)	(122)
<b>791</b>	<b>53</b>	<b>844</b>	<b>694</b>	<b>53</b>	<b>747</b>
					<b>Total</b>



**Operating Leases (Force as Lessor)**

The Force leases out a number of properties in order to generate income and maximise the economic benefit of the assets. All of the agreements are treated as operating leases.

The future minimum lease payments receivable under non-cancellable leases in future years are shown in the table below.

<b>31 March 2012</b> £000		<b>31 March 2013</b> £000
634	Not later than one year	504
1,966	Later than one year and not later than five years	1,657
1,055	Beyond five years	886
<u>3,655</u>	<b>Total</b>	<u>3,047</u>

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

**Finance Leases (Force as Lessee)**

The Force acquired a site under a finance lease in 2011-12 and this is carried under Property, Plant and Equipment on the Balance Sheet at the following net amounts:

<b>31 March 2012</b> £000		<b>31 March 2013</b> £000
85	Other land and Buildings	85
<u>85</u>	<b>Total</b>	<u>85</u>

The principal charged to revenue in 2013-14 is £2,000 and this is shown as part of the short term creditors balance in the balance sheet at 31st March 2013, the remainder is shown as a long term liability.

The Force is committed to making minimum lease payments under this lease, comprising settlement of the long-term liability for the property acquired by the Force and finance costs that will be payable by the Force in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

<b>31 March 2012</b> £000		<b>31 March 2013</b> £000
	Finance lease liabilities (net present value of minimum lease payments)	
5	- current	5
80	- non-current	80
0	Finance costs payable in future years	0
<u>85</u>	<b>Minimum Lease Payments</b>	<u>85</u>

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2012 £000	31 March 2013 £000	31 March 2012 £000	31 March 2013 £000
Not later than one year	5	5	1	2
Later than one year but not later than five years	18	17	6	7
Later than five years	62	58	78	74
<b>Total</b>	<b>85</b>	<b>80</b>	<b>85</b>	<b>83</b>

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

#### ***Finance Leases (Force as Lessor)***

The Force does not have any finance leases entered into as the lessor.

### **37. TERMINATION BENEFITS**

The Force did not run an early retirement/voluntary redundancy scheme for Police Staff in 2011-12 and there was, therefore, no cost in that year.

The Force implemented an early retirement/voluntary redundancy scheme for Police Staff in 2012-13 incurring liabilities of £1.206m in respect of payments to individuals and pension strain costs paid to the the pension scheme's administering body, Aberdeen City Council Superannuation Fund. The payments are defined as Exit Packages in the CIPFA Code of Practice and the numbers of payments and costs are analysed by bands in the Exit Packages table and notes contained in the Remuneration Report within these accounts.

### **38. PENSION COSTS**

#### **Participation in Pension Schemes**

As part of the terms and conditions of employment of Police Officers and Police Staff, the Force makes a contribution towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Force is required to disclose a breakdown of the future costs that are expected to arise as a result of offering these post employment benefits.

The Force participates in two pension schemes:

- the Local Government Pension Scheme (LGPS) for Police Staff, administered by the North East Scotland Pension Fund – this is a funded scheme, meaning that both the Force and employees make payments into a fund, calculated at a

- level intended to balance the pension liabilities with investment assets;
- the Police Pension Scheme for Police Officers – this is an unfunded scheme, meaning that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

### Transactions Relating to Post-Employment Benefits

The Force recognises the cost of retirement benefits (in the Cost of Services) when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against the Police Grant is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been posted to the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

<b>Local Government Pension Scheme</b>	<b>Local Government Pension Scheme Unfunded Benefits</b>		<b>Local Government Pension Scheme Total Benefits</b>	
	<b>2011-12 £000</b>	<b>2012-13 £000</b>	<b>2011-12 £000</b>	<b>2012-13 £000</b>
<b>Comprehensive Income and Expenditure Statement</b>				
<i>Cost of Services:</i>				
• current service cost	0	0	2,960	2,598
• past service costs	0	0	0	0
• settlements and curtailments	800	308	2,495	308
<i>Financing and Investment Income and Expenditure</i>				
• interest cost	58	168	4,463	3,781
• expected return on scheme assets	0	0	(3,786)	(3,102)
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>858</b>	<b>476</b>	<b>6,132</b>	<b>3,585</b>
<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>				
• actuarial gains and losses	1,681	(1,080)	(2,333)	3,631
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>2,539</b>	<b>604</b>	<b>3,799</b>	<b>7,216</b>
<i>Movement in Reserves Statement</i>				
• reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(703)	(370)	(3,361)	(837)
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>				
• employers' contributions payable to scheme	155	106	2,771	2,748

## Assets and Liabilities in Relation to Post Employment Benefits

Reconciliation of present value of the scheme liabilities:

	Local Government Pension Scheme Unfunded Benefits		Local Government Pension Scheme Total Benefits	
	2011-12 £000	2012-13 £000	2011-12 £000	2012-13 £000
Opening balance at 1 April	1,107	3,522	80,521	76,480
Current service cost	0	0	2,960	2,598
Past service costs	0	0	0	0
Curtailments	800	308	2,495	308
Settlements	0	0	0	0
Interest cost	58	168	4,463	3,781
Actuarial gains and losses	1,681	(1,080)	(12,212)	9,001
Contributions by scheme participants	0	0	840	838
Benefits paid	(124)	(106)	(2,587)	(1,964)
Closing Balance at 31 March	<u>3,522</u>	<u>2,812</u>	<u>76,480</u>	<u>91,042</u>

Reconciliation of fair value of the scheme assets:

	Local Government Pension Scheme Unfunded Benefits		Local Government Pension Scheme Total Benefits	
	2011-12 £000	2012-13 £000	2011-12 £000	2012-13 £000
1 April	0	0	55,133	50,064
Expected rate of return	0	0	3,786	3,102
Curtailments/Settlements	0	0	0	0
Actuarial gains and losses	0	0	(9,879)	5,370
Employer contributions	124	106	2,771	2,748
Contributions by scheme participants	0	0	840	838
Benefits paid	(124)	(106)	(2,587)	(1,964)
31 March	<u>0</u>	<u>0</u>	<u>50,064</u>	<u>60,158</u>

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

The actual return on scheme assets in financial year 2012-13 was £8.473m (2011-12: £0.724m).

**Police Pension Scheme**

	<b>Police Pension Scheme</b>	
	<b>2011-12</b>	<b>2012-13</b>
	<b>£000</b>	<b>£000</b>
<b>Comprehensive Income and Expenditure Statement</b>		
<i>Cost of Services:</i>		
• current service cost	15,628	15,272
• past service costs	0	0
• settlements and curtailments	0	0
<i>Financing and Investment Income and Expenditure</i>		
• interest cost	35,937	34,991
• expected return on scheme assets	0	0
<i>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</i>	51,565	50,263
<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>		
• actuarial gains and losses	0	87,891
<i>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>	51,565	138,154
<i>Movement in Reserves Statement</i>		
• reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(33,127)	(31,330)
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>		
• employers' contributions payable to scheme	18,438	18,933

**Liabilities in Relation to Post Employment Benefits**

Reconciliation of present value of the scheme liabilities:

	<b>Police Pension Scheme</b>	
	<b>2011-12</b>	<b>2012-13</b>
	<b>£000</b>	<b>£000</b>
1 April	654,800	687,927
Current service cost	15,628	15,272
Past service costs	0	0
Curtailments	0	0
Settlements	0	0
Interest cost	35,937	34,991
Actuarial gains and losses	0	87,891
Contributions by scheme participants	5,605	6,282
Benefits paid	(24,043)	(25,215)
31 March	687,927	807,148

The Police Pension Scheme is unfunded and therefore does not have any scheme assets.

### Scheme history

	2008-09 £000	2009-10 £000	2010-11 £000	2011-12 £000	2012-13 £000
Present value of liabilities:					
Local Government Pension Scheme	(45,766)	(73,616)	(80,521)	(76,480)	(91,042)
Police Pension Scheme	(458,299)	(674,779)	(654,800)	(687,927)	(807,148)
Fair value of assets:					
Local Government Pension Scheme	29,919	46,246	55,133	50,064	60,158
<b>Total Scheme (Deficit)</b>	<b>(474,146)</b>	<b>(702,149)</b>	<b>(680,188)</b>	<b>(714,343)</b>	<b>(838,032)</b>

The liabilities show the underlying commitments that the Force has in the long run to pay post-employment (retirement) benefits. The total liability of £898.190m has a substantial impact on the net worth of the Force as recorded in the Balance Sheet, less assets of £60.158m, resulting in a negative overall balance of £838.032m.

However, the statutory arrangements for the funding of the deficit means that the financial position of the Board remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary;
- finance is only required to cover police pensions when the pensions are due for payment.

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

Liabilities have been assessed on an actuarial basis using the projected unit method, and an estimate of the pensions that will be payable in future years dependent on assumptions about the mortality rates, salary levels, etc. Both the Police Scheme and Local Government Pension Fund liabilities have been assessed by Mercer Limited, an independent firm of actuaries, with estimates for the Aberdeen City Council Pension Fund being based on the latest valuation of the scheme as at 31 March 2011. This was a full actuarial valuation.

The main assumptions used in their calculations include:

	Local Government Pension Scheme		Police Pension Scheme	
	2011-12 %	2012-13 %	2011-12 %	2012-13 %
Long term expected rate of return on assets in the scheme				
Equity Investments	7.0	7.0	N/A	N/A
Government Bonds	3.1	2.8	N/A	N/A
Other Bonds	4.1	3.9	N/A	N/A
Property	6.0	5.7	N/A	N/A
Cash/Current Assets	0.5	0.5	N/A	N/A
Rate of inflation (CPI)	2.5	2.4	2.6	2.4
Rate of increase in salaries	4.25	4.15	4.35	4.15
Rate of increase in pensions	2.5	2.4	2.6	2.4
Take-up of options to convert annual pension into retirement grant	50	50		
Take-up of options to convert annual pension into retirement grant –1987 scheme			50	50
Take-up of options to convert annual pension into retirement grant -2006 scheme			0	0

	Local Government Pension Scheme		Police Pension Scheme	
	2011-12 Years	2012-13 Years	2011-12 Years	2012-13 Years
Longevity at 65 for current pensioners				
Men	22.3	22.4	N/A	N/A
Women	25.3	25.4	N/A	N/A
Longevity at 60 for current pensioners				
Men	N/A	N/A	26.9	27.4
Women	N/A	N/A	29.1	29.7
Longevity at 65 for future pensioners				
Men	24.6	24.7	N/A	N/A
Women	27.7	27.8	N/A	N/A
Longevity at 60 for future pensioners				
Men	N/A	N/A	28.5	29.4
Women	N/A	N/A	30.8	31.7

The pension liabilities are expressed in present value terms rather than the cash amount that will eventually be paid out in order to allow for the 'time value of money'. This is undertaken by discounting these future cash amounts by use of a corporate bond rate. The Police Pension Scheme has no assets to cover its liabilities. Assets in the Aberdeen City Council Pension Fund are valued at fair value, principally market value for investments, totalling £2,462m for the Fund as a whole at 31 March 2013 (£2,092m at 31 March 2012).

The Fund is made up of the following assets:

	31 Mar 2011 % of fund	31 Mar 2012 % of fund	31 Mar 2013 % of fund
Equities	79.6	81.5	79.6
Government Bonds	4.8	7.0	6.9
Other Bonds	3.0	2.9	2.4
Property	5.6	6.4	5.2
Cash/Current Assets	2.7	2.2	1.3
Other	4.3	0.0	4.6
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

### History of Experience (Gains) and Losses

The actuarial (gains)/losses identified as movements on the Pension Reserve can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at the year end:

#### Police Staff

	2008-09		2009-10		2010-11		2011-12		2012-13	
	£m	%	£m	%	£m	%	£m	%	£m	%
Differences between the expected and actual return on assets	16.10	54.0	10.17	22.0	1.77	3.2	(9.88)	(19.7)	5.37	8.9
Differences between actuarial assumptions about liabilities and actual experience	2.10	4.6	0.00	0.0	0.00	0.0	12.18	16.1	1.37	1.5
	<b>18.20</b>		<b>10.17</b>		<b>1.77</b>		<b>2.30</b>		<b>6.74</b>	

#### Police Officers

	2008-09		2009-10		2010-11		2011-12		2012-13	
	£m	%	£m	%	£m	%	£m	%	£m	%
Differences between actuarial assumptions about liabilities and actual experience	0.00	0.0	0.00	0.0	4.51	0.8	0.00	0.0	0.00	0.0
	<b>0.00</b>		<b>0.00</b>		<b>4.51</b>		<b>0.00</b>		<b>0.00</b>	



### **Future Payments**

It is estimated that the new national police force will make payments amounting to £2.496m into the Local Government Pension Scheme in 2013-14 for Grampian Police Staff. It is also anticipated that the national police force will make payments totalling £26.980m to retired Police Officers during 2013-14, however this will be offset by an estimated £7.123m of pension contributions received from serving Police Officers.

### 39. INJURY AWARDS

There are former Police Officers who have been injured through the course of their employment and subsequently retired from the Force. Where this occurs the Force may agree to make a termination benefit payable to the retired Police Officer on a monthly basis. This is not considered to be a pension benefit and therefore is accounted for separately from the pension costs and liabilities.

The following transactions have been posted to the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement.

	<b>Police Injury Award Scheme</b>	
	<b>2011-12</b>	<b>2012-13</b>
	<b>£000</b>	<b>£000</b>
<b>Comprehensive Income and Expenditure Statement</b>		
<i>Cost of Services:</i>		
• current service cost	895	926
• past service costs	0	0
• settlements and curtailments	0	0
<i>Financing and Investment Income and Expenditure</i>		
• interest cost	1,572	1,555
<i>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</i>	2,467	2,481
<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>		
• actuarial gains and losses	0	4,485
<i>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>	2,467	6,966
<i>Movement in Reserves Statement</i>		
• reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(1,912)	(1,913)
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>		
• injury benefits payable to pensioners	555	568

**Reconciliation of present value of the injury award liabilities:**

	<b>Police Injury Award Scheme</b>	
	<b>2011-12 £000</b>	<b>2012-13 £000</b>
1 April	28,404	30,316
Current service cost	895	926
Past service costs	0	0
Curtailements	0	0
Settlements	0	0
Interest cost	1,572	1,555
Actuarial gains and losses	0	4,485
Contributions by scheme participants	0	0
Benefits paid	(555)	(568)
31 March	30,316	36,714

**Scheme history**

	<b>2009-10 £000</b>	<b>2010-11 £000</b>	<b>2011-12 £000</b>	<b>2012-13 £000</b>
Present value of liabilities: Police Injury Award Scheme	(35,638)	(28,404)	(30,316)	(36,714)

The liabilities show the underlying commitments that the Force has in the long run to pay the future injury awards.

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

Liabilities have been assessed on an actuarial basis using the projected unit method, and an estimate of the payments relating to injury awards that will be payable in future years dependent on assumptions about the mortality rates, salary levels, etc.

The main assumptions used in their calculations include:

	<b>Injury Awards Scheme</b>	
	<b>2011-12 Years</b>	<b>2012-13 Years</b>
Longevity at 65 for current pensioners		
Men	24.3	24.8
Women	26.5	27.1
Longevity at 65 for future pensioners		
Men	25.9	26.8
Women	28.1	29.1
	%	%
Rate of inflation (CPI)	2.6	2.4
Rate of increase in salaries	4.35	4.15
Rate of increase in pensions	2.6	2.4
Rate for discounting scheme liabilities	5.1	4.4

## Future Payments

It is estimated that the new national police force will make payments amounting to £0.568m during 2013-14 to Grampian Police Officers who have retired through ill health and receive an enhanced benefit.

### 40. POLICE PENSION ACCOUNT

From 1 April 2010, the Scottish Government introduced a requirement for each Scottish Police Force to maintain a Police Pension Account in respect of the Police Pension Scheme. The requirements are set out within Police Pension Account (Scotland) Regulations 2010. The regulations specify that a Police Pension Account must be maintained to record the payments made and the income received in respect of Police Pensions.

2011-12 £000		2012-13 £000	2012-13 £000
	Contributions receivable -		
	Police Joint Board -		
	• Contributions based on 24.7% of		
(13,307)	pensionable pay	(13,504)	
(75)	• Early retirements	(295)	
(10)	• Other	(12)	
(5,687)	Officers' contributions	(6,306)	
(19,079)	Sub-total		(20,117)
	(56) Transfers in from other Police Forces		(390)
	Benefits payable:		
17,743	• Pensions	19,233	
6,064	• Commutations and lump sum retirement		
52	benefits	5,877	
23,859	• Lump sum death benefits	0	
	Sub-total		25,110
	Payments to and on account of leavers:		
341	• Transfer values paid	478	
32	• Refunds of contributions to employees	12	
373	Sub-total		490
	Sub-total for the year before transfer of an		
	amount equal to the deficit to the Police		
5,097	Operating Account		5,093
	Transfer of balance from earmarked element of		
0	General Fund		0
(5,097)	Amount payable to the Police Operating Account		
	in respect of the surplus / (deficit) for the year		(5,093)
<u>0</u>	<b>Balance at 31 March</b>		<u>0</u>

The Police Operating Account will reflect a debtor or creditor at the end of the financial year in respect of any deficit or surplus on the Police Pension Account. In the case of a deficit, the debtor will represent funding for Police Officer pensions which the Scottish Government is committed to meeting. In the case of a surplus, the creditor will represent the excess pensions funding for the year, which is repayable to the Scottish Government.

## **41. CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

The Force had no Contingent Liabilities or Contingent assets at 31 March 2013.

## **42. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS**

The Force's activities expose it to a variety of financial risks, which principally include:

- Credit Risk – the possibility that other parties might fail to pay amounts due to the Force;
- Liquidity Risk – the possibility that the Force might not have funds available to meet its commitments to make payments;
- Market Risk – the possibility that financial loss might arise as a result of changes in such measures as interest rate movements.

The Force currently contracts Aberdeen City Council to provide treasury management services. The Force has consequently adopted the approach taken by Aberdeen City Council in dealing with treasury management policy and related matters. The Council complies with the CIPFA Prudential Code, and has adopted the CIPFA Treasury Management in the Public Services Code of Practice. The Council maintains written principles for overall risk management, as well as policies covering specific areas including interest rate risk, credit risk, and the investment of surplus cash.

### **Credit Risk**

Whilst the greatest proportion of the Force's financial instruments are held in relatively risk free forms, namely small value bank deposits in a mainstream bank and short term investments held within Aberdeen City Council's loans fund, the invoicing of trade debtors poses the greatest risk of non payment.

The total debtor balance is made up of a number of elements, which are disclosed in Note 18. The total trade debtor's balance at 31 March 2013 amounted to £1.043m (2011-12: £1.080m).

	Amount as at 31 Mar 2013 £000's (A)	Historical experience of default % (B)	Historical experience adjusted for market conditions as at 31 Mar 2013 % (C)	Estimated maximum exposure to default and uncollectability at 31 March 2013 £000 (A X C)	Estimated maximum exposure at 31 Mar 2012 £000
Deposits with bank	0	0	0	0	0
Short Term Investment	23,360	0	0	0	0
Debtors*	4,087	0.65%	0.65%	27	27
<b>Total</b>	<b>27,466</b>			<b>27</b>	<b>27</b>

\* Debtors include all amounts due to the Force but exclude prepayments.

The Force does not generally allow credit for customers, such that £0.759m of the £1.043m trade debtors' balance is past its due date of payment. The past due but not impaired amount can be analysed by age as follows:

31 March 2012 £000		31 March 2013 £000	
552	Less than three months		702
5	Three to six months		3
21	Six months to one year		27
39	More than one year		27
<b>617</b>	<b>Total</b>		<b>759</b>

### Liquidity Risk

The Force manages its cash flow through the Treasury Management function of Aberdeen City Council. The Council ensures that the Board has sufficient liquidity to cover all of its payment obligations. This includes monitoring the surplus cash funds to ensure sufficient liquidity is available for the Board's day to day cash flow needs. Given the level of short term investments held by the Force in relation to outstanding liabilities, there is negligible risk that the Force would be unable to meet financial commitments with the financial instruments in place.

The Force has, in the past, borrowed from the Public Works Loan Board (PWL) to finance capital expenditure. The current balance of loans outstanding amounts to £8.124m (2011-12: £8.124m), with an interest payment of £0.211m (2011-12: £0.213m) also due. All the loans have fixed interest rates, and are repayable upon set maturity dates.

The Force currently receives annual support from the Scottish Government and the Constituent Authorities to repay interest charges and a proportion of the principal loan debt. This is set aside and held as a short term investment until such time as the loan debt has to be repaid to the lender.

The maturity analysis of financial liabilities is as follows:

2011-12 £000		2012-13 £000
0	Less than one year	386
386	Between one and two years	964
2,791	Between two and five years	1,827
4,947	More than five years	4,947
<b>8,124</b>	<b>Total</b>	<b>8,124</b>

All trade and other payables are due to be paid in less than one year. The Force does not have investments with a maturity date beyond one year.

## Market Risk

### Interest rate risk

The Force is exposed to potential changes in interest rate movements. Whilst all of the PWLB loans are at a fixed rate, the return on investments held in Aberdeen City Council's loans fund is based upon a variable rate. Movements in interest rates have a complex impact on the Force. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise.
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- investments at fixed rates – the fair value of the assets will fall.

Low interest rates continue to impact upon the level of income generated from investments. The interest rate applied by Aberdeen City Council to the Force's short term investments at 31 March 2013, was 0.5% (equivalent to the base rate).

The following table illustrates the consequences if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

2011-12 £000		2012-13 £000
	Increase in interest payable on variable rate	
0	borrowings	0
	Increase in interest receivable on variable rate	
175	investments	202

The impact of a 1% fall in interest rates would be as above but with the movements being reversed. A 1% fall would have resulted in a negative interest rate of 0.5% in 2012-13.

**Price Risk**

The Force does not invest in equity shares.

**Foreign Exchange Risk**

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



## GLOSSARY OF TERMS

The glossary is provided to assist the reader with an explanation of terms used within this document.

**Accounting Policies** - Those principles, bases, conventions, rules and practices applied by the Authority, that specify how the effects of transactions and other events are to be reflected in its financial statements through: i) recognising, ii) selecting measurement bases for, and iii) presenting assets, liabilities, gains, losses and changes to reserves.

**Accrual** – The recognition, in the correct accounting period, of income and expenditure as it is earned or incurred, rather than as cash is received or paid.

**Actuarial Gains and Losses** – For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because events have not coincided with the actuarial assumptions made for the last valuation (experience gains or losses) or the actuarial assumptions have changed.

**Actuarial Valuation** - A valuation of assets held, an estimate of the present value of benefits to be paid, and an estimate of required future contributions, by an actuary, on behalf of a pension fund.

**Amortised Cost** - A mechanism that measures the real cost each year associated with entering into a financial liability. The carrying amount of some assets and liabilities in the Balance Sheet will be written down or up via the CI&E Statement over the terms of the instrument.

**Asset** – An item which has a value that extends beyond a period of one year.

**Assets Held for Sale** – Are assets previously used in the provision of services, which are now available for immediate sale. The assets are being actively marketed and a sale is probable.

**Balance Sheet** - A summary of all the assets and liabilities of the Force.

**Budget** - A statement of the Force's financial plans. The budget is approved by the Joint Police Board prior to the start of each financial year and is used to monitor and control actual expenditure throughout the year.

**Capital Adjustment Account** – An account which accumulates the write-down of the historical cost of fixed assets as they are consumed by depreciation and impairments or written off on disposal. It also accumulates the resources that have been set aside to finance capital expenditure.

**Capital Expenditure** – Expenditure incurred purchasing or enhancing fixed assets (prolonging the expected life or adding to its overall value).

**Capital Financed from Current Revenue** – Contribution from the Revenue Account to finance capital expenditure.

**Capital Financing Requirement** – A measure defined by the Prudential Code of the Force's level of borrowing for capital purposes.

**Capital Grant** – Grant funding provided by Government and used to finance capital expenditure.

**Capital Receipts** – The proceeds from the sale of a fixed asset.

**Cashflow Statement** – This summarises the inflows and outflows of cash during the financial year.

**Creditors** – Individuals or organisations to whom the Force owes money (may also be referred to as "Trade and other payables").

**Current Assets and Liabilities** – These include assets that can be readily converted into cash. Current liabilities are items that are usually payable within one year of the balance sheet date.

**Current Service Costs (Pensions)** – The increase in the present value of a defined benefit pension scheme's liabilities expected to arise from the employee service in the current period.

**Debtors** – Individuals or organisations who owe the Force money at the end of the financial year (may also be referred to as "Trade and other receivables").

**Defined Benefit Scheme** – A pension scheme where the benefits payable upon retirement are linked to final years' salaries, rather than the total contributions paid.

**Depreciation** – An annual charge to reflect the extent to which an asset has been worn out or consumed during the financial year.

**Emoluments** - All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by either employer or employee are excluded.

**Expected Rate of Return on Pension Assets** – For a funded defined benefit pension scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

**Fair Value** – This is the amount for which an asset could be exchanged or a liability settled by knowledgeable parties in the arms length transaction. For many financial instruments fair value will be the same as the outstanding principal amount.

**Finance and Operating Leases** – A Finance Lease transfers all of the risks and rewards of ownership of a fixed asset to the lessee. If these leases are used, the assets acquired have to be included within the fixed assets in the Balance Sheet at the market value of the asset involved. With an Operating Lease the ownership of the asset remains with the lessee and an annual rent is charged.

**Financial Instrument** – A financial instrument is defined as any contract that gives rise to a financial asset of one entity and a financial liability of another. The term covers both financial liabilities and financial assets, and includes the borrowing, lending, soft loans, financial guarantees and bank deposits of the Force.

**Financial Year** – A period of twelve months commencing 1st April and ending on 31 March.

**General Reserve** – Monies set aside by the Force that do not fall within the definition of provisions and are available to deal with unforeseen events that might arise.

**Government Grants** - Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to a Force in return for past or future compliance with certain conditions relating to the activities of the Force.

**Impairment** – A diminution in value of fixed assets resulting from obsolescence, physical damage or general market conditions.

**Intangible Assets** - Non-financial fixed assets that do not have physical substance but are identified and controlled by the Force through custody and legal rights.

**Interest Income** – The money earned from the investment of surplus cash.

**Interest Costs (Pensions)** – For a defined benefit pension scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

**Inventories** - The amount of unused or unconsumed stocks held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises

**Investment Properties** – Land and buildings that are held for capital gain and / or rental income and not for the provision of services.

**Liabilities** – Amounts payable to individuals or organisations.

**Net Book Value** – The amount at which fixed assets are included in the Balance Sheet, which should relate to their net worth at the period end.

**Net Current Replacement Cost** - The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

**Non Current Assets** – Tangible assets that generate economic benefits beyond the period of one year.

**Non Distributed Costs** – This includes overheads that cannot be charged or apportioned to activities within the normal Service Expenditure Analysis.

**Out-turn** – The actual expenditure incurred and income generated.

**Past Service Cost** – For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or change to, retirement benefits.

**Prior Period Adjustments** - Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is of such significance as to destroy the validity of the financial statements. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

**Provision** – A liability of uncertain timing or amount.

**Prudential Code** – This Code sets out the conditions for responsible borrowing and investing activities. The Force complies with the code by setting and observing a range of prudential indicators covering the level of capital expenditure, the cost of borrowing and level and structure of its debt.

**Related Party** – This includes those individuals or entities who have the potential to influence or control the activities of the Force.

**Reserves** - Amounts set aside to cover general expenditure needs in the future.

**Revaluation Reserve** – Records the accumulated gains associated with fixed assets held by the Force. It is debited with the part of the depreciation charge for the asset relating to the revaluation. Any balance on this account is written back to the Capital Adjustment Account upon disposal of the asset.

**Revenue Expenditure** - Spending on day to day items, including salaries, premises costs and supplies and services.

**Scheme Liabilities** – The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employee is committed to provide for service up to the valuation date.



