

**Sussex Police Authority**

**Statement of  
Accounts**

**2007-08**



# Sussex Police Authority

## Members of the Police Authority 1 April 2007 to 31 March 2008

Mr Lionel Barnard	Chairman	Mr Peter Jones
Dr Laurie Bush	Vice Chairman	Mr John Mortimer
Mr Ken Bodfish OBE	<i>To June 2007</i>	Mr Alan Price JP
Mr Peter Bratton		Mr David Rogers OBE
Prof Gordon Bull		Mrs Carole Shaves MBE, JP
Margaret Collins DL		Mr Geoffrey Theobald OBE <i>From June 2007</i>
Mr Ben Duncan	<i>From June 2007</i>	Mr Robert Tidy
Mr Mark Dunn	<i>To June 2007</i>	Mr Steve Waight
Mr Faizul Faiz		Dr Roma Walker
Dr Sue Iles-Jonas JP		

---

## The Chief Constable and Chief Officers of the Police Authority

Mr Martin Richards QPM (from 1 October 2007)	Chief Constable Police Headquarters Lewes BN7 2DZ
Dr John Godfrey MA DPhil	Chief Executive County Hall Lewes BN7 1SW
Mr Bryan Robinson BA(Hons) CPFA	Treasurer County Hall Chichester PO19 1RQ
Mr Joe Edwards QPM (until 30 September 2007)	Chief Constable Police Headquarters Lewes BN7 2DZ

---

# Statement of Accounts 2007-2008

---

<b>Contents</b>	<b>Page</b>
About Sussex Police Authority	2
Introduction	3
Treasurer's Foreword	4
Statement of Responsibilities	9
Annual Governance Statement	10
Independent Auditors' Report	11
Accounting Policies	13
Income & Expenditure Account	17
Statement of Movement on the General Fund Balance	18
Statement of Total Recognised Gains and Losses	19
Balance Sheet	20
Cash Flow Statement	21
Notes to the Accounts	22
Pension Fund Account Statements	38
Notes to the Annual Governance Statement	40
Glossary of Financial Terms	47



# About Sussex Police Authority

This section provides an overview of Sussex Police Authority.

Sussex Police Authority exists to secure the maintenance of an efficient, effective and locally accountable police force for Sussex. While the responsibility for delivering policing services lies with the Chief Constable, responsibility for monitoring – on behalf of local people, businesses and communities - rests with the Police Authority. Sussex Police Authority sets the strategic direction for policing in Sussex and holds the Chief Constable to account for the policing service delivered to the people of East and West Sussex and Brighton and Hove.

## Responsibility for policing Sussex is a tripartite arrangement between:

<b>The Home Secretary</b>	who is responsible to Parliament for providing policing services throughout England and Wales;
<b>Sussex Police Authority</b>	which has statutory duties to ensure efficient and effective police services in Sussex; and
<b>The Chief Constable</b>	who has operational responsibility to ensure that the aims of the Home Secretary and the Police Authority are implemented.

## Who are the Members?

Sussex Police Authority consists of 17 members. Nine are Councillors, elected to East and West Sussex County Councils and Brighton and Hove City Council, and appointed to the Police Authority to reflect the political balance of those authorities. Three members are serving Sussex magistrates and the remaining five are independent members appointed by the Police Authority after a rigorous selection process, which in the case of independent members involves the Home Secretary.

## What does the Authority do?

### Agrees the Police Budget

Once the Authority knows how much central Government will contribute towards local policing, the Authority determines how much funding must be raised locally through council tax paid by local residents. Sussex continues to have a low level of council tax for policing compared to other authorities.

### Sets Policing Priorities

Each year, after extensive consultation, the Authority publishes a Local Policing Plan (LPP) consistent with its three year strategy. The LPP sets the direction for policing over the coming year and takes into account the level of available resources.

### Monitors Police Performance

The Authority regularly monitors the financial and operational performance of the Force and its corporate health. Members have frequent contact with staff and police officers of all ranks.

### Directs the Best Value Review Programme

The Authority has a programme to review all police services to ensure that they are efficient, economic and effective. Action plans and targets arising from these reviews are published annually in the Local Policing Plan.

### Works to Reduce Crime and Disorder

The Authority is a statutory member of each of the 13 Crime and Disorder Reduction Partnerships in Sussex. Authority members work both inside and outside these partnerships to facilitate activities designed to reduce crime and disorder and improve the quality of life of residents.

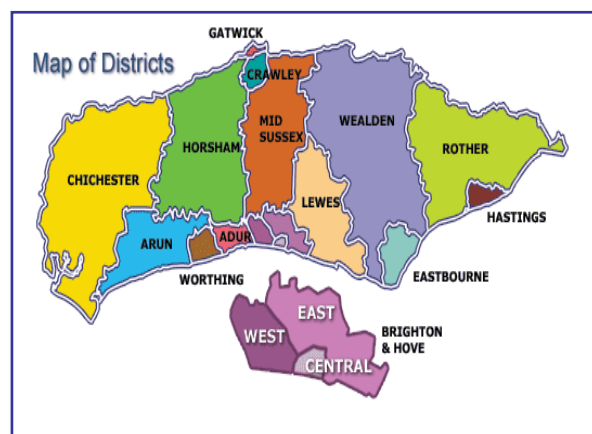
### Consults

The Authority consults local people and stakeholders, in order to establish the community's priorities for the Authority's limited resources. Ways of consulting include public meetings, which take place in every policing district. Dates, times and venues for these meetings are published on the Police Authority website.

### Appoints Chief Officers

The Authority appoints the Chief Constable and his senior team.

## Geographical areas covered by Sussex Police



For more Information, please visit our websites

[www.sussexpoliceauthority.gov.uk](http://www.sussexpoliceauthority.gov.uk)

[www.sussex.police.uk](http://www.sussex.police.uk)

# Introduction to the Accounts

This section provides an overview to the Statement of Accounts and explains the contents.

---

The Statement of Accounts sets out Sussex Police Authority's financial standing and performance for the year ended 31 March 2008.

## 2006-07 Comparative Figures

The SoRP 2007 required a number of changes to the main financial statements. The 2006-07 figures have been restated to aid comparison.

## The Financial Statements

### Statement of Responsibilities - Page 9

This explains the Authority and Treasurer's financial responsibilities and how these responsibilities are properly carried out.

### Annual Governance Statement - Page 10

Sussex Police Authority, with the Chief Constable, is responsible for ensuring that the Authority and Sussex Police's business is conducted in accordance with the law and proper standards. This includes ensuring public money is safeguarded, properly accounted for and used economically and efficiently.

In discharging this duty, the Authority is responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of all its functions. The Annual Governance Statement meets the requirements of the Accounts and Audit Regulations 2003, incorporating the Accounts and Audit (Amendment) (England) Regulations 2006.

### The Audit Report – Page 11

The District Auditor provides an opinion on whether the Authority's accounts present fairly the financial position together with a conclusion on the Authority's arrangements for securing value for money.

### Accounting Policies – Page 13

The Financial Statements are prepared in accordance with the latest Statement of Recommended Practice on Local Authority Accounting (SORP) in the United Kingdom issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the CIPFA/LASAAC Statement of Recommended Practice on "The Application of Accounting Standards (SSAP's) to Local Authorities in Great Britain".

### The Income and Expenditure Account – Page 17

This shows a summary of the resources generated and consumed by the Authority in a year.

### The Statement of the Movement on the General Fund Balance – Page 18

This shows a reconciliation of how the balance of resources generated/consumed in the year links in with the statutory requirements for raising Council Tax.

### The Statement of Total Recognised Gains and Losses – Page 19

This statement brings together all of the gains and losses of the Authority for the year and shows the aggregate increase or decrease in its net worth.

### The Balance Sheet – Page 20

The balance sheet shows the assets and liabilities of the Authority at the year end.

### The Cash Flow Statement – Page 21

This shows the sources and application of the Authority's cash during the year.

### Notes to the Accounts – Page 22

Provides additional information to support the figures included in the financial statements.

### Pension Fund Account Statements – Page 38

Shows the inflows and outflows on Police Officer pensions.

### Relationship with other Published Financial Information

The Statement of Accounts supports the details contained in other Sussex Police Authority documents.

Other publications available include :-

- Local Policing Plan for Sussex 2009-2011
- Three year Strategic Plan 2005-2008

**The Statement of Accounts, and other key documents are available from the Police Authority website.**

**[www.sussexpoliceauthority.gov.uk](http://www.sussexpoliceauthority.gov.uk)**

# Treasurer's Foreword to the Statement of Accounts

This section highlights the financial governance roles of the Police Authority and the Treasurer.

---

## Role of Sussex Police Authority

Sussex Police Authority is an independent body that oversees Sussex Police. The Authority provides a vital link between the public and the police to ensure that Sussex has an efficient and effective police service and is managing the police budget proficiently.

As well as setting the budget for the coming year, the Authority also sets annual priorities and targets for Sussex Police taking account of the National Policing Plan. It monitors performance against these priorities and holds the Chief Constable to account for the way the Force is performing. Furthermore, in discharging its important duty to secure best value, the Authority makes sure that the delivery of policing services continues to improve.



Bryan Robinson  
Treasurer

## Role of the Police Authority Treasurer

The Treasurer is the Authority's professional adviser on financial matters. The Treasurer has certain statutory duties in relation to the financial administration and stewardship of the Authority. This statutory responsibility includes securing the production of a statement of the Authority's accounts and maintaining an adequate and effective internal audit function.

The Treasurer is responsible for advising the Police Authority on whether a decision is likely to be considered contrary to or not wholly in accordance with the budget and financial policies.

## The Statement of Accounts

The purpose of this Statement is to provide details of Sussex Police Authority's financial activities for the year ended 31 March 2008. It is intended to be an understandable guide to the activities of the Authority highlighting the financial position, major influences affecting income and expenditure and our financial needs and resources.

The Statement of Accounts show how Sussex Police Authority has applied its funding this year to provide policing services to over one and half million people across East and West Sussex and Brighton and Hove. The following pages provide a commentary on the Accounts, highlighting key issues and other aspects of our financial performance for the year. A summary of the accounts is also available on request.

A handwritten signature in black ink that reads "Bryan Robinson". The signature is written in a cursive, flowing style.

**Bryan Robinson CPFA,  
Treasurer to the Police Authority  
26 June 2008**

**You can get more copies of this document**

**by writing to:-**

**The Chief Constable**  
Sussex Police HQ  
Malling House  
Church Lane  
Lewes  
East Sussex BN7 2DZ

**or contact:**

**Mark Rowe CPFA**  
**Head of Finance**  
Sussex Police  
01273 404609

email: [mark.rowe@sussex.pnn.police.uk](mailto:mark.rowe@sussex.pnn.police.uk)

or visit: [www.sussexpoliceauthority.gov.uk](http://www.sussexpoliceauthority.gov.uk)

# Treasurer's Foreword to the Statement of Accounts

This section highlights some of the more important issues reported in the accounts and comments on issues that have had a major effect on the Authority's finances.

## FINANCIAL OVERVIEW

In February 2007 the Police Authority approved funding for a net revenue budget for 2007-08 of £237.148m, an increase of 4.36% on the budget for 2006-07. The Band D Council Tax was set at £122.67, an increase of 5.99% compared to the relevant figure for 2006-07. This represented the equivalent of a 13p per week increase for a Band D property. The capital programme for 2007-08 was £12.341m, compared to £11.578m for the previous year.

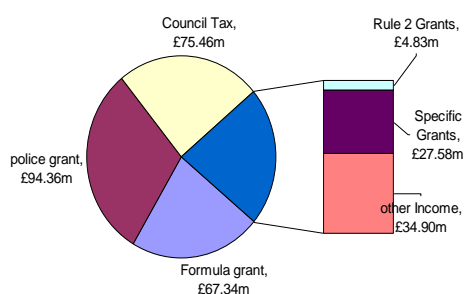
The 2007-08 budget was agreed against a background of threats of council tax capping and a financial settlement insufficient to deliver national and local policing priorities and fund the ongoing high level of commitments and inescapable costs. Whilst the Authority received a 3.6% uplift in Government support for core policing services, balancing the budget was put under further pressure due to the continued impact of reduced and frozen former specific Home Office grants.

Despite relatively low levels of funding, Sussex Police has developed considerably over the last few years. The strong local focus of the organisation is delivering improved performance and public confidence in areas of neighbourhood policing and protective services. All this has been achieved against the backdrop of a low funding base, a strong record on achieving efficiency gains and an already low Council Tax precept.

## Sources of Funding

The majority of police funding comes from the Government in the form of grants and a share of business rate income from the national pool. The remainder is funded by specific Government Grants, Council Tax, Authority reserves and other sources of local income. The gross amount of funding available to the Authority in 2007-08 was £289.69m. The funding burden on local Council taxpayers has steadily increased to a 32% share in 2007-08.

### Sources of Income



## Revenue Expenditure

The following table shows the budgeted and actual spend for 2007-08 broken down by categories of spend net of specific grants.

### Comparison of Budget vs. Actual Net Spend

Description	Annual Budget	Actual	Variance Over/(Under)	
	£000		£000	£000
Employees	183,838	178,431	(5,407)	(2.9)
Premises	13,560	13,683	123	0.9
Transport	8,499	8,873	374	4.4
Supplies and Services	42,187	41,636	(551)	(1.3)
Police Pensions	27,681	27,370	(311)	(1.1)
<b>Gross Expenditure</b>	<b>275,765</b>	<b>269,993</b>	<b>(5,772)</b>	<b>(2.1)</b>
Income	(34,331)	(34,898)	(567)	1.7
<b>Net Expenditure</b>	<b>241,434</b>	<b>235,095</b>	<b>(6,339)</b>	<b>(2.6)</b>
Police Authority	1,334	1,328	(6)	(0.5)
Financial Provisions	(5,620)	(428)	5,192	92.3
<b>Total SPA Net Expenditure</b>	<b>237,148</b>	<b>235,995</b>	<b>(1,153)</b>	<b>(0.5)</b>

Around 87% of the Authority's net expenditure is invested in human resources. The table below shows employee numbers at the end of the financial year.

Staffing in FTE's	2007-08	2006-07
Police Officers	3,118	3,149
Police Staff (inc PCSO's)	2,420	2,471
<b>Total Staffing</b>	<b>5,538</b>	<b>5,620</b>

The income and Expenditure account on page 17 shows the Net cost of services for 2007-08 was £254.8, compared to £253.6m for last year. This is principally due to reduced costs of pension liabilities.

## Efficiency Gains

The Police Authority is committed to providing the resources that will deliver the best possible policing service across Sussex. As part of this commitment, one of our top priorities is delivering our annual efficiency programme. For 2007-08, the Police Authority was required to deliver an annual 3% efficiency saving, of which half must be cash releasing.

Total efficiency gains of £20.315m were achieved. Cashable efficiencies totalled £12.180m whilst non-cashable gains amounted to £8.135m. A cashable surplus of £8.628m over the Home Office target can be carried forward to 2008-09, subject to HM Treasury confirmation.

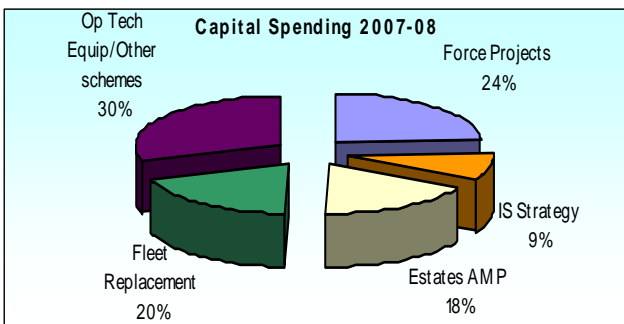
## Capital Expenditure

A capital programme of £12.341m was approved by the Authority in February 2007. The amount available to spend was £16.518m after rolling forward 2006-07 capital slippage, in-year adjustments and transfers approved by the Authority. Spend against the plan was £14.649m. This was mainly funded by Home Office grants of £4.915m, use of reserves of £4.040m, revenue of £3.737m and external funding of £1.917m. The Authority adopts a 3 year strategic approach to capital planning.

### Capital Expenditure Performance 2007-08

	Budget	Actual	(Under)/Over	
	£m	£m	£m	%
Force Projects	3.579	3.521	(0.058)	(1.62)
IS Strategy	2.079	1.287	(0.792)	(38.09)
Estates	3.009	2.592	(0.417)	13.85
Fleet	2.945	2.907	(0.038)	1.29
Operational & other Equipment	4.906	4.342	(0.564)	(11.49)
<b>Total</b>	<b>16.518</b>	<b>14.649</b>	<b>(1.869)</b>	<b>(11.32)</b>

The chart below shows the split between the elements of the Authority's capital programme.



The overall level of slippage in capital spending was 11.32% in 2007-08. Work on elements of the Force IS Strategy has been affected by unforeseen project delays.

A more detailed view of the total spend on approved capital programme schemes is set out in the table below

### Change in Capital Spend

Scheme	2007-08	2006-07	Movement
	£m	£m	£m
Estates	2.592	1.547	1.045
Vehicles	2.907	2.725	0.182
Projects	3.521	2.931	0.590
IS Strategy	1.287	2.975	(1.688)
Equipment	4.342	1.677	2.665
<b>Total</b>	<b>14.649</b>	<b>11.855</b>	<b>2.794</b>
Grants	4.915	4.705	0.210
Reserves	4.040	2.497	1.543
Receipts	0.040	0	0.040
External	1.917	1.170	0.747
Revenue	3.737	2.483	1.254
Borrowing	0	1.000	(1.000)
<b>Total</b>	<b>14.649</b>	<b>11.855</b>	<b>2.794</b>

## Reserves

Total Police Authority reserves now stand at £54.610m, an increase of £10.886m from 2006-07.

### Summary of Reserves 2007-08

Reserve	As at 31 March 2007	Outflow	Inflow	As at 31 March 2008
	£m			£m
Earmarked	37.430	(10.729)	20.949	47.650
General	6.294	0	0.666	6.960
<b>Total</b>	<b>43.724</b>	<b>(10.729)</b>	<b>21.615</b>	<b>54.610</b>

The Financial Strategy sets a target for the general reserve equivalent to 2.5% of the net revenue expenditure. The balance at 31 March 2008 is 2.56% of net budgeted revenue expenditure for 2008-09.

For more details on our reserves see page 28.

## Treasury Management

Treasury Management covers borrowings, investment, interest rate exposures, cash balances, cash flow forecasting and banking relationships. CIPFA has published a Code for Treasury Management in Local Authorities. Sussex Police Authority has adopted the Code as part of its financial regulations.

To comply with the recommendation of the Code, treasury management operations are carried out within an annually approved policy statement that formalises the Treasury Management Strategy for the year.

### Lending

The Police Authority continues to be mainly a temporary lender, due to its reserves and the timing of grant and precept income. The daily average lending for 2007-08 was £66m, compared with £57m in 2006-07.

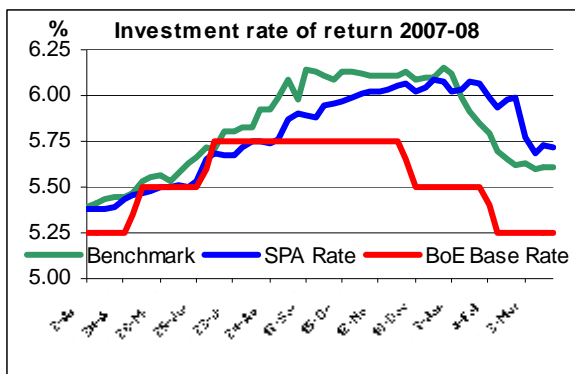
### Borrowing

In line with the Prudential Code, the Authority continued to undertake long-term borrowing to finance part of the capital programme. The Authority's total long-term debt is £4.5m at 31 March 2008. Interest payable to the Public Works Loan board amounted to £201k in 2007-08, representing an average interest rate of 4.47%

Temporary borrowing occasionally takes place to cover day-to-day cash shortfalls. The average temporary borrowing portfolio for the year was £90,000 and the interest paid was £5,000. This equates to an average interest rate of 5.77%.

### Return on Investment

The overall return for 2007-08 of 5.82% failed to meet the Barclays Money Market Fund benchmark of 5.83% by 0.01%. The reason for the failure to achieve the benchmark was due to the underperformance of fixed-term investments arranged during the first half of 2007-08, when interest forecasts were not predicting levels in excess of 6.25%, as seen in the height of the "credit crunch".

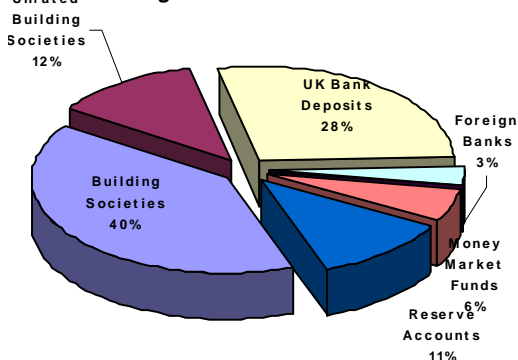


The Treasury Management Policy Statement estimated the Authority would receive investment interest income of £2.5m, representing an average interest rate of 5.25% on an assumed portfolio of £48.9m. Investment interest received in 2007-08 was £3.8m. The additional income received in year is represented by both the higher than estimated average portfolio and actual rate of return.

The Authority's Treasury Management Strategy and Prudential Indicators approved in February 2007 allows for £12.5m of the Authority's total portfolio to be invested for longer than one year. As a result three new long-term investments were arranged during 2007-08 to capitalise on the higher rates available than those for short-term investments.

A sum of £3.0m was invested for 3 years at a fixed annual interest rate of 5.15%, the bank having the option to repay the deposit semi-annually with interest paid on maturity. A total of £3.2m was invested for 18 months at a fixed interest rate of 5.45%. This brings the Authority's long-term investment portfolio to £8m.

**Average Investment Portfolio 2007-08**



A treasury management financial instruction sets out the detailed procedures to be followed in carrying out the treasury policy of the Authority to ensure compliance with the Treasury Policy Statement and Treasury Management Strategy for the year.

**Pensions**

Sussex Police Authority operates two separate pension schemes for Police Officers and a separate scheme for Police Staff.

Although benefits will not actually be payable until an employee retires, the Authority has a future commitment to make these payments. Under Financial Reporting Standard 17 (FRS17), the Authority is required to disclose this future commitment based on the full cost calculated at the time employees become eligible to retire. This future net liability and annual current cost, as calculated by an independent actuary, together with the actual payment made, are set out in the following table.

**Total Pension Costs and Future net Liability**

	Officers	Staff	Total
	£m	£m	£m
Current Cost	43.341	8.570	51.911
Future net Liability	1,253.830	17.870	1,271.700

See notes 32(a) to 32(e) for more information.

**Looking Ahead**

In setting future years' budgets and reviewing financial performance, the Authority must take account of external pressures on funding alongside the long-term implications of Home Office operational targets and service priorities.

• **The 2008-09 Revenue Budget**

The 2008-09 budget has been shaped by national and local priorities - and the targets necessary to deliver them. "Keeping you Safe" is a significant and demanding priority involving the enhancement of protective services. Protective services encompasses the tackling of serious & organised crime, protecting vulnerable people and countering terrorism.

• **Implications for Future Years**

The police funding outlook for the period to 2011 is considerably tighter under the 3 year Comprehensive Spending Review (CSR) settlement. This confirmed future grant funding increases of 2.5% each year.

The Home Office has advised that, under their early settlement with the Treasury, "The three years from 2008-09 will be a key period of change. Police authorities will be expected to improve service standards, deliver efficiency savings, and raise capability while maintaining acceptable precept levels."

Future grant levels are fixed at 2.5% - below projected levels of inflation. Sussex's underlying net annual budget requirement over the past three years has been between 3.8% and 4.9% annually.

Prudent financial management will be required in what is likely to be a demanding period. The Chief Constable has put in place a strategic change management programme, intended to enhance neighbourhood policing, closer working with Surrey in protective services and make best use of available resources.

A second initiative, the "Challenge Programme", has been put in place specifically to identify a range of savings to meet the future gap in funding. The programme has delivered £6m of savings in 2008-09 with a further £4m planned up to 2011. These savings have not been subject to the external audit of the 2007/08 accounts.

Future funding requirements and essential service changes are considered during the preparation of each year's budget, and given early attention through service planning, budget setting and the Medium Term Financial Forecast (MTFF).

The purpose of the MTFF is to act as a foundation for the production of revenue and capital forecasts against an assessment of the financial pressures faced by the Authority over the medium-term.

For the period 2008-09 to 2010-11, the headline MTFF is set out in the table below.

#### Medium Term Financial Forecast

	2008-09	2009-10	2010-11
	£m	£m	£m
Revenue Spending	244.744	251.678	258.821
<b>Funding</b>			
Government Grant	165.669	169.810	174.056
Council Tax	79.540	82.268	85.165
<b>Indicative Council Tax Impact</b>			
Equivalent Band D Council Tax a year	£128.16	£132.00	£135.96
Police Authority Precept (indicative)	4.48%	3.00%	3.00%
Increase per week	11p	7p	8p

*Note: The future year's Council Tax rises shown in the table are purely indicative at this stage and are subject to further consideration by the Police Authority each February*

The MTFF does not represent a committed budget but provides a framework within which consultation can be undertaken and decisions made regarding future service provision and Council Tax levels.

The MTFF is informed by:

- a financial planning model which provides the ability to assess the impact of 'key variables' on the Authority's net expenditure over a three year period; and
- the Local Policing Plan containing details of service priorities and development, revenue and capital investment requirements, pressures faced and any areas where efficiencies can be made.

# Statements of Responsibilities

This section explains the Authority's responsibility for its financial affairs and how it ensures these responsibilities are properly carried out.

## POLICE AUTHORITY RESPONSIBILITIES

### The Police Authority is required:

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

## THE TREASURER'S RESPONSIBILITIES

### The Treasurer is responsible for:

- the preparation of the Authority's statement of accounts;
- presenting fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2008; and
- complying with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code").

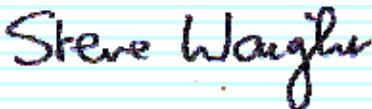
### In preparing the Statement of Accounts, the Treasurer has:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the Code and its application to Police Authority accounting.

### During the year, the Treasurer has also:

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

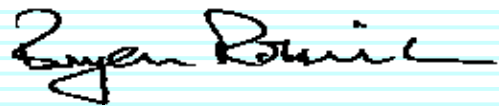
I certify that these accounts were approved on behalf of Sussex Police Authority by the Corporate Governance Committee at the meeting on 26 June 2008.



**Steve Waight**  
Chairman  
Corporate Governance Committee

26 June 2008

I certify that the Statement of Accounts presents fairly the financial position of the Sussex Police Authority at 31 March 2008 and its income and expenditure for the period then ended.



**Bryan Robinson CPFA,**  
Treasurer  
Sussex Police Authority

26 June 2008

# Annual Governance Statement

This statement sets out how the Authority complies with the requirements of the Framework of Good Corporate Governance.

## 1 . Scope of Responsibilities

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

In discharging this overall responsibility, the Authority is also responsible for putting in place proper arrangements for the governance of its affairs and facilitating the exercise of its functions, which includes ensuring a sound system of internal control is maintained through the year and that arrangements are in place for the management of risk.

The Authority has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework: *Delivering Good Governance in Local Government*.

## 2 . The Purpose of the Governance Framework

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

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

The governance framework has been in place at The Authority for the year ended 31 March 2008 and up to the date of approval of the annual report and Statement of Accounts.

## 3 . The Governance Framework

The Chief Constable of Sussex Police is responsible for operational policing matters, the direction and control of police personnel, and for putting in place proper arrangements for the governance of the Force. The Authority is required to hold the Chief Constable to account for the exercise of those functions and those of the persons under his/her direction and control. It therefore follows that the Sussex Police Authority must satisfy itself that the Force has appropriate mechanisms in place for the maintenance of good governance, and that these operate in practice.

The review for the 2007-08 statement was prepared by the Force's Corporate Development Department under the guidance of the Director of Resources.

The Corporate Governance Committee has been briefed at intervals on the progress of the Statement, as has the Force's Organisational Development Meeting. The identified areas for control have been agreed as valid by all parties.

## 4 . Review of effectiveness

The Authority has responsibility for conducting, at least annually, a review of the effectiveness of the governance framework, including:

- the system of internal audit
- the system of internal control.

This review has been completed / informed by the work of the Corporate Development Department, internal auditors, and also managers within the Authority who have the responsibility for the development and maintenance of the governance environment. In addition comments made by the Audit Commission and other review agencies and inspectorates have informed this review.

## 5 . Significant governance issues

There were no significant issues identified from the 2007-08 review. However, the review recommended that the following areas of concern are explored for development and improvement;

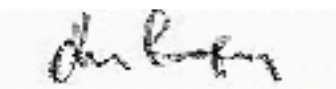
- Work is required to improve the Force's complicated meeting structure and decision-making process;
- Work is required to develop the Force's internal performance regime and align it with APACS (Assessments of Policing and Community Safety);
- Work is required to embed the vision and values across the Force through an internal communications strategy;
- Police Officer retention and the working group established under the direction of an Assistant Chief Constable to instigate measures to seek to reduce the number of officers transferring to the Metropolitan Police Service;
- Improved engagement with the risk management process; and
- Monitoring compliance with recommendations made in external inspection reports.

## 6 . Certification

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Authority's Corporate Governance Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.



Lionel Barnard, Chairman - Sussex Police Authority



John Godfrey, Chief Executive - Sussex Police Authority



Martin Richards, Chief Constable - Sussex Police

26 June 2008

# Independent auditors' report to Sussex Police Authority

This report explains the Auditor's responsibility for providing an opinion that the Statement of Accounts presents fairly the financial position of Sussex Police Authority

---

## Opinion on the financial statements

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

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

## Respective responsibilities of the Treasurer and auditors

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

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

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

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

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

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

## Basis of audit opinion

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

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

### Opinion

In my opinion:

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

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

**Helen Thompson, District Auditor**  
44-45, West Street, Chichester, West Sussex, PO19 1RP.

**30 September 2008**

## Conclusion on Arrangements for Securing Economy, Efficiency and Effectiveness in the Use of Resources.

### Authority's Responsibilities

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

### Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources.

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

### Conclusion

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

### Certificate

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

**Helen Thompson, District Auditor**  
44-45, West Street, Chichester, West Sussex, PO19 1RP.

**30 September 2008**

# Accounting Policies

This section summarises the policies and codes of practice we comply with to prepare these accounts.

## General Principles

The Statement of Accounts summarises the Authority's transactions for the 2007-08 financial year and its position as at 31 March 2008. The Accounts are prepared in accordance with the Code of Practice on Local Authority Accounting for 2007 (SoRP) and the 2007 Best Value Accounting Code of Practice (BVACOP) both issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

## Changes for 2007-08

The 2007 SoRP and the BVACOP include the following changes which have been incorporated in the Statement of Accounts.

### Capital Accounting changes

- A Revaluation Reserve and Capital Adjustment Account replace the former Fixed Asset Restatement Account (FARA) and Capital Financing Account (CFA).
- The balance on the FARA and CFA have been amalgamated together to form the opening balance on the Capital Adjustment Account. The Revaluation Reserve has a zero balance as at the 1 April 2007. Further details on the use of these new accounts can be found under the 'Reserves' accounting policy.
- The net book value of Land & Buildings as at 31 March 2007 became the current value of Land & Buildings on that date. The brought forward cost as at 1 April 2007 was the closing net book value as at 31 March 2007. The accumulated depreciation brought forward was reduced to nil. These changes have had no overall effect on the value of the assets held
- From 1 April 2007 depreciation on the historical cost of an asset is posted to the Capital Adjustment Account. Depreciation on the re-valued amount of an asset is posted to the Revaluation Reserve.

### Financial Instruments

- The 2007 SoRP introduces the requirement for the Authority to account for Financial Instruments in line with FRS 25 'Financial Instruments: Presentation and Disclosures', FRS 26 'Financial Instruments: Recognition and Measurement' and FRS 29 'Financial Instruments: Disclosures'.
- The accounting policies adopted for Financial Instruments are disclosed below. The additional disclosures can be found at note 34.
- The balance sheet has been restated to show Investments and long term borrowing at amortised cost. This has resulted in interest accruals being included within these balances rather than within debtors and creditors.

## Best Value Accounting

The Income and Expenditure account on page 17 has been compiled in accordance with the Best Value Accounting Code of Practice 2007 (BVACOP).

## Employee Costs

The full cost of employees is charged in the Income and Expenditure account for the period in which the employees worked. Accruals have been made for salaries earned but unpaid at the year end. Where retrospective adjustment or special payments have been identified these have been charged to the Income and Expenditure account.

## Accruals of Income and Expenditure

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

- Fees, charges and rents due from customers are accounted for as income at the date the Authority provides the relevant service.
- 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 stock on the balance sheet.
- Works of a capital nature are charged as expenditure when they are completed, before which they are carried as Assets under Construction on the balance sheet.
- Interest payable on borrowing and receivable on investments is accounted for in the year to which it relates, on a basis that reflects the overall effect of the loan or investment.
- Where income and expenditure has 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.

## Stock and Work in Progress

All stock and work in progress are shown at cost. All other expenditure on stock and stores is charged to the revenue account in the year of purchase. The present basis of showing stock and Assets under Construction does not comply with SSAP9. This requires stock and Assets under Construction to be shown at the lower of cost or net realisable value. The difference between cost and net realisable value is not deemed to be material.

## Fixed Assets

The Balance Sheet shows assets at valuation plus additions for the capital expenditure in the year and revaluations, less disposals and depreciation. The value is shown for the purposes of capital accounting

requirements and does not purport to represent the market value of assets owned by the Authority.

Fixed assets are accounted for on an accruals basis.

The Authority's assets have been valued on the following basis:

- Operational properties are valued at existing use value;
- Operational specialised properties such as police stations are valued at Depreciated Replacement Cost;
- Non-operational properties such as police houses are valued at open market value;
- Land is valued at existing use value;
- Vehicles, plant and equipment are brought into the accounts at cost. Existing assets are shown at a written down historic cost.

In accordance with FRS 11 'Impairment of fixed assets and goodwill', the Balance Sheet includes the impact from the valuation of enhancements and impairments to buildings.

The Authority has the following de-minimis limits. Items below these amounts are charged to the Income and Expenditure Account.

▪ land and buildings	-	£30,000
▪ IS and other equipment	-	£5,000
▪ vehicles	-	All

These limits have been applied in order to exclude individual assets, or works below these amounts, from the asset register.

## Intangible Assets

This represents expenditure on computer software licences and development. Intangible assets are amortised based upon the estimated consumption of economic benefits. The balance is amortised to the relevant Service Expenditure Analysis (SEA) account. The amortisation basis is reviewed on an annual basis to ensure any impairment is identified.

## Depreciation

Depreciation is charged on certain fixed assets using the straight-line method over the individual estimated life of an asset.

- Buildings - up to 60 Years
- Vehicles - 3, 5 or 10 years
- IS and other equipment - 3 years
- Helicopter - 10 years
- Wireless stations and communication masts - 20 years
- Other Equipment - Individual useful life

Fully maintained property assets generally will be depreciated for up to 60 years to a residual value of 40% at the end of that period.

Depreciation on the historical cost of an asset will be posted to the Capital Adjustment Account. Depreciation on the re-valued amount of an asset will be posted to the Revaluation Reserve.

## Capital Receipts

Capital receipts arise from the disposal of property and other assets owned by the Authority. Capital receipts less the cost of sale, are used to finance capital expenditure. Further details are shown at note 12.

Capital receipts less than £10,000 are treated as de-minimis and are used to offset revenue spend.

## Reserves

In accordance with the SoRP, the Authority maintains earmarked reserves for future commitments and a general reserve as working balances to meet unforeseen circumstances and fluctuations in annual grant settlements and Council Tax Precepts.

From 1 April 2007, gains on fixed assets revaluations are taken to the Revaluation Reserve. A loss on fixed asset revaluations is only taken to the Revaluation Reserve to the extent of the value of previous gains. Any loss in excess of this value will be charged to the Income and Expenditure Account. Gains or losses arising before 1 April 2007 have been consolidated into the Capital Adjustment Account.

The Capital Adjustment Account accumulates the historical cost of acquiring, creating or enhancing fixed assets over the life of those assets, through the depreciation charged over their useful economic life. It also holds the resources that finance capital expenditure.

The SoRP requires the maintenance of a Revaluation Reserve and a Capital Adjustment Account within the Balance Sheet. These accounts do not form part of the resources available to the Authority. The Authority maintains reserves that are either earmarked for specific purposes or held to meet unforeseen or emergency expenditure. Earmarked reserves will be established from time to time to meet specific expected revenue or capital costs as determined by the Authority. Details of current earmarked reserves are set out in note 26.

The Authority maintains a general reserve to meet unforeseen or emergency expenditure which cannot be contained within the approved budget. The Financial Strategy sets a target for the level of the general reserve of 2.5% of net budgeted expenditure.

Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the Income and Expenditure Account.

The reserve is then appropriated back into the Statement of Movement on the General Fund Balance to ensure there is no impact on the council tax.

## Precept Income

Precept income from relevant local councils is fixed for the year and not subject to revision. See page 22 note 2.

## Pensions

The Authority operates funded schemes for Police staff (administered by West Sussex County Council) and two unfunded schemes for Police officers.

Contributions are determined on the basis of rates that are set to meet 100% of the liabilities of the pension fund, in accordance with relevant Government regulations as assessed by independent actuaries. As a result, the contributions being paid by the Authority are different from its pension costs (the current service cost) determined under the accounting requirements of SSAP24, 'Accounting for Pension Costs'.

The Authority has complied with arrangements for FRS17, 'Retirement Benefits' and has charged the current pension cost to the Income and Expenditure account and has disclosed as a note the total liability for each of the two pension schemes in which it participates.

The current cost of Police officers and Police staff pensions are allocated in the Income and Expenditure Account.

## Grants

Home Office grant income is brought into the accounts on the basis of the relevant percentage of eligible expenditure for the year together with any adjustments relating to the previous years' accounts. Revenue Support Grant and the income from business rates are included at the amount notified and paid to the Authority by the Communities and Local Government department.

Specific revenue grants are matched in the Income and Expenditure Account alongside the service expenditure to which they relate.

Grants to cover general expenditure are shown on the Income and Expenditure account as a funding source for net operating expenditure.

## Costs of Support Services

Overhead costs of management and administration are reflected in the Income and Expenditure Account. These have been recharged proportionately.

## Redemption of Debt

The Authority is able to finance a proportion of its capital investment through borrowing. The opportunity to finance capital expenditure in this way has increased through the flexibilities provided by the Prudential Code.

The Income and Expenditure Account is charged with an amount sufficient to ensure that the minimum statutory principal repayment in respect of outstanding debt is repaid. The Income and Expenditure Account also meets all accrued interest costs.

## Private Finance Initiative (PFI)

In 2001 the Authority entered into a long term contractual agreement under PFI. The contractor is responsible for the provision of custody services provided at six sites – Worthing, Brighton, Chichester, Crawley, Eastbourne and Hastings.

The PFI scheme is required to meet conditions set out in FRS5 – reporting of substance of transactions. Professional advice has been provided on the proper accounting treatment. The contract provides for the transfer of assets to the Authority at the completion of the contract for a nominal consideration. The accounts reflect the accumulated cost of the residual value of the assets from the start of the contract.

## Group Accounts

Sussex Police Authority does not have Group Accounts as defined by the SoRP.

## Trust Funds

Sussex Police Authority does not hold any Trust Funds as defined by the SoRP.

## Minimum Revenue Provision

This is the amount charged to revenue in compliance with the statutory requirement to set aside a minimum revenue provision for the repayment of external loans. The statutory amount is 4% of the Authority's capital financing requirement. Additional amounts can be set aside for the repayment of external loans.

## VAT

The Authority is able to reclaim VAT from Her Majesty's Revenue and Customs under certain conditions. The Income and Expenditure Account only includes amounts related to VAT which are not recoverable.

## Operating Leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the Income and Expenditure Account on a straight-line basis over the term of the lease.

## Fixed Asset Adjustments

Fixed assets have been adjusted for assets that should not have been included in last years balances.

The 2007-08 restated values have been taken into account in the preparation of the Statement of Total Recognised Gains and Losses.

## Financial Instruments

Financial assets and liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of the instrument.

### Financial Assets

Financial assets can be 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 a fixed or determinable payments

The Authority does not hold any assets available for sale.

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account 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 Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal and interest receivable. Interest credited to the Income and Expenditure Account 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 Income and Expenditure Account.

Any gains and losses that arise on the de-recognition of the asset are credited/debited to the Income and Expenditure Account.

- **Financial Liabilities**

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal and interest repayable. Interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

## Income and Expenditure Account for the year ended 31 March 2008

This statement shows income and expenditure incurred by the Authority during the year.

	Note	2007-08			2006-07
		Gross Expenditure	Income	Net Expenditure	Restated Net Expenditure
		£000	£000	£000	£000
Police Services		316,318	(62,348)	253,970	251,695
Corporate and Democratic Core		1,451	(68)	1,383	1,283
Non Distributed Costs		45	(636)	(591)	594
<b>Net Cost of Services</b>	<b>33</b>	<b>317,814</b>	<b>(63,052)</b>	<b>254,762</b>	<b>253,572</b>
Seconded Officers				320	529
(Gain) or Loss on Disposal of Fixed Assets				84	21
External Interest Payable				214	204
Interest and Investment Income				(3,896)	(3,174)
Pensions Interest Cost and Expected Return on Assets	<b>32c</b>			76,275	70,710
Home Office Grant Payable Towards the Cost of Retirement Benefits				(13,580)	(9,464)
<b>Net Operating Expenditure</b>				<b>314,179</b>	<b>312,398</b>
Precepts	<b>2</b>			(75,434)	(71,149)
General Government Grants	<b>31</b>			(104,039)	(102,397)
Non-domestic Rates Redistribution				(57,678)	(53,699)
<b>(Surplus) or Deficit for the Year</b>				<b>77,028</b>	<b>85,153</b>

The 2006-07 comparatives have been amended for the following changes in accordance with the SoRP and the latest CIPFA BVACOP.

- 'Crime' and 'Policing in the Community' service expenditure headings have been consolidated into 'Police Services'.
- The Home Office grant payable towards the cost of retirement benefits, previously included within 'government grants', has now been separately disclosed before Net Operating Expenditure. The Authority's contribution towards the funding of the Police Pension Account deficit is now included within the movements on the Statement of the Movement on the General Fund Balance.
- The Net Cost of Service and the 'Amount by which pension costs calculated in accordance with the SoRP are different from the contributions due under the pension scheme regulations' in the Statement of the Movement on General Fund balance have been increased by £9.464m. These adjustments are to correct the treatment of the Home Office Top-up grant through the FRS 17 liability and reserve. There is no affect on the General Fund balance.

## Statement of the Movement on the General Fund Balance for the year ended 31 March 2008

This statement reconciles the Income & Expenditure Account to the to the movement on the General Fund Balance.

	Note	2007-08	2006-07
		£000	£000
(Surplus) or deficit for the year on the Income and Expenditure Account		77,028	85,153
Net additional amount required by statute and non-statutory proper practices to be debited or (credited) to the General Fund Balance for the year	See tables below	(77,694)	(83,429)
(Increase) / decrease in General Fund Balance for the year	26a	(666)	1,724
General Fund Balance brought forward	26a	(6,294)	(8,018)
General Fund Balance carried forward	26a	(6,960)	(6,294)

Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year.

	Note	2007-08	2006-07
		£000	£000
Amortisation of intangible fixed assets	4c	(1,249)	(1,154)
Depreciation and impairment of fixed assets	4	(9,288)	(9,578)
Downward revaluation of fixed assets	4 & 26d	(7,416)	0
Government grants deferred amortisation	14	5,526	6,159
Net gain or loss on sale of fixed assets		(84)	(21)
Amount by which pension costs calculated in accordance with the SoRP are different from the contributions due under the pension scheme regulations	26c	(94,395)	(95,594)
<b>Total</b>		<b>(106,906)</b>	<b>(100,188)</b>

Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year.

	Note	2007-08	2006-07
		£000	£000
Minimum revenue provision for capital financing	26d	167	132
Capital expenditure charged in year to the General Fund Balance		1,155	692
Additional contribution to the Pension Fund to balance the deficit on the Fund Account	26c	13,580	9,464
<b>Total</b>		<b>14,902</b>	<b>10,288</b>

Transfers to and from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year

	Note	2007-08	2006-07
		£000	£000
Voluntary revenue provision for capital financing	26d	50	0
Net transfer to and (from) earmarked reserves	26a	14,260	6,471
<b>Total</b>		<b>14,310</b>	<b>6,471</b>

<b>Net additional amount required to be credited to the General Fund Balance</b>		<b>(77,694)</b>	<b>(83,429)</b>
--	--	-----------------	-----------------

## Statement of Total Recognised Gains and Losses for the year ended 31 March 2008

This statement brings together all of the gains and losses of the Authority for the year and shows the aggregate increase or decrease in its net worth.

	Note	2007-08	2006-07
		£000	£000
<b>(Surplus) or deficit on the income and expenditure account for the year</b>		<b>77,028</b>	<b>85,153</b>
<b>(Surplus) or deficit arising on revaluation of fixed assets</b>	<b>26d</b>	<b>(10,994)</b>	<b>(8,428)</b>
<b>Actuarial (gains) or losses on pension fund assets and liabilities</b>	<b>26c</b>	<b>(261,541)</b>	<b>(115,013)</b>
<b>Any other (gains) and losses required to be included</b>		<b>1</b>	<b>949</b>
<b>Fixed asset adjustment</b>	<b>4 &amp; 26d</b>	<b>770</b>	<b>(604)</b>
<b>Total recognised (gains) and losses for the year</b>		<b>(194,736)</b>	<b>(37,943)</b>

## Balance Sheet as at 31 March 2008

This statement shows what the Authority owned, what it owes and was owed on 31 March 2008.

	Note	As at 31 March 2008		Restated As at 31 March 2007	
		£000	£000	£000	£000
<b>Intangible Assets</b>	<b>4c</b>		<b>3,648</b>		<b>3,903</b>
<b>Fixed Assets</b>					
Operational Assets					
Land and Buildings	<b>4</b>	106,537		101,732	
Vehicles, Plant, Furniture and Equipment	<b>4</b>	16,387		15,793	
Non-Operational Assets	<b>4</b>	5,995		6,661	
Assets Under Construction	<b>4</b>	143		630	
			<b>129,062</b>		<b>124,816</b>
Long Term Investment	<b>8</b>	8,034		9,305	
Long Term Debtors	<b>5</b>	244		393	
PFI Long Term Debtor	<b>5</b>	4,149		3,053	
			<b>12,427</b>		<b>12,751</b>
<b>Total Long Term Assets</b>			<b>145,137</b>		<b>141,470</b>
<b>Current Assets</b>					
Stock	<b>6</b>	876		741	
Debtors and Prepayments	<b>5</b>	21,421		14,649	
Investments Short Term	<b>7</b>	48,772		40,669	
Cash and Bank		153		221	
			<b>71,222</b>		<b>56,280</b>
<b>Total Assets</b>			<b>216,359</b>		<b>197,750</b>
Less					
<b>Current Liabilities</b>					
Creditors	<b>9</b>	24,352		19,461	
Receipts in Advance	<b>10</b>	118		107	
Bank Overdraft		659		1,978	
			<b>25,129</b>		<b>21,546</b>
<b>Total Assets less Current Liabilities</b>			<b>191,230</b>		<b>176,204</b>
Less					
<b>Long Term Liabilities</b>					
Unapplied Government Grants	<b>13</b>	682		973	
Government Grants Deferred Applied	<b>14</b>	11,285		9,978	
Long Term Borrowing	<b>11</b>	4,541		4,541	
Pension Liabilities under FRS17		1,273,352		1,454,078	
			<b>1,289,860</b>		<b>1,469,570</b>
<b>Total Assets Less Liabilities</b>			<b>(1,098,630)</b>		<b>(1,293,366)</b>
<b>Financed by</b>					
Capital Receipts	<b>12 &amp; 26b</b>	2,649		2,426	
Reserves	<b>26a</b>	54,610		43,723	
Revaluation Reserve	<b>26d</b>	10,749		0	
Capital Adjustment Account	<b>26d</b>	106,714		114,563	
FRS 17 Pension Reserve	<b>26c</b>	(1,273,352)		(1,454,078)	
<b>Total Funding of Net Assets</b>			<b>(1,098,630)</b>		<b>(1,293,366)</b>



**Bryan Robison CPFA**  
Treasurer to the Police Authority

**26 June 2008**

The balance sheet has been restated to show investments and long term borrowing at amortised cost. This has resulted in interest accruals being included within these balances rather than within debtors and creditors.

## Cash Flow Statement for the year ended 31 March 2008

This statement shows the overall movement of cash during the year for revenue and capital.

	Note	As at 31 March 2008		As at 31 March 2007	
		£000	£000	£000	£000
<b>Revenue Activities</b>					
<b>Cash Outflow</b>					
Cash Paid To or On Behalf of Employees		234,189		229,494	
Other Operating Cash Payments		57,648		53,422	
	<b>27</b>		<b>291,837</b>		<b>282,916</b>
<b>Cash Inflow</b>					
Home Office Police Grant	<b>31</b>	(94,359)		(91,839)	
Revenue Support Grant	<b>31</b>	(9,680)		(10,558)	
National Non Domestic Rates		(57,678)		(53,699)	
Precept - Council Tax Income		(75,434)		(71,149)	
Cash Received for Goods and Services		(19,574)		(22,847)	
Other Operating Cash Receipts		(44,506)		(30,388)	
	<b>27</b>		<b>(301,231)</b>		<b>(280,480)</b>
<b>Net Cash Flow</b>	<b>27</b>		<b>(9,394)</b>		<b>2,436</b>
<b>Returns on Investments and Servicing of Finance</b>					
<b>Cash Outflow</b>					
Interest Paid		214		243	
<b>Cash Inflow</b>					
Interest Received		(3,886)		(2,890)	
			<b>(3,672)</b>		<b>(2,647)</b>
<b>Capital Activities</b>					
<b>Cash Outflow</b>					
Purchase of Long Term Investment		0		6,200	
Purchase of Fixed Assets		10,231		10,063	
			<b>10,231</b>		<b>16,263</b>
<b>Cash Inflow</b>					
Home Office Capital Grants		(3,112)		(3,116)	
Sale of Fixed Assets		(263)		(54)	
Sale of Long Term Investment		(1,200)		0	
Capital Credits Unassigned		(1,713)		(2,700)	
			<b>(6,288)</b>		<b>(5,870)</b>
<b>Net Cash Flow Before Financing</b>	<b>28</b>		<b>(9,123)</b>		<b>10,182</b>
<b>Management of Liquid Resources</b>					
Net (Decrease)/Increase in Investments	<b>29</b>	8,020		(8,998)	
			<b>8,020</b>		<b>(8,998)</b>
<b>Financing</b>					
<b>Cash Outflow</b>					
Loans Issued - Long Term Debtors		111		137	
			<b>111</b>		<b>137</b>
<b>Cash Inflow</b>					
New Loans Raised		0		(1,000)	
Loans Repaid - Long Term Debtors		(259)		(323)	
			<b>(259)</b>		<b>(1,323)</b>
<b>Decrease / (Increase) in Cash</b>			<b>(1,251)</b>		<b>(2)</b>

# Notes to the Accounts

This section provides more detail behind some of the items included in the main Accounting Statements.

## 1. Income from Police, Local and Health Authorities

Income from the above organisations under the Local Authority (Goods and Services) Act 1970 amounted to £4.45m in the year. This included the cost of providing mutual aid, secondments, Police Community Support Officers and air support. The figure was £6.18m in 2006-07.

## 2. Precept Information

The tax base for the year 2007-08 is the aggregate of the amounts calculated by the billing authorities to which the Police Authority issues precepts totalling £616,649.09 Band D equivalents.

The basic amount of Council Tax for 2007-08, being the budget requirement less the amounts receivable all divided by the tax base, was £122.67 to the nearest penny.

The amount of Council Tax payable for dwellings listed in a particular valuation band, calculated in accordance with the proportions set out in Section 5(1) of the Act, was as set out in the adjacent table.

Valuation Band	Amount
	<b>£ p</b>
A	81.78
B	95.41
C	109.04
<b>D</b>	<b>122.67</b>
E	149.33
F	177.19
G	204.45
H	245.34

The Brighton and Hove City Council and the District and Borough Councils collectively were due to make payments to Sussex Police for 2007-08, of £75,644,343.87. The following table sets out individual local authority payments due:-

Local Authority	£
<b>Brighton and Hove</b>	11,422,772.79
<b>East Sussex</b>	
Eastbourne Borough Council	4,498,063.56
Hastings Borough Council	3,570,555.69
Lewes District Council	4,605,755.55
Rother District Council	4,724,511.15
Wealden District Council	7,567,328.30
<b>West Sussex</b>	
Adur District Council	2,724,218.56
Arun District Council	7,331,004.54
Chichester District Council	6,287,677.79
Crawley Borough Council	4,271,614.74
Horsham District Council	7,073,164.47
Mid Sussex District Council	6,871,065.64
Worthing Borough Council	4,696,611.09

The Authority actually received £75,433,602.13 for the year due to adjustments of £210,741.74 for collection fund net deficits from the above Councils.

## 3. Government Grants

Specific and general revenue grants are included in the Income & Expenditure Account as income.

Grants towards the cost of capital schemes are charged to Government Grants Deferred. The account is used to offset the depreciation charges on the assets financed by Government grant. Capital grants for specific purposes, are applied as direct sources of finance to the specific projects.

Specific revenue and capital grants relating to 2007-08 are set out in the table below.

Specific Grants	£m
Basic Command Unit	1.212
Crime Fighting Fund	6.209
DNA Expansion Programme	1.664
Police Community Support Officer's and Neighbourhood Policing PFI Grant	6.677
Rural Policing Initiative	0.538
South East Allowance	1.104
Special Priority Payments Grant	1.528
Local Criminal Justice Board Funding	0.161
Dedicated Security Posts	4.460
IPLDP (Probationer Training)	0.549
Home Office Grants	4.987
<b>Total Revenue Grants</b>	<b>32.352</b>
Home Office Capital Grant	3.112
National Barrier Asset Funding	1.715
<b>Total Capital Grants</b>	<b>4.827</b>
<b>Total Specific Grants</b>	<b>37.179</b>

#### 4. Fixed Assets

The balance sheet shows assets at their initial valuation plus additions for capital expenditure in the year and revaluations, less disposals and depreciation. The value is shown for the purposes of capital accounting requirements and does not purport to represent the market value assets.

##### Movements in the Police Authority's fixed assets during the financial year.

	Operational Land and Buildings	Vehicles, Plant, Furniture and Equipment	Non-Operational Assets	Assets under Construction	Total Fixed Assets
<b>Cost</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Gross Book Value as at 1 April 2007</b>	<b>105,016</b>	<b>49,919</b>	<b>6,758</b>	<b>630</b>	<b>162,323</b>
Fixed Asset Adjustment	(770)	0	0	0	(770)
SORP 2007 Adjustments	(3,284)	0	(97)	0	(3,381)
<b>Revised balance as at 1 April 2007</b>	<b>100,962</b>	<b>49,919</b>	<b>6,661</b>	<b>630</b>	<b>158,172</b>
Additions	2,944	7,989	0	141	11,074
Adjustments Transfers	624	4	0	(628)	0
Disposals	0	(12,511)	(270)	0	(12,781)
Upward Revaluation	10,613	0	381	0	10,994
Downward Revaluation	(6,725)	0	(691)	0	(7,416)
<b>Gross Book Value as at 31 March 2008</b>	<b>108,418</b>	<b>45,401</b>	<b>6,081</b>	<b>143</b>	<b>160,043</b>
<b>Depreciation</b>					
<b>Balance as at 1 April 2007</b>	<b>3,284</b>	<b>34,126</b>	<b>97</b>	<b>0</b>	<b>37,507</b>
SORP 2007 Adjustments	(3,284)	0	(97)	0	(3,381)
<b>Revised balance as at 1 April 2007</b>	<b>0</b>	<b>34,126</b>	<b>0</b>	<b>0</b>	<b>34,126</b>
Charged in Year	1,881	7,318	89	0	9,288
Adjustments Transfers	0	0	0	0	0
Disposals	0	(12,430)	(3)	0	(12,433)
Revaluation	0	0	0	0	0
<b>Depreciation as at 31 March 2008</b>	<b>1,881</b>	<b>29,014</b>	<b>86</b>	<b>0</b>	<b>30,981</b>
<b>Net Book Value At 31 March 2008</b>	<b>106,537</b>	<b>16,387</b>	<b>5,995</b>	<b>143</b>	<b>129,062</b>
<b>Net Book Value At 31 March 2007</b>	<b>101,732</b>	<b>15,793</b>	<b>6,661</b>	<b>630</b>	<b>124,816</b>

The physical assets of the Authority as at 31 March 2008 were:

Asset Type	31 March 2008 No.	31 March 2007 No.
Operational Buildings	51	50
Non Operational Buildings	17	18
Vehicles	1,079	1,017
Helicopter	1	1
Radio Masts	7	7

No assets were financed through finance leases. Non-operational assets comprise Police Houses and Worthing Police station (old site).

##### Fixed Asset Adjustment

A fixed asset adjustment has been included for one property asset that was found to be duplicated on the asset register.

##### Depreciation

Depreciation is charged on certain fixed assets using the straight-line method over the individual estimated life of an asset.

- Buildings - up to 60 Years
- Vehicles - 3, 5 or 10 years
- IS and other equipment - 3 years
- Helicopter - 10 years
- Wireless stations and communication masts - 20 years
- Other Equipment - Individual useful life

Fully maintained property assets generally will be depreciated for up to 60 years to a residual value of 40% at the end of that period.

Depreciation on the historical cost of an asset will be posted to the Capital Adjustment Account. Depreciation on the re-valued amount of an asset will be posted to the Revaluation Reserve.

#### 4a. Land and Buildings (including Non-Operational Assets)

The Authority adopts a 3 year rolling valuation programme for Freehold and Leasehold properties. During 2007-08 the Authority awarded a new contract for this service to Wilks Head & Eve as the old contract had expired. As a result of this all of the Authority's property portfolio have been valued as at 01 April 2007.

Properties regarded by the Authority as operational were valued on the basis of Existing Use Value. Where this could not be assessed, because there was no comparable market for the subject asset, Depreciated Replacement Cost has been used. Properties regarded by the Authority as non-operational have been valued on the basis of Market Value.

Upward revaluations on operational land and buildings of £11m have been made in 2007-08 following the annual valuation process. Downward valuations totalling £7.4m and have been charged to the income and expenditure account.

FRS 11 'Impairment of fixed assets and goodwill', requires an annual assessment of impairment to the value of land and buildings. On the basis of a review undertaken by the Force Estates Manager, it is considered that any such impairment would be immaterial to the value.

#### 4b. Vehicles, Plant and Equipment

Vehicle additions have been valued at cost. The figure in the table in note 4 includes plant and equipment that was added during the year at a value of £5.1m. Closing net book value of plant and equipment was £8.9m. This compares to £8.1m in 2006-07.

#### 4c. Intangible Assets

For 2007-08 all expenditure on intangible assets relates to computer software licences and systems development.

Intangible Assets	£000
<b>Balance as at 31 March 2007</b>	<b>3,903</b>
Expenditure in Year	994
Disposal	0
Written Off to Revenue in Year	(1,249)
<b>Balance as at 31 March 2008</b>	<b>3,648</b>

Although disposal is shown as nil, the acquisition value of disposals in 2007-08 was £0.107m, however these had been fully amortised so there is nil effect on the net book value.

#### 4d. Capital Expenditure and Financing

Capital expenditure for 2007-08 totalled £14.649m on the following areas:

Capital Programme area	£000
Estates Strategy	2,592
Replacement Vehicles	2,907
Force Projects	3,521
Information Strategy	1,287
Operational Equipment	4,342
<b>Capital Expenditure</b>	<b>14,649</b>
Capital Grant	3,112
Other Specific Grants	1,803
Capital Receipts	40
Capital Reserve	4,040
Revenue	3,737
External Funding	1,917
<b>Total Capital Financing</b>	<b>14,649</b>

Of the £14.649m actual spend, £12.068m has been capitalised as tangible or intangible fixed assets. £2.581m of the expenditure incurred as part of the capital programme was not capitalised, as it did not meet the criteria for capitalisation. Instead, it was treated as expenditure in the Income and Expenditure account.

The Authority has applied external funding of £1.9m. This was received from the Home Office and Local Authorities during the year and in the prior year, towards specific capital projects. These projects include ANPR, Camera Safety Initiatives, and IS system enhancements.

#### 5. Debtors

The table below shows the Authority debtors:

Debtors	31 March 2008	Restated 31 March 2007
	£000	£000
Amounts receivable	9,769	4,299
Prepayments	1,274	4,318
Accrued Income	10,362	6,013
Other Debtors	16	19
<b>Total Short Term Debtors</b>	<b>21,421</b>	<b>14,649</b>
Car loans	244	393
PFI Long Term Debtor	4,149	3,053
<b>Total Long Term Debtors</b>	<b>4,393</b>	<b>3,446</b>
<b>Total Debtors</b>	<b>25,814</b>	<b>18,095</b>

Amounts receivable comprises invoiced debtors and recoverable VAT due from HMRC. Within amounts receivable are debtors due from Local Authorities and Government Departments & Agencies of £9.365m (06-07: £3.646m)

In 2006-07 Debtors included £0.836m of accrued interest. This is now included within the Investment assets and the above analysis has been restated

## 5a. Private Finance Initiative (PFI)

In 2001 the Authority entered into a long term contractual agreement under PFI whereby the contractor is responsible for the provision of custody services across Sussex for a period of thirty years. The PFI scheme provides four purpose built facilities in Worthing, Chichester, Brighton and Eastbourne. Services are provided at existing facilities in Crawley and Hastings.

The annual unitary charge is £7.4m. The Authority will receive notional credit approvals totalling £39.25m from the Home Office over the life of the arrangement. The Authority receives PFI Grant on an annuity basis. This will be paid at a constant level over the life of the contract.

### ▪ PFI Long Term Debtor

As part of the Authority's PFI contract for custody services, ownership of the four purpose built facilities will transfer to the Authority at the end of the contract for a nominal consideration.

The residual value of the assets is estimated to be greater than the consideration. The Authority must build up the difference over the life of the contract to ensure a proper allocation of payments is made between the cost of custody services and the acquisition of the residual interest. This is in line with Treasury Technical Note 1 (Revised) and has been calculated and accounted for in the Statement of Accounts for 2007-08, as a cumulative long term debtor of £4.149m. This is offset by an equal reserve (see note 26a).

The four PFI custody sites that the Force does not currently own are valued on a three year cycle. In 2007-08 the custody suites were re-valued by Wilks Head & Eve following their appointment as the Authority's valuers. An adjustment to the PFI long term debtor was made based on this valuation.

## 6. Stock

The table below shows the level of stocks held:

Stock	31 March 2008	31 March 2007
	£000	£000
Workshop Stores	157	139
Uniforms and Personal Protective Vest's	594	453
Fuel	114	125
Printing Store	6	5
IS Equipment	5	19
<b>Total Stock</b>	<b>876</b>	<b>741</b>

## 7. Short Term Investments

The Authority invests surplus cash in accordance with its approved Treasury Management Policy and prudential indicators. The Police Authority continues to be mainly a temporary lender, due to the level of its reserves and the timing of grant and precept income.

The lending of surplus funds is managed on a daily basis through brokers and with a limited amount of direct dealing. At 31 March 2008, the Authority's temporary lending was composed of the following:

Temporary Lending	31 March 2008	31 March 2007 Restated
	£000	£000
Money Market Deposits	48,772	40,669

## 8. Long Term Investments

The Authority's Treasury Management Strategy and Prudential Indicators approved in February 2007 allows for up to £12.5m to be invested for longer than one year.

Long Term Investment	31 March 2008	31 March 2007 Restated
	£000	£000
UK Bank Deposits	8,034	9,305

The 2006-07 comparatives for Short and Long Term Investments have been restated at amortised cost in accordance with the SoRP 2007 requirements relating financial instruments. The outstanding balances at the year end now include accrued interest receivable.

## 9. Creditors

The table below shows the Authority's creditors:

Creditors	31 March 2008	31 March 2007 Restated
	£000	£000
Amounts payable	8,861	8,215
Deferred Income	2,667	2,456
Accrued Expenditure	12,792	8,725
Other Creditors	32	65
<b>Total Creditors</b>	<b>24,352</b>	<b>19,461</b>

Amounts payable includes invoiced creditors and amounts payable to HMRC for employee related taxes.

In 2006-07 Creditors included £0.041m of accrued interest payable. This is now included within Long Term Borrowing and the above analysis has been restated

## 10. Cash-in-Hand Pending Investigation

As at 31 March 2008, £0.118m (£0.107m at 31 March 2007) of monies was held by the Force pending ongoing investigations into the rightful ownership.

## 11. Long Term Borrowing

As at 31 March 2008 long term borrowing by the Police Authority comprised £4.5m Public Works Loan Board loans. This was borrowed for capital purposes in line with the CIPFA Prudential Code for Capital Finance.

Long Term Borrowing	31 March 2008	31 March 2007 Restated
	£000	£000
Public Works Loan Board	4,541	4,541

Analysis of Loans by Maturity	31 March 2008	31 March 2007
	£000	£000
Within one year	41	41
More than 20 years	4,500	4,500

The 2006-07 balances have been restated at amortised cost in accordance with the SoRP 2007 requirements relating financial instruments. The outstanding balances at the year end now include accrued interest payable. The accrued interest has been shown separately within the maturity analysis as it is due for payment within one year.

## 12. Capital Receipts

The balance brought and carried forward includes an amount of £0.038m for the provision of a Police box at the proposed new Brighton and Hove Albion football ground.

Capital Receipts	Total £000
Balance as at 31 March 2007	2,426
Receipt from Sales of Assets	263
Applied to Finance Capital Expenditure	(40)
<b>Balance as at 31 March 2008</b>	<b>2,649</b>

## 13. Unapplied Government Grants

Grants have been received from the Home Office and Local Authorities towards specific vehicles, IT system enhancements and equipment. The balance is earmarked to specific schemes in the capital programme.

Unapplied Government Grants	Total £000
Balance as at 31 March 2007	973
Received in Year	3,429
Applied to Capital Investment	(3,720)
<b>Balance as at 31 March 2008</b>	<b>682</b>

## 14. Government Grants Deferred Applied

Government Grants Deferred includes all contributions towards expenditure on Fixed Assets, not just Government Grants as the name suggests. This account is amortised to match the depreciation charged on assets funded from these contributions.

The movements in Government Grants Deferred Applied during the year are as follows:

Government Grants Deferred Applied	Total £000
Balance as at 1 April 2007	9,978
Applied to Capital Investment	6,833
Amortisation Charge for Year	(5,526)
<b>Balance as at 31 March 2008</b>	<b>11,285</b>

## 15. Commitments under Capital Contracts

There were 7 contracts let prior to 31 March 2008 with commitments totalling £0.747m to be paid in 2008-09 and future years.

The Nemesis project, a project being undertaken to improve the Force's crime information system, has a commitment of £0.049m.

The Automatic Number Plate Recognition (ANPR) project. ANPR is a mass surveillance method that uses optical character recognition on images to read the licence plates on vehicles. The commitment on this project is £0.235m.

The National Strategy for Police Information Systems (NSPIS) case and custody project. This is a national project that allows the Authority to take advantage of links into the criminal justice agencies. The commitment on this project is £0.106m.

There was £0.075m committed for the implementation of an advanced, intelligent call-handing system.

The Authority also entered into 3 estates contracts for the installation of a lift at police headquarters for £0.088m, refurbishment of the Slaugham training facility for £0.155m and a generator upgrade at Chichester totalling £0.031m.

## 16. Operating Leases

The Authority holds assets within the asset class of plant and equipment, under operating leases. There is one lease outstanding at 31 March 2008 costing £0.005m per annum. The final payment will be made in July 2010.

## 17. Significant Agency Arrangements

The Authority participated in the National Crime Squad (NCS) and the National Criminal Intelligence Service (NCIS) during 2007-08. Sussex Police provide officers, equipment and assets for use by both organisations.

## 18. Expenditure on Publicity

Expenditure on publicity, which is required to be disclosed by Section 5(1), Local Government Act 1986, is included in the Income and Expenditure Account in the net cost of police services within the respective totals.

A summary of these costs is set out below:

Publicity Costs	2007-08 £000	2006-07 £000
Recruitment advertising	393	370
Publicity costs	161	168

## 19. Employee Remuneration

The Accounts and Audit Regulations (Amended) (England) 2006 requires the disclosure of gross employee remuneration that exceeds £50,000.

Remuneration is defined, by the regulations, as all sums subject to income tax, including taxable expenses, but excluding employee and employer pension contributions. This includes payments of accrued overtime, as well as annual increments, allowances, bonuses and pay awards.

The table below shows the numbers of police officers and police staff paid in excess of £50,000 in 2007-08. The 2006-07 comparatives have been restated following an amendment to the SoRP definition requiring us to report salaries gross of employees pension contributions.

Gross Remuneration £	31 March 2008	31 March 2007 Restated
50,000 - 59,999	242	215
60,000 - 69,999	32	41
70,000 - 79,999	33	32
80,000 - 89,999	7	5
90,000 - 99,999	1	4
100,000 - 109,999	2	0
110,000 - 119,999	0	1
120,000 - 129,999	1	1
130,000 - 139,999	1	0
140,000 - 149,999	0	1
150,000 - 159,999	0	0
160,000 - 169,999	0	0
170,000 - 179,999	1	0
<b>TOTAL</b>	<b>320</b>	<b>300</b>

## 20. Members' Allowances

There are seventeen Members of the Sussex Police Authority. Members' allowances relating to 2007-08 totalled £176,884 (2006-07 - £173,915).

## 21. Implementing the Euro

The Authority continues to consider the potential impact of the introduction of the Euro after the first wave of countries in January 1999. The Authority will make such preparations as may be necessary should the Government decide that the United Kingdom will join in the future. The Authority has neither incurred, nor expects to incur, any significant expenditure in relation to the direct costs associated with the potential introduction of the Euro.

## 22. Related Party Transactions

The Code of Practice on Local Authority Accounting requires Police Authority Members and Officers and Chief Officers of the Force to declare whether they or any member of their immediate family, have had any related party transactions (i.e. significant financial dealings) with the Police Authority during the financial year.

The Chief Executive has written to all Police Authority Members and Officers and Chief Officers of the Force to collect this information. The result is that there are no related party transactions to disclose for 2007-08.

The Authority also has business relationships with the Government and a number of other public organisations, such as local authorities in Sussex. The main organisations are the Home Office, the Communities and Local Government department, and West and East Sussex County Councils. Details of the specific grants received from the Home Office and other Government departments are disclosed on page 22 note 3 and the amounts received from Local Authorities in respect to Precept is disclosed on page 22 note 2.

## 23. Contingent Liabilities

The Authority currently has one known contingent liability. Municipal Mutual Insurance (MMI), the Police Authority's former insurers, has made a scheme of arrangement with its creditors. Claims are currently being paid in full and it is hoped that the company's assets will enable all liabilities to be met. The Police Authority's exposure to MMI, is at the worst estimated to be £1.4m and, while it is to be expected that most if not all of this will be paid, it should be noted that there is a contingent liability if the Authority is unable to recover all of the outstanding claims in the future years.

## 24. External Audit Costs

The following fees were incurred, relating to external audit and inspection, carried out by our appointed auditor, the Audit Commission:

Audit Costs	2007-08 £000	2006-07 £000
External Audit Services (Code of Audit Practice)	101	95
Other Services	0	0
<b>Total Audit Costs</b>	<b>101</b>	<b>95</b>

Audit work carried out does not necessarily relate to the financial year 2007-08.

## 25. Statement of the Movement on the General Fund Balance

The General Fund Balance compares the Authority's spending against council tax requirement, taking into account the use or reserves build up of in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

## 26. Reserves

### Total Movement on Reserves

Movement on Reserves	Note	2007-08
		<b>£000</b>
Revenue Reserves	26a	10,887
Capital Resources	26b	223
FRS 17 Pension Reserve	26c	180,726
Accounting Reserves	26d	2,900
<b>Total Movement on Reserves</b>		<b>194,736</b>

### 26a. Movement in Revenue Reserves

Reserve	Balance at 31 March 2007	Movements between Reserves	Transfer to Fund Capital	Other Inflows/ Outflows	Balance at 31 March 2008	Movement
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Insurance	5,273	0	0	123	5,396	123
Operational	1,600	0	0	390	1,990	390
Pensions – General	2,316	(3,736)	0	1,420	0	(2,316)
Pensions – Specific	1,437	3,736	0	272	5,445	4,008
Cost of Change	297	(297)	0	0	0	(297)
Capital Expenditure	8,175	1,590	(4,022)	5,310	11,053	2,878
Airwave – Revenue	2,291	0	0	801	3,092	801
PFI Contract	10,350	0	0	711	11,061	711
TRA Reserve	50	(50)	0	0	0	(50)
PCSO Reserve	1,752	(1,540)	0	0	212	(1,540)
Asset Seizures	280	0	0	(240)	40	(240)
Delegated Budget Holder	537	0	0	3,063	3,600	3,063
Challenge	0	297	0	1,314	1,611	1,611
PFI Residual Value	3,053	0	0	1,096	4,149	1,096
Corke Bequest	18	0	(17)	0	1	(17)
<b>Total Earmarked Revenue Reserves</b>	<b>37,429</b>	<b>0</b>	<b>(4,039)</b>	<b>14,260</b>	<b>47,650</b>	<b>10,221</b>
General Reserve	6,294	0	0	666	6,960	666
<b>Total Revenue Reserves</b>	<b>43,723</b>	<b>0</b>	<b>(4,039)</b>	<b>14,926</b>	<b>54,610</b>	<b>10,887</b>

### 26b. Movement in Capital Resources

Resource	Balance at 31 March 2007	Transfer to Fund Capital	Other Inflows/ Outflows	Balance at 31 March 2008	Movement
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Useable Capital Receipts	2,426	(40)	263	2,649	223
<b>Total Capital Resources</b>	<b>2,426</b>	<b>(40)</b>	<b>263</b>	<b>2,649</b>	<b>223</b>

### 26c. Movement in FRS 17 Pension Reserve

	Balance at 31 March 2007	Actuarial Gains and Losses	Other Inflows/ Outflows	Balance at 31 March 2008	Movement
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
FRS 17 Pension Reserve	(1,454,078)	261,541	(80,815)	(1,273,352)	180,726

### 26d. Movement in Accounting Reserves

	Accounting Reserves		
	Revaluation Reserve	Capital Adjustments Account	Total
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Balance as at 1 April 2007	0	114,563	114,563
Fixed Asset Adjustment	0	(770)	(770)
<b>Revised Balance as at 1 April 2007</b>	<b>0</b>	<b>113,793</b>	<b>113,793</b>
Minimum Revenue Provision	0	217	217
Revaluation of Fixed Assets	10,994	(7,416)	3,578
Financing of Fixed Assets	0	10,759	10,759
Amounts Written Off Fixed Asset Balances for Disposals	(38)	(310)	(348)
Depreciation of Fixed Assets and Amortisation of Intangible Assets	(207)	(10,329)	(10,536)
<b>Balance at 31 March 2008</b>	<b>10,749</b>	<b>106,714</b>	<b>117,463</b>
		Movement	2,900

The Fixed Asset Restatement Account (FARA) and Capital Financing Account (CFA) have been replaced with a Revaluation Reserve and Capital Adjustment Account. The balance on the FARA (£82.379m) and CFA (£32.184m) have been amalgamated together to form the opening balance on the Capital Adjustment Account. The Revaluation Reserve had a zero balance as at the 1<sup>st</sup> April 2007.

## 26e. Details of Reserves held and their purpose

The following table sets out the reserves maintained by the Authority as part of its reserves and provisions policy.

Reserve	Purpose
<b>General Reserve</b>	Provides working balances to cover day to day cash flow requirements and working capital for stocks and fallback to cover exceptional unforeseen circumstances. Agreed under and overspendings on the revenue budget are carried forward via this reserve. The financial strategy set a target of 2.5% of net revenue expenditure (NRE).
<b>Earmarked Reserves</b>	
<b>REVENUE</b>	
Asset Seizure	The reserve will provide a mechanism for smoothing the impact on the revenue budget annually due to the fluctuations in the level of recoveries to be received from the serious and organised crime agency.
Airwave Revenue Reserve	Provides a funding source for the future revenue costs of implementing the national digital communications system Airwave.
Challenge Reserve	To support the Chief Constable's Challenge programme by providing one-off and non-recurring support for implementing cost-saving initiatives
Delegated Budget Holder	To enable divisional and departmental under and overspendings on the revenue budget to be carried forward in accordance with the Authority's carry-forward policy.
Insurance Reserve	Provides for the self-funding of uninsurable risks, such as payments of compensation or damages.
General Pension Reserve	A risk reserve established to meet any exceptional demand on the Authority's contribution to the Police Pension Fund account.
Specific Pension Reserve	A reserve to supplement the Authority's annual budget contribution to the Police Pension Fund Account.
Operational Reserve	Meets the costs of the significant operational requirements such as Political party conferences together with major operations and incidents. The financial strategy set a target of 1% of net revenue expenditure (NRE).
Cost of Change Reserve	Provides pump priming funding for projects designed to achieve greater efficiency and effectiveness in the longer term through innovation.
PCSO Reserve	Managing future costs, financial risk and liabilities relating to PCSO's ( Police Community Support officers)
PFI Reserve	Exists to meet future contractual contributions to be paid towards the end of the custody PFI scheme. This smoothes contributions over the life of the contract and is in accordance with the agreed PFI scheme financial model.
PFI Residual Value Reserve	This recognises the estimated residual value of custody suites that will transfer to the Authority at the end of the contract. This value is accumulated over the life of the contract.
Transitional Rent Allowance	Covers the potential costs of underpayments of rent and housing allowance for police officers.
Capital Expenditure Reserve	Exists to support future capital expenditure. The majority of this reserve is project specific.
Corke Bequest	A specific bequest provided to contribute towards Sussex Police helicopter expenses.

## 27. Reconciliation of Revenue Cash Flow

A reconciliation between the net surplus or deficit on the Income & Expenditure Account to the revenue activities net cash flow shown in the Cash Flow Statement.

	2007-08		2006-07	
	£000	£000	£000	£000
Gross Revenue Expenditure	334,707		307,273	
(Increase) / Decrease in Creditors (excluding capital accruals and deferred income)	(3,029)		(1,087)	
Increase / (Decrease) in Stock	135		66	
Increase / (Decrease) in Prepayment (excluding capital prepayments)	(3,053)		3,019	
Interest Paid	(214)		(203)	
FRS 17 Adjustment	(18,756)		(15,420)	
Amortisation of Intangible Assets	(1,249)		(1,154)	
Downward Revaluations	(7,416)		0	
Depreciation	(9,288)		(9,490)	
Impairments	0		(88)	
<b>Total Expenditure</b>		<b>291,837</b>		<b>282,916</b>
Gross Revenue Income	(314,828)		(289,677)	
Increase / (Decrease) in Debtors (excluding interest, prepayments)	8,304		2,786	
(Increase) / Decrease in Deferred Income	(211)		0	
Cash in Hand Pending Investigation	(11)		7	
Movement in Interest Accrual	(11)		245	
Amortisation of Government Grants	5,526		6,159	
<b>Total Income</b>		<b>(301,231)</b>		<b>(280,480)</b>
<b>Revenue Activities Net Cash Flow</b>		<b>(9,394)</b>		<b>2,436</b>

## 28. Movement in Cash Reconciled to the Movement in Net Debt

This reconciles the movement in cash to the movement in net debt. The reconciliation analyses material changes resulting from the Authority's cash flow, and other non-cash changes.

	Movement
	£000
Cash in Hand/ Imprest	68
Cash Overdrawn/(In Hand)	(1,319)
<b>Net Cash (Inflow)/Outflow</b>	<b>(1,251)</b>
Decrease / (Increase) in Short Term Investments (Principal amount)	(8,020)
Increase / (Decrease) in Long Term Borrowing	0
(Increase) / Decrease in Long Term Debts	148
<b>Movement in Net Debt</b>	<b>(9,123)</b>

## 29. Reconciliation of items under the Financing and Management of Liquid Resources section of the Cash Flow Statement to the Opening and Closing Balance Sheet for the period

	As at 31 March 2007	Investments made	Investments realised	As at 31 March 2008	Movement
<b>Short term Investments (Principal amount)</b>	<b>39,938</b>	350,838	(342,818)	<b>47,958</b>	<b>8,020</b>

## 30. Explanation of the Authority's liquid resources

The liquid resources shown in the Cash Flow Statement are current asset investments that are readily disposable without disrupting business.

### 31. Analysis of Government Grants shown in the Cash Flow Statement

Revenue	As at 31 March 2008	Capital	As at 31 March 2008
	<b>£000</b>		<b>£000</b>
Home Office Police Grant	(94,359)	Home Office Capital Grant	(3,112)
Revenue Support Grant	(9,680)	National Barrier Grant	0
	(104,039)		
Basic Command Unit	(1,179)		
Crime Fighting Fund	(6,209)		
Police Community Support Officer's	(5,008)		
South East Allowance	(1,104)		
Special Priority Payments Grant	(1,565)		
PFI Grant	(3,263)		
Dedicated Security Posts	(4,589)		
DNA Expansion Programme	(1,664)		
Rural Policing Initiative	(538)		
IPLDP (Probationer Training)	(437)		
Local Criminal Justice Board	(161)		
Home Office grants	(4,987)		
<b>Sub Total</b>	<b>(134,743)</b>	<b>Sub Total</b>	<b>(3,112)</b>
		<b>Total Government Grants</b>	<b>(137,855)</b>

### 32. Pensions

The cost of retirement benefits is recognised in the net cost of services when they are earned by employees – “current cost”. This is different to the charge made against Council Tax which is based on expenditure for the year in question.

As part of the terms and conditions of its officers and staff, Sussex Police Authority offers retirement benefits. Although these benefits will not be payable until employees retire, the Authority has a commitment to make the payments. In line with FRS 17, the value of this commitment needs to be disclosed based on a forecast calculation as at the date officers and staff earn their future entitlement.

The Authority participates in three pension schemes.

#### 32a. Police Staff

This provides pensions and other benefits for staff other than police officers. It is a funded defined benefit scheme.

The cost of pensions and other benefits is provided from the West Sussex County Council's Pension Fund, other than the cost arising from the award of added years under the Local Government (Compensation for Premature Retirement) Regulations 1982.

The Police Staff Pension Scheme is part of the Local Government Pension Scheme administered by West Sussex County Council. There are 1,072 pensioners paid for by the scheme. Police staff contribute 6% of salary and Sussex Police Authority contributed a further 14.5%.

Further information can be found in the West Sussex County Council pension funds annual report, available from West Sussex County Council, Exchequer Services (Pensions), County Hall, Chichester, West Sussex, P019 1RG. [www.westsussex.gov.uk](http://www.westsussex.gov.uk)

### 32b. Police Officers

There are two Police Officer pension schemes, both, by law, non-funded. i.e. the total payments to pensioners in any year must be paid for by current officer contributions (11% - old scheme and 6% or 9.5% - new scheme) and employer contributions (24.6%).

We currently have 3,142 pensioners and this number will increase. Police officers are entitled to retire after 30 years service and to receive a pension and a lump sum, which the Authority is obliged, by law, to pay.

The Police Officer scheme is an unfunded defined benefit scheme and the charge to the accounts represents the net cost of pensions and other benefits after allowing for contributions made by employees together with transfer values paid and received during the year.

### 32c. Transactions reflected in the Income & Expenditure Account during the current year

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

	Local Government Pension Scheme		Police Pension Scheme		New Police Pension Scheme
	2007-08	2006-07	2007-08	2006-07	2007-08
	£000	£000	£000	£000	£000
<b>Income and Expenditure account</b>					<i>MEMO Only</i>
<b>Net cost of services:</b>					
Current service cost	8,570	9,500	43,341	47,200	2,041
Settlements & Curtailments	0	0	(636)	0	0
Past service cost	0	20	0	500	264
<b>Net operating expenditure:</b>					
Interest cost	8,650	7,780	76,805	70,800	105
Expected return on assets	(9,180)	(7,870)	0	0	0
<b>Net charge</b>	<b>8,040</b>	<b>9,430</b>	<b>119,510</b>	<b>118,500</b>	<b>2,410</b>
<b>Statement of movement in the general fund balance</b>					
Reversal of net charges made for retirement benefits in accordance with FRS 17	(8,040)	(9,430)	(119,510)	(118,500)	(2,410)
<b>Actual amounts charged against the general fund balance for pensions in the year:</b>					
Employers contributions	7,240	6,900	0	0	0
Retirement benefit to pensioners	0	0	39,495	34,900	(505)
<b>Movement</b>	<b>(800)</b>	<b>(2,530)</b>	<b>(80,015)</b>	<b>(83,600)</b>	<b>(2,915)</b>

### 32d. Assets and Liabilities in relation to Retirement Benefits

The underlying assets and liabilities for the retirement benefits attributable to the Authority as at 31 March 2008 are as follows:

	Local Government Pension Scheme		Police Pension Scheme		Total 2007-08	Total 2006-07	New Police Pension Scheme
	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07	2007-08
	£000	£000	£000	£000	£000	£000	£000
Estimated scheme liabilities	(145,120)	(156,570)	(1,253,830)	(1,420,500)	(1,398,950)	(1,577,070)	(3,530)
Estimated scheme assets	127,250	124,470	0	0	127,250	124,470	0
<b>Net assets / (liabilities)</b>	<b>(17,870)</b>	<b>(32,100)</b>	<b>(1,253,830)</b>	<b>(1,420,500)</b>	<b>(1,271,700)</b>	<b>(1,452,600)</b>	<b>(3,530)</b>

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels and other factors.

Hymans Robertson (an independent firm of actuaries) assessed both Police Pension Schemes and the Local Government Pension Scheme liabilities in their reports dated April and July 2008. The last full valuation of the Local Government Pension Scheme was completed as at 31 March 2007.

Both Police Pension Schemes have no assets to cover their liabilities. Assets in the Police Staff Pension Scheme administered by West Sussex County Council, are valued at fair value, principally market value for investments.

The table below sets out the categories held, by proportion of the total assets held by the fund.

The main assumptions used in their calculations are:

Police Staff and Police Officer Pension Schemes		
	2007-08	2006-07
	%	%
Rate of Inflation	3.6	3.2
Rate of Increase in Salaries	5.1	4.7
Rate of Increase in Pensions	3.6	3.2
Rate for Discounting Scheme Liabilities	6.9	5.4
Take-up of option to convert annual pension into retirement grant	25	25

Police Staff Pension Scheme			
	Long Term Return %	31 March 2008 %	31 March 2007 %
Equity Investments	7.7	71	77
Bonds	5.7	17	13
Property	5.7	8	8
Cash	4.8	4	2
<b>Total</b>	<b>7.1</b>	<b>100</b>	<b>100</b>

### 32e. Actuarial Gains and Losses

The actuarial gains and losses identified as movements on the Pension Reserve in 2007-08 as set out in note 26c, can be analysed into the categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2008.

#### Local Government Pension Scheme

	2007-08		2006-07		2005-06		2004-05		2003-04	
	£000	%	£000	%	£000	%	£000	%	£000	%
Difference between the expected and actual return on assets	(12,990)	(10.2)	(2,250)	(1.8)	15,175	13.6	3,443	4.1	9,300	13.5
Difference between actuarial assumptions about liabilities and actual experience	27,970	19.3	14,863	8.1	(19,684)	(2.9)	(22,044)	(15.4)	(96)	(10.7)
<b>Total (Loss)/Gain</b>	<b>14,980</b>		12,613		(4,509)		(18,601)		9,204	

#### Police Pension Scheme

	2007-08		2006-07		2005-06		2004-05		2003-04	
	£000	%	£000	%	£000	%	£000	%	£000	%
Difference between actuarial assumptions about liabilities and actual experience	(45,713)	(3.6)	8,400	0.6	9,700	0.7	6,900	0.6	(1,444)	(0.1)
Changes in the demographic and financial assumptions used to estimate liabilities	292,274	23.3	94,000	7.2	(144,800)	(9.4)	(173,614)	(13.5)	0	0
<b>Total (Loss)/Gain</b>	<b>246,561</b>		102,400		(135,100)		(166,714)		(1,444)	

#### Total

	2007-08	2006-07	2005-06	2004-05	2003-04
	£000	£000	£000	£000	£000
<b>Total (Loss)/Gain</b>	<b>261,541</b>	115,013	(139,609)	(185,315)	7,760

### 33. Subjective Analysis of Income and Expenditure

	2007-08	2006-07
<b>Expenditure</b>	<b>£000</b>	<b>£000</b>
Direct Employee Expenses		
Salaries and Wages	173,595	170,499
Employers National Insurance	13,574	13,809
Total FRS 17 Pension Costs	52,882	58,675
Agency Staff	2,853	3,178
Employee Expenses	546	1,153
Indirect Employee Expenses	2,188	2,353
<b>Total Employee Costs</b>	<b>245,638</b>	<b>249,667</b>
Premises Related	12,092	11,463
Transport Related	6,090	6,275
Supplies and Services	33,099	33,349
Third Party Payments	4,308	5,048
Capital Charges	12,427	4,573
<b>Gross Expenditure</b>	<b>313,654</b>	<b>310,375</b>
<b>Income</b>		
Government Grants	(27,466)	(25,961)
Other Grants, Reimbursements & Contributions	(5,129)	(8,207)
Customer & Client Receipts	(25,977)	(22,106)
<b>Total Income</b>	<b>(58,572)</b>	<b>(56,274)</b>
<b>Less: Net Cost of Secondments</b>	<b>(320)</b>	<b>(529)</b>
<b>Net Cost of Services</b>	<b>254,762</b>	<b>253,572</b>

### 34. Financial Instruments

#### 34a. Key Risks

The Authority's activities expose it to a variety of financial risks, the key risks are:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Authority;
- Liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments;
- Re-financing risk – the possibility that the Authority might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- Market risk - the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates movements.

#### 34b. Overall Procedures for Managing Financial Risk

The Authority's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework set out in the *Local Government Act 2003* and the associated regulations. These require the Authority to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Authority to manage risk in the following ways:

- by formally adopting the requirements of the Code of Practice;
- by approving annually in advance prudential indicators for the following three years limiting:
  - The Authority's overall borrowing;
  - Its maximum and minimum exposures to fixed and variable rates;
  - Its maximum and minimum exposures the maturity structure of its debt;
  - Its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance;

These are required to be reported and approved at or before the Authority's budget setting meeting. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Authority's financial instrument exposure. Actual performance is also reported annually to the Authority.

These policies are implemented by a central treasury team. The Authority maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed regularly.

#### 34c. Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above.

The following analysis summarises the Authority's potential maximum exposure to credit risk, based on experience of default assessed by the ratings agencies and the Authority's experience of its customer collection levels over the last five financial years, adjusted to reflect current market conditions.

The Authority's investment strategy allows deposits to be made with un-rated building societies with assets in excess of £1bn. At the 31 March 2008 the Authority had £9.5m of deposits with this category of Building Society. Building societies are usually in the 'A' category and the close similarities between societies would suggest that if an un-rated society with assets in excess of £1bn did get a rating, it too would likely be rated in the 'A' category. These assumptions have been applied in the following analysis.

#### Analysis of exposure to credit risk

	Amount at 31 March 2008 (Principal Amount)	Historical experience of default	Adjustment for market conditions at 31 March 2008	Estimated maximum exposure to default and uncollectability
<i>Deposits with banks and financial institutions:</i>	£000	%	%	£000
AAA rated counterparties	9,984	0.001%	0.001%	10
AA rated counterparties	8,325	0.027%	0.027%	225
A rated counterparties	28,150	0.103%	0.103%	2,899
Unrated counterparties (A)	9,500	0.103%	0.103%	979
Trade debtors	2,721	0.001%	0.001%	3
<b>Total</b>	<b>58,680</b>			<b>4,116</b>

The maximum exposure to default is further mitigated by the deposits being invested with different counterparties within each category. The most invested with one counterparty is £9.984m; which is deposited with Standard Life a 'AAA' rated counterparty.

No breaches of the Authority's counterparty criteria occurred during the reporting period and the Authority does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The Authority generally allows 28 day credit for its trade debtors. At 31 March 08 £0.582m of the £2.721m debtor balance was past its due date for payment. The past due amount can be analysed by age as follows:

Customer debts past due date	£000
Less than three months	511
Three to four months	2
More than four months	69
<b>Total</b>	<b>582</b>

Collateral – During the reporting period the Authority held no collateral as security.

#### 34d. Liquidity Risk

The Authority has ready access to borrowings from the Money Markets to cover any day to day cash flow need. Whilst the Public Works Loan Board provides access to longer term funds, it also acts as a lender of last resort to Authorities (although it will not provide funding to a Authority whose actions are unlawful). The Authority is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The Authority manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well through cash flow management procedures required by the Code of Practice.

#### 34e. Refinancing and Maturity Risk

The Authority maintains a debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Authority relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Authority approved treasury and investment strategies address the main risks and the West Sussex County Council (WSSCC) treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Authority's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of the Authority's debt and investment portfolio is as follows:

<b>Financial Liabilities:</b>	<b>£000</b>
More than twenty years	4,541
<b>Total</b>	<b>4,541</b>

<b>Financial Assets:</b>	<b>£000</b>
Less than one year	48,772
Between two and three years	0
More than three years	8,034
<b>Total</b>	<b>56,806</b>

All trade and other payables are due to be paid in less than one year. Trade and other debtors are to be received in less than one year (other than the PFI Residual Interest debtor). These are not shown in the tables above.

### 34f. Market Risk

**Interest Rate Risk** - The Authority is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Authority, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise;
- borrowings at fixed rates – the fair value of the borrowing liability will fall;
- investments at variable rates – the interest income credited to the Income and Expenditure Account will rise; and
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account or Statement of Total Recognised Gains and Losses. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and effect the General Fund Balance, subject to influences from Government grants.

The Authority has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Authority's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The WSCC treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favorable, fixed rate investments may be taken for longer periods to secure better long term returns.

At 31 March 2008 the Authority held no variable rate investments or borrowings and there was no impact on the STRGL resulting from movements in fair value of fixed rate investments.

**Price Risk** - At 31 March 2008 the Authority did not hold any equity investments.

**Foreign Exchange Risk** - The Authority has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

### 34g. Financial Instruments by Category

The financial assets and liabilities disclosed in the balance are made up of the following categories of financial instruments:

<b>Financial Assets</b>	<b>2007-08 £000</b>	<b>2006-07 £000</b>
Long Term Investments	8,034	9,305
Other Long Term Debtors	244	393
PFI Long Term Debtor	4,149	3,053
Debtors and Prepayments	20,232	14,649
Short Term Investments	48,772	40,669
Cash and Bank	153	221
<b>Total Loans and Receivables</b>	<b>81,584</b>	<b>68,290</b>

<b>Financial Liabilities</b>	<b>2007-08 £000</b>	<b>2006-07 £000</b>
Creditors	23,163	19,461
Receipts in Advance	118	107
Bank Overdraft	659	1,978
Long Term Borrowing	4,541	4,541
<b>Total Financial Liabilities at Amortised Cost</b>	<b>28,481</b>	<b>26,087</b>

The Authority does not hold any other category of financial asset or liability and during the year, there were no instances of:

- Reclassification of financial instruments
- De-recognition of financial instruments
- Allowance for credit losses
- Defaults and breaches
- Unusual movements to be disclosed

### 34h. Fair Values

Financial liabilities and financial assets represented by loans and receivables are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the Public Works Loan Board (PWLb), premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- For loan receivable, prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;

- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the principal outstanding or the billed amount.

The fair values calculated are as follows:

	2007-08		2006-07	
	Book Value	Fair Value	Book Value	Fair Value
	£000	£000	£000	£000
Short Term Investments	48,772	48,772	40,669	40,669
Long Term Investments	8,034	8,113	9,305	9,266
Long Term Borrowing	(4,541)	(4,582)	(4,541)	(4,349)
<b>Net Total</b>	<b>52,265</b>	<b>52,303</b>	<b>45,433</b>	<b>45,586</b>

As noted above, the fair values of short term trade payables and receivables or cash and cash equivalents are assumed to equal the book values, therefore they are not disclosed in the table above.

#### 34i. Items of Income, Expense, Gains or Losses

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

	Financial Liabilities measured at amortised cost £000	Loans and Receivables £000
Interest Expense	208	0
Interest Income	0	(3,896)
<b>Total (gain) or loss</b>	<b>208</b>	<b>(3,896)</b>
<b>Net (gain)/loss charged to the Income and Expenditure Account</b>	<b>(3,688)</b>	

No items were charged directly to the STRGL in the year, in respect of financial instruments.

#### 35. Authorised for Issue

The accounts were authorised for issue by the Chairman of the Corporate Governance Committee on 26 June 2008.

#### 36. Post Balance sheet Events

On 21<sup>st</sup> May 2008, the Home Office introduced new factors for the calculation of commutation of annual pension for lump sum in the Police Pension Scheme 1987 (PPS) and for exchange of lump sum for additional annual pension in the New Police Pension Scheme 2006 (NPPS). The change for the New Police Pension Scheme is effective from 1 July 2008, whilst the changes for the 1987 Police Pension Scheme are backdated with effect from 1 October 2007.

As a result of these changes the Actuaries have revised the 2007-08 FRS 17 report for the Old Police Pension Scheme. The revised FRS 17 figures have been incorporated into the accounts for 2007-08.

# Police Pension Fund Account Statements as at 31 March 2008

These statements show the contributions and benefits payable for the year.

## Sussex Police Authority Pension Fund Account Statement

	As at 31 March 2008		As at 31 March 2007	
	£000	£000	£000	£000
<b>Contributions Receivable</b>				
<i>From Employer:</i>				
Normal	(24,285)		(24,036)	
Early retirements	(142)		(311)	
		<b>(24,427)</b>		<b>(24,347)</b>
<i>From Members</i>				
		(10,787)		(10,746)
<b>Total Contributions</b>		<b>(35,214)</b>		<b>(35,093)</b>
<b>Transfers In</b>				
Individual transfers in from other schemes	(552)		(1,017)	
		<b>(552)</b>		<b>(1,017)</b>
<b>Total Inflows</b>		<b>(35,766)</b>		<b>(36,110)</b>
<b>Benefits Payable</b>				
Pensions	35,679		33,632	
Commutations and lump sums	8,850		7,991	
Lump sum death benefits	270		0	
Ill health pensions	3,237		3,362	
		<b>48,036</b>		<b>44,985</b>
<b>Payments To and On Account of Leavers</b>				
Refund of contributions	77		104	
Individual transfers out to other schemes	1,233		485	
		<b>1,310</b>		<b>589</b>
<b>Total Outflows</b>		<b>49,346</b>		<b>45,574</b>
<b>Net amount payable for the year before top-up grant receivable from the Police Authority</b>		<b>13,580</b>		<b>9,464</b>
Additional contribution from the Police Authority		<b>(13,580)</b>		<b>(9,464)</b>
<b>Net amount payable for the year</b>		<b>0</b>		<b>0</b>

## Net Assets Statement

	2007-08	2006-07
	£000	£000
<b>Net Current Assets and Liabilities</b>		
Contributions due from employer	0	0
Pensions top-up grant receivable from employer	0	0
Unpaid Pensions benefits	(1,189)	0
Other current assets and liabilities	0	0
<b>Net Assets and (Liabilities)</b>	<b>(1,189)</b>	<b>0</b>

# Police Pension Fund Account Statements

## Accounting Policies

The Police Pension Account Statements have been prepared to meet the requirements of Regulation 7(1) (d) of the Accounts and Audit Regulations 2003 which states that police authorities are obliged to include the police pensions account in their statement of accounts. They also meet the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2007 A Statement of Recommended Practice (SORP). The Accounts have been prepared on an accruals basis. The Statements do not take account of liabilities to pay pensions and other benefits in the future. This is reported upon separately in the Actuary's statement.

## Explanatory Notes to the Police Pension Fund Account Statements

The Authority is required to include a separate police pension account in their Statement of Accounts and is responsible for paying the pensions of its former police officers. The Pension Fund is administered by the Police Authority in accordance with the Police Pension Fund Regulations 2007 (SI 2007 No 1932).

On 1 April 2006 new arrangements came into being for funding and accounting for the Police Pension Schemes. Before 1st April 2006 these pensions were paid from the Revenue Account and the Authority received funding from central government as part of the general funding formula to support payments of pensions. Prior to 1 April 2006, there were no employer contributions based on pensionable pay and no top-up grants.

From 1 April 2006 pensions are paid from a separate local police pensions account, rather than direct from the Income and Expenditure Account. Overall the change to the financial arrangements for police officer pensions is intended to be "cost neutral" with no impact on either the national or council tax payer.

There are currently two Police Officer pension schemes. Officers in the 'old scheme' contribute 11% of pensionable pay whilst Officers in the 'new scheme' contribute 9.5% (6% if ineligible for ill-health benefits). Sussex Police Authority makes an employer's contribution of 24.6% of pensionable pay. The Police Pension scheme has no assets to cover its liabilities, therefore the total payments to pensioners in any year must be paid for by current officer and employer contributions.

Under the new financing arrangements the Pension Account is balanced to nil at the end of the year. This achieved by either the Police Authority paying over the amount by which the contributions receivable by the Account for the year exceed the benefits payable, or by the Police Authority paying over an amount by which the benefits payable from the pension fund for the year exceeded the contributions receivable. The Home Office will then either reimburse or receive from the Police Authority an amount equal to the final additional contributions due to or from the Pension Account to balance it to nil.

The Net Asset Statement does not include liabilities to pay pensions and other benefits after the balance sheet date. Liabilities to pay future pension benefits have been disclosed separately at note 32 in accordance with FRS 17 'Retirement Benefits'.

## Post Balance Sheet Events

On 21<sup>st</sup> May 2008, the Home Office introduced new factors for the calculation of commutation of annual pension for lump sum in the Police Pension Scheme 1987 (PPS) and for exchange of lump sum for additional annual pension in the New Police Pension Scheme 2006 (NPPS). The change for the New Police Pension Scheme is effective from 1 July 2008, whilst the changes for the 1987 Police Pension Scheme are backdated with effect from 1 October 2007.

As a result of the back dated changes, an additional £1.223m (including interest of £0.034m) will be paid in 2008-09 to those pensioners in the Police Pension Scheme 1987 (PPS), who received commutation and lump sums between 1 October 2007 and 31 March 2008. The backdated charges of £1.189m (i.e. excluding interest) have been accrued within the above Pension Fund Accounts. The interest cost will be charged to the Authority's Income & Expenditure account in 2008-09.

# Supporting Notes to the Annual Governance Statement

These notes provide more detail on the signed Statement on page 10

## 1 . SCOPE OF RESPONSIBILITIES

Sussex Police Authority and Sussex Police (hereafter referred to as The Authority) is responsible for ensuring its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. In discharging this overall responsibility, the Authority is also responsible for putting in place proper arrangements for the governance of its affairs and facilitating the exercise of its functions, which includes ensuring a sound system of internal control is maintained throughout the year and that arrangements are in place for the management of risk. The Authority has approved and adopted a code of corporate governance, which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) Framework: *Delivering Good Governance in Local Government*. A copy can be obtained from the Police Authorities' Assistant Chief Executive, [dan.steadman@sussexpa.gov.uk](mailto:dan.steadman@sussexpa.gov.uk)].

This statement explains how the Authority has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

## 2 . THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

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

The governance framework has been in place at the Authority for the year ended 31 March 2008 and up to the date of approval of the annual report and statement of accounts.

## 3 . THE GOVERNANCE FRAMEWORK

The Chief Constable is responsible for operational policing matters, the direction and control of police personnel, and for putting in place proper arrangements for the governance of the Force, the Police Authority is required to hold him to account for the exercise of those functions and those of the persons under his/her direction and control. It therefore follows that the Police Authority must satisfy itself that the Force has appropriate mechanisms in place for the maintenance of good governance, and that these operate in practice.

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

The Deputy Chief Constable (DCC) chairs the Local Policing Plan Board whose members include a representative from the strategic Independent Advisory Group (IAG), three members of the Sussex Police Authority (SPA) and the Authorities Assistance Chief Executive. This Board monitors and approves the development of the Force's policing plan. Districts hold regular public meetings

chaired by representatives of the Authority in which the public are given the opportunity to discuss their local policing priorities. These are then incorporated at a strategic level in the Local Policing Plan (LPP), and at a local level in Divisional Policing Plans. This is then reported to the full Police Authority meeting, as well as the Planning and Performance Steering Group (PPSG) of the Authority. The final LPP is then approved along with the budget at the February Police Authority meeting.

The Authority's participation in and oversight of the planning process ensures members have the opportunity to shape and communicate their vision and to promote their achievements and aspirations on behalf of the public it represents. Lead members are assigned to key business areas and participate in the relevant governance groups e.g. Neighbourhood Policing, Keeping People Safe and Best Use of Resources.

A summary version of the Policing Plan is produced for all members of staff which includes key corporate messages for the coming performance year and key performance targets. Additionally the full plan is published and available to the public through the Authority website, public buildings and at public meetings.

Communication strategies in support of the Local Policing Plan (LPP) and other major projects have been developed, approved and implemented. The LPP Board decides how the plan will be published and publicised. The Authority funds a press officer who is co-located within the Force's Press and Marketing Team. This allows the vision, values and profile of the Authority to be considered alongside all other media relations and marketing activities.

- **Reviewing the Authority's vision and strategy and its implications for governance arrangements;**

Performance management in the Authority was inspected by HMIC during 2007. In their report published in October 2007, the HMIC said "since the last baseline assessment, Sussex Police has significantly developed its performance management framework." In other recent reports the performance structure within Sussex Police has been recognised as a highly effective means by which to monitor and challenge performance at district, Basic Command Unit (BCU) and force levels.

The HMIC also spoke of dynamic performance information being available and the Chief Constable clearly articulating his vision through the Authority and to partners. Additionally clear lines of accountability had been established through the Force. Other areas of good practice were noted such as BCU self assessment.

Further developments to performance data are underway, along with a refreshing of the Force performance regime. Data quality is overseen by the Force Information Quality Board. The Force was graded 'Good' for its corporate management arrangement for data quality and 'Excellent' for crime data quality in the Audit Commission inspection which reported in January 2007.

The Force reviews its vision and plan for Sussex annually, and this process is replicated at departmental and divisional levels. At local (district and below) level, local policing priorities are continually reviewed as part of the National Intelligence Model process and through Neighbourhood Policing processes.

- **Setting objectives and targets outlined in the Local Policing Plan, including decision making structures;**

There is a clear process for the production of divisional and departmental plans. These plans are directly aligned to the priorities in the Policing Plan as well as incorporating the results of local public consultation outlining local communities' priorities for policing principal local authority area in the Force to reflect more local information and alignment to key strategic partners. The methodology for setting the Force's performance targets is agreed with the Police Authority as part of the development of the LPP. The detail of the 2007-08 targets was agreed by the Force

Executive Board, following consultation with the other policy making boards, and by the Authority.

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

The Authority has set the annual budget (2007-08 net revenue budget of £237.148m) with a priority focus upon delivering improvements to policing services across a wide spectrum. The Police Authority seeks to ensure that the force is assessed at regular intervals through the formal presentation of performance reports to the PPSG which is held quarterly. The Police Authority has appointed a lead member for each of the key policing disciplines, who in turn report findings independently to the PPSG and the wider full Police Authority meeting.

In their inspection report of October 2007 the HMIC have said, "the Force enjoys a healthy relationship with the SPA. Both the Force and the SPA are firmly committed to enhancing and improving performance by ensuring that there is a proper balance of governance and oversight by the police authority without affecting the operational decision making of the chief officer team. The SPA is proud of the improvements evidenced within the Force over recent years, but is by no means complacent and seeks to position the Force as a national leader in delivering policing services. The SPA and the Force have effective methods of consultative engagement with communities and work together to ensure that policing plans and objectives reflect both national and local priorities."

Membership of the PPSG has been strengthened to ensure representation from lead members for each of the key strategic priorities: Neighbourhood Policing, Keeping People Safe and Best Use of Resources.

Benchmarking data especially that from iQuanta and CIPFA, is used widely. The performance regime is further enhanced by comparison with citizen focus (policing performance assessment framework) Most Similar Force (MSF) groups across a range of qualitative measures and this is given prominence at the Force Performance Meeting (FPM) to ensure that quantitative targets are not exclusively prioritised.

Key performance priorities are detailed in the annual policing plan which is linked to the Force strategic assessment and control strategy. The policing plan priorities are reflected locally on each BCU through the implementation of an action plan which is the central focus of policing response. The action plan is managed by district commanders through the prescribed National Intelligence Model (NIM), Tactical Tasking and Coordination Group (TTCG) and Crime and Disorder Reduction Partnership (CDRP) processes, and monitored through the FPM and by the SPA Planning and Performance Steering Group (PPSG).

Corporate Development Department, working to the Deputy Chief Constable, is at the time of writing refreshing the Force's performance regime. Developments in APACS (Assessments of Policing and Community Safety) are being monitored and will be incorporated.

The Force's Local Policing Plan targets are consistent with the new indicators introduced under APACS (for example including indicators for "serious violent crime" and "serious sexual offences" - both groupings of crimes introduced in October 2007 under the new Public Service Agreements and included in the national set of statutory performance indicators). This has enabled good alignment with the new National Indicator Set, which is used to construct local area agreements (LAAs). Liaison between Corporate Development Department and the divisional teams negotiating the second round of LAAs has ensured a good fit between Force-level and LAA priorities. Monitoring of protective services APACS indicators (largely new) has been developed and will be reported to the Keeping People Safe Board, chaired an Assistant Chief Constable (ACC).

Work is also ongoing to develop the Force's performance culture, emphasising the importance of quality as well as quantity. This is being addressed by two projects within the Major Change Programme one working on culture and the other on Operation QUEST.

The Authority is engaged with each of the Strategic Boards, and in particular the Keeping People Safe Board. Members remain involved with the Force Performance Meeting (FPM's) and PPSG is now a very productive and challenging meeting as a result of the changes to the membership and structure that took place 12 months ago.

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

The National Intelligence Model is applied throughout operational policing, to ensure resources are targeted at priorities and risks. The HMIC stated, "key performance priorities are detailed in the annual policing plan which is linked to the force strategic assessment and control strategy. The policing plan priorities are reflected locally on each BCU through the implementation of an action plan which is the central focus of policing response. The action plan is managed by district commanders through the prescribed NIM, TTCG and CDRP processes, and monitored through the FPM and by the SPA Planning and Performance Steering Group (PPSG)."

The Authority currently obtains customer service satisfaction information from two sources: Assessment of Policing and Community Safety (APACS) user satisfaction survey and via the internally conducted quality of service (QoS) checks. At the present time the data from the APACS surveys is used to inform the Force and its managers about customer satisfaction issues, this information is published on the intranet and passed to divisions and departments for monitoring and assessment. Sussex Police QoS checks are completed by supervisors on a quarterly basis to provide local insights, and are used to inform service recovery on some districts.

The Force has improved year-on-year victims' satisfaction with their experience of dealing with Sussex Police (2007-08 compared to 2006-07) - 81.9% of victims surveyed in the past year said they were satisfied with the overall service provided by the Force.

- **Risks management processes by which key risks are identified in mitigated in Force and Authority;**

The 2007-08 Risk Management Strategy and implementation plan provides a framework for the management of risk and has provisions to scope the requirement for risk management training across the Force, prior to implementing the training. The Risk Management Strategy (revised in 2007) was approved by Organisational Development Meeting (ODM) in July 2007 and the Sussex Police Authority through the Assistant Chief Executive.

The Strategy provides a framework for enterprise risk management, with actions to be implemented being progressed and reported quarterly at ODM. The framework provides for risks to be considered at all decision-taking boards at divisional/departamental and strategic level. The Force has an appointed professional qualified Risk Manager. Risks identified on the Risk Management System (RMS) are scored for impact and likelihood. The Authority has received high level risk management training and they have a Risk Co-ordinator who has been trained in the role and on the RMS. A specific protocol covering partnership risk management is published on the Corporate Development Department (CDD) website. Partnership risks held at divisional level are uploaded onto the RMS as appropriate.

Tools and training have been provided as part of the identification and management of threats to the achievement of divisional/departamental action plans. Risk Co-ordinators are tasked with establishing a bottom up identification of risks process to meet the established top-down approach already in existence through framework procedures and use of the RRS.

Emerging risks will be considered in an ongoing way through the framework provisions for risk management including the desk-top provision of access to the intranet based RMS. Responsibility for overseeing risk management policy for the Authority is with the Chairman of the Corporate Governance Committee

Partnership risk registers are maintained at divisional/departmental level and if appropriate, are included on the RMS. Strategic Risks are reported quarterly to the ODM and the top risks report is taken to the Force Executive Board quarterly.

A risk tolerance for the Force has been agreed at those risks identified with a green Risk Status on the RMS. Generally, those risks within the risk tolerance for the Force will not require additional control measures.

Environmental scanning is undertaken widely and discussed in a quarterly Environmental Scanning meeting. Risks and opportunities are considered and a quarterly report taken to the ODM.

Despite having a well established RMS in place and appropriate training programme there is still an issue with engagement with the risk management process within the Force. This has led to some uncertainty as to whether the correct principle risks for the Force have been identified correctly and reviewed consistently.

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

The SPA handbook defines all roles and responsibilities of officers and Authority members and defines a scheme for delegation. Chief Officers are accountable at the following meetings;

- Police Authority
- Performance and Planning Steering Group
- Corporate Governance Committee
- Force Performance Meeting

All committees and meetings have terms of reference. There are job descriptions for the SPA Chief Executive and Deputy Chief Executive, both of which define the role, responsibilities and accountabilities to the Authority. The SPA handbook includes the roles and responsibilities of the Chief Executive and senior officers and is applied through a series of formal and informal meetings. The Treasurer has formal statutory responsibilities and these are discharged in accordance with the Authority's Financial Regulations.

The Chief Executive of the Authority is the designated Monitoring Officer whose role is to warn of illegality and maladministration, either actual or potential. The Authority and Force have access to independent legal advice where required. The Authority is content with the current arrangements for considering legal issues as agreed by the Corporate Governance Committee's meeting in March 2006.

The policy for the monitoring of partnerships has been consulted on and was approved by the Finance and Resources Board in Feb 2007. The protocol allows key risks and control to be maintained in relation to partnership agreements.

All performance data is accessible on the force intranet for managers and individuals to identify performance priorities. Skilled analysts sitting within BCUs and departments are also able to provide additional analytical interpretation of data. Performance risks are reviewed and prioritised at the TTCCG every two weeks at BCU level, where NIM principles are addressed through application of the Scanning, Analysis, Response, Assessment (SARA) problem solving model. Force and BCU performance risks are managed during the application of the level 2 TTCCG process.

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

The Deputy Chief Constable (DCC) is the chief officer lead for discipline and sets the tone for the Force for the full range of discipline activity.

The Force has clearly defined procedures for handling complaints and allegations of misconduct from the public and these follow the

Independent Police Complaints Committee (IPCC) statutory guidance. There are guidelines available for supervisors and managers, accessible via the Sussex Police Professional Standards Department (PSD) website.

A register of Members' Interests is maintained by the Authority and is available for public inspection. Annually, Members register potential conflicts of interest in the Authority's Register of Members' Interests. In addition, Members are formally given the opportunity at the beginning of each agenda to declare matters of potential conflict in the scheduled business.

Interests of police staff are collated centrally via the Human Resources department (HRD). Applications are submitted locally and then submitted to central HRD for consideration and, if appropriate, authorisation. Gratuities are recorded locally in a register kept by divisions/departments and are considered by the local managers. Both are underpinned by force policy. Governance of these issues is the domain of the Professional Standards Department (PSD) who have the sole responsibility for the deployment of tactical options to effectively deal with any risk to the integrity of the Force through corruption.

The Authority has a well established Standards Committee, chaired by an independent person who is not a Member or Officer of the Authority. The Monitoring Officer and the Solicitor to the Authority are advisers to this committee.

Members of the Authorities Professional Standards Committee visit PSD in the region of six times per year. In preparation for these visits the Police Authority Members are provided with a list of potential complaints for inspection and they select a sample from the list. In addition members periodically raise concerns about specific complaints as a result of their interaction with the public.

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

The Treasurer has formal statutory responsibilities for ensuring appropriate advice is given on all financial matters and for ensuring proper financial records and accounts are kept. These responsibilities to the Authority are discharged in accordance with the Authority's Financial Regulations. The Authority's Handbook and Financial Regulations defines operating procedures for key financial systems and the roles of each of the statutory officers, including the Director of Resources (DoR). The DoR is a member of the Force Command Team. The Authority's Financial Regulations were reviewed and updated in 2005 and came into effect in 2006. The Scheme of Delegation is reviewed and updated annually. Standing Orders and the Procurement Policy are also reviewed regularly.

There is a formal scheme of financial accountability, covering both delegation from the Authority to the force, and from the Chief Constable to budget holders. Within the Force, the scheme of delegation is reviewed and revised annually. There is guidance available to budget holders which includes a description of their responsibilities, an outline of the budget process, and a budget process timetable. This is integral to the Force's financial management structures.

The Force has a corporate procurement policy that has been formally approved. This is published on the Force's internal website and all staff have access to it.

Risk financing is heavily reliant upon accurate logging and maintaining of claims data on a claims handling system. This is the responsibility of the Civil Claims Manager in Professional Standards Department. Statistical methods are applied to the claims data by an independent actuary to project the future requirements for risk financing in an annual independent actuarial Fund Audit Report. This report then forms the basis of decisions regarding the funding of the Insurance Reserve. Risk is financed internally to cover claims and losses where insurance is not in place to cover them, or where the loss/claim falls within the deductible payable by the insured under the insurance policy. All

claims are handled in accordance with the Civil Procedure Rules and Protocols. The Civil Claims Unit submits a monthly report to the Professional Standards Department (PSD) Tactical TCG. It also reports half yearly to the SPA Professional Standards Committee. A monthly review of the budget takes place. Any lessons to be learnt from claims are appropriately reported with the Force. There is also a separate Annual Motor Report.

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

The Authority has a very competent and qualified Corporate Governance Committee comprising of a mix of independent and councillor members. Authority members receive training and induction appropriate to their responsibilities and their experience. Appointments to the Corporate Governance Committee are considered and relate to the experience and expertise that the members bring to the committee. The chairman of the committee is the lead member for resources. This committee considers and receives reports from both internal and external audit. The Committee takes an active stance to ensure its responsibilities are discharged appropriately.

The Authority's Corporate Governance Committee is confident in challenging and seeking assurance in governance arrangements. Evidence for this includes: requesting reports and presentations from the Force that review the Committee's own conduct against best practice from CIPFA and providing assurance on the validity of the savings made through the Challenge Programme.

Corporate Development Department is the Force lead for performance improvement, undertaking and coordinating inspection activity and providing the head of profession function for performance information and analysis and criminal intelligence analysis. Regular performance updates are provided to the Authority at the full Police Authority meeting and at the Performance and Planning Steering Group (PPSG). Regular updates on findings from inspection and assurance activity undertaken by HMIC, the Audit Commission and NPIA are also presented at these and other Authority meetings.

- **Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful;**

The Authority has an appointed Monitoring Officer (the Chief Executive) and access to independent legal advice is provided by the Solicitor to the Authority. The Authority operates a Corporate Governance Committee to oversee issues facing the statutory duties of both the Authority and the Force. The Chief Executive (Monitoring Officer), the Solicitor to the Authority, and the Treasurer are advisers to this Committee.

The Police Authority Handbook and Financial Regulations clearly define the roles of each of the statutory officers and the Director of Resources. The Authority has access to independent legal advice where required. Reports to the Authority are reviewed in draft collectively by the Chief Constable, Chief Executive, Treasurer and Director of Resources. The Authority has confirmed that it is content with the current arrangements for considering legal issues as agreed by the Corporate Governance Committee's meeting in March 2006.

Financial planning risks are carefully scoped and monitored, using the Medium Term Financial Forecast which tracks the three year forward positions for revenue spend, capital budgets and reserve funding. The Authority tracks and monitors its financial risks regularly, then reports to the Authority's budget meeting which sets out the principle risks to the Authority's financial plans.

The Force experienced delays in reclaiming VAT from the Her Majesties Revenue and Customs (HMRC) for a number of months in 2007-08. The delays were identified within the Force and the outstanding VAT has been successfully reclaimed. Appropriate action has been taken within the Force finance department, such as on-line submissions, which will ensure greater levels of internal check.

Reports of Chairman's actions are made to the SPA. The Director of Resources is responsible and the Chief Executive (the

Monitoring Officer) takes responsibility for compliance with the SPA's arrangements (e.g. procurement single tender approvals) and Chief Officer delegations.

Terms of reference are drawn up for all Force Boards:

- Force Executive Board
- ACC Territorial Policing
- Human Resources Board
- Finance and Resources Board
- Neighbourhood Policing
- Keeping People Safe
- Best Use of Resources

These boards oversee all Force activity. Minutes of Force Boards and Executive Board are not published externally. Policy decisions and Force policies are available to the public on the Sussex Police website.

The Force's meeting and decision-making structure is currently being reviewed to improve the effectiveness and efficiency of the decision-making process. The aim is to provide clarity as to where and at what level decisions are taken.

Usage of the Force Policy Database is monitored and statistics on usage are reported to Department Heads. The Force library makes available reference material, including duties on the police in relation to race relations and diversity. Statutory obligations will be laid out in the Local Policing plan.

All National Policing Improvement Agency (NPIA) codes of practice and guidance documents are accessible to all staff in a central location on the Force library website for ease of reference. Access to legislation is maintained through the force library and key documents are held on the Intranet.

An Environmental Scanning Forum has been established between Corporate Development Department and key departments to identify changes in legislation and ensure appropriate training / awareness is provided. This is supplemented by the Force library which monitors new legislation and other developments. The implementation of changes in legislation are overseen by the chief officer led strategic boards and communicated through Force Routine Orders, Force-wide e-mails and the Force newspaper, "Patrol". Key changes which have resource or cost implications are briefed to the Police Authority at their meetings by Chief Officers.

Through the MOPI (MANAGEMENT OF POLICE INFORMATION) project the Force position in respect of information sharing is becoming more structured and formalised through the development of Information Sharing Agreements (ISA). ISAs provide information on the legal gateway and legitimate basis for information sharing between agencies. They also detail the responsibilities, obligations and liabilities placed on organisations in respect of information collection, retention and use.

The Partnership Protocol and Guidance provide a strong foundation and structure for the proper management of all financial partnerships that Sussex Police enters into. These documents have also been adopted by the Police Authority as effective practice. Both are readily accessible to all staff via the Neighbourhood Policing intranet site, and include guidance on Service Level Agreements. There are numerous examples of effective partnerships operating across the Force, such as Youth Offending Teams and Business Crime Reductions Partnerships.

The Local Councils Support Policy seeks to provide a firm basis for relationships and interactions between Sussex Police and town and parish councils. It creates a framework for police districts, through their neighbourhood policing teams, to consult, interact and work with councils in order to reduce crime and the fear of crime in their areas.

Sussex Police also operates a Community Safety Accreditation Scheme, whereby the Chief Constable can 'accredit' employers and employees, who are not employed by the police, in discharging functions aimed at community safety and which tackle crime, disorder, public nuisance and anti social behaviour. A number of our key public sector partners have already been

accredited, and granted additional powers, further strengthening our partnership arrangements.

- **Anonymous Contact Systems for receiving and investigating complaints from the public and handling citizen and other redress;**

Anonymous contact is catered for under the 'Break the Silence' icon on the front page of the Force Intranet and is explained within the Policy document 612/2006. The ethos of break the silence is that it is meant to be a confidential process but it is a two way anonymous process which allows the provenance of such disclosure to be tested. The whole of the workforce have access to this facility.

PSD Ops. (Professional Standards Department Operations) forward on reports maintaining the anonymity of the source where necessary to allow divisions and departments to act upon the information, unless PSD Ops themselves undertake the job. The purpose of break the silence is the anonymity that this offers to staff. Details of use are maintained within PSD Ops and subject to monitoring by a member of the Police Authority's Complaints Committee.

The Force is recognised as having a proven history in taking action on confidential reporting, overseen by the Force's Professional Standards Department. The HMIC inspection in 2006 confirmed that there was clear evidence of multiple gateways being used to raise concerns about integrity, honesty and misconduct issues. It made comment on the fact that there is an open and accessible system for making a complaint by letter, telephone, e-mail, or by third party reporting. This supported previous positive findings from the HMIC on Sussex Police's standards of confidential reporting, concluding that the issues were dealt with effectively.

The Authority has a centrally managed and co-ordinated system for handling complaints from the public, with that system being flexible enough to cope with complaints received via e mail, letter, and communication with the Independent Police Complaints Commission (IPCC) or visits to police stations. Complaints are categorised and where the true nature of the correspondence or the complaint is unclear the matter is categorised accordingly to indicate to a Division or Department what action is expected.

The Force has produced guidance in relation to complaints and in particular the use of the local resolution procedure to provide a quick response to concerns from the public. Performance information is produced on a monthly basis outlining trends in numbers of complaints received and the nature of the complaints themselves and these are vigorously scrutinised by the Police Authority's Complaints Committee.

- **Determining the conditions of employment and remuneration of officers and staff;**

Police Officer pay is negotiated annually through the national Police Negotiation Board.

Police staff pay is negotiated annually through the Police Staff National Pay Awards.

Each police staff post is evaluated using the Hay method by an evaluator panel to ensure it is graded correctly. Contracts of employment are drawn up in accordance with the post grade.

The Police Authority has appointed a Chief Officer Appointment & Remuneration Committee, which is responsible for the appointment, discipline and conditions of service of the Chief Constable, the Deputy Chief Constable and the Assistant Chief Constables. The Authority also has agreed a Scheme of Members' Allowances and Expenses 2007-08. This is defined in the Police Authority handbook.

The Human Resources Department has commissioned the Hay Group to undertake an equal pay audit in line with the national requirement to ensure that the Authority complies with the Equal Pay Act 1970. The audit is evaluating the pay of men and women of different age groups doing like work, or work of an equivalent value. The Authority is providing the Hay Group with relevant data for the analysis to take place and supporting documentation on reward policies, procedures and practices.

Following the equal pay audit the HR department will undertake a review of the current grading system used by the Force.

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

Police Authority Members and Officers have a full induction programme designed specifically to allow Members to gain an overall understanding of Sussex Police, the Authority and the unique role the Member has to play in holding the Force to account. New Members are also assigned an experienced Member as their mentor for three months to act as an adviser and guide them through the initial stage of Membership and beyond. The Chief Executive has annual one-to-one meetings with all members of the Authority, part of whose purpose is to identify development issues (on both sides).

Ongoing assessment of skills is conducted through the online Personal Development Review (PDR) system. All staff, including the Chief Officer team, receive a twice yearly review with their supervisor which is also reviewed by the 2<sup>nd</sup> line supervisor. PDRs are linked to the relevant role profile on the Integrated Competency Framework (as defined by Skills For Justice). Training requirements can be added at any point by the individual and needs approval by supervisor before being considered by the departmental / divisional training panel. The local panel will determine if the need is relevant and of benefit to the organisation. In addition, the HR & Training Board and the Finance & Resources Board ensure that staff have the necessary skills and competencies to perform their roles.

The PDR process within the force is managed on an electronic database that is identifiable to individuals linked to the policing plan priorities. Adherence to the PDR process is maintained by linking the completion of an up-to-date PDR as the benchmark for assessment for lateral development or promotion. The force has a clear strategic steer that all individual PDRs must reflect policing plan priorities and be SMART (specific, measurable, achievable, realistic and timely). Skill competencies for each role are measured against the integrated competency framework.

The Authority has also developed a programme of risk management training for relevant staff. The 2007-08 strategy provided for the scoping of the requirement for risk management training for staff and officers. A considerable amount of work has been commenced in furtherance of this, but this has been temporarily halted pending the further review of risk management. The Organisational Development Meeting (ODM) and Forum for Risk Co-ordinators discuss current and emerging risk and issues and receive reports in relation to same, including the annual Risk Management Report, which is first taken to the Corporate Governance Committee.

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

Communications plans and engagement strategies are in place at Force and district levels, identifying different sections of the community and setting out the most appropriate means of communicating/engaging with them. These are based on detailed analyses of community make-up, drawn from central analytical products, the Mosaic database and Neighbourhood Profiles. The Independent Advisory Groups and External Reference Groups also play a critical part in this. SPA ownership is maintained through the Community Engagement Steering Group. In addition a consultation database is also being developed with partners in order to increase the effectiveness of engagement processes.

Accessibility is one of the key principles underpinning the Force's policing philosophy, and has been assessed in HMIC & NPJA inspections. Information sharing is also a key aspect of partnership working, and is fully supported by Force policies that enable regular and meaningful exchanges with partners, subject to depersonalisation where appropriate, and excepting operationally sensitive matters. The Force is also fully committed

to the principles and requirements of the Freedom of Information Act.

The Authority's Local Policing Plan includes the results of public consultation undertaken on each district. The Policing Plan Board oversees the development of the Authority's plan and its membership includes three Police Authority members and a member of the Strategic Independent Advisory Group (IAG). The plan also takes into consideration the requirement of CDRPs and other statutory partnerships' strategies and targets such as Local Area Agreements (LAAs), Joint Action Groups (JAGs), Local Action Teams (LATs), Drugs & Alcohol Action Teams (DAATs), the Health Service and Probation Service.

In addition to the Local Policing Plan the Authority publishes a joint annual report and local policing summary for each of the three county council and unitary authority areas in Sussex, which is delivered to all households in the Force area. This publication sets out clearly to the public and staff where accountability sits, within both the Force and the Police Authority. Police Authority members also have clear and well-publicised geographic and thematic leads.

All of the Authority's statutory publications have details on how they can be accessed in other languages. The Corporate Communications department works closely with the Diversity Team and the Consultation Co-ordinator to identify hard to reach communities and how best to communicate with them. Examples of work in this area include the published equality scheme communication strategies. Publicity on how to access policing services is widely publicised including language and disability accessibility details. Third party and anonymous reporting are methods that are promoted to hard to reach communities who perhaps do not have trust and confidence in the police to report incidents directly.

In terms of monitoring the effectiveness of the communication the views of the Independent Advisory Group and other forums are solicited and national best practice is always sought to inform the content and direction of communications.

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

A wide range of engagement activity is undertaken, including Citizens' Panels, Local Action Teams, Neighbourhood Management Forums and Ward Panels. Police Authority members take geographic and thematic ownership of particular areas for such engagement, and governance is maintained through the Community Engagement Steering Group. Considerable effort is put in to establishing, maintaining and promoting Independent Advisory Groups and External Reference Groups at strategic level. In addition, the Force maintains partnership arrangements with other Criminal Justice Agencies and Forces within South East region.

The policy for the monitoring of partnerships has been consulted on and was considered and approved by the Finance and Resources Board in February 2007. The protocol allows key risks and controls to be maintained in relation to partnership agreements.

The Partnership Protocol and Guidance provide a strong foundation and structure for the proper management of all financial partnerships that Sussex Police enters into. These documents have also been adopted by the Police Authority as effective practice. Both are readily accessible to all staff via the Neighbourhood Policing intranet site, and include guidance on Service Level Agreements. There are numerous examples of effective partnerships operating across the Force, such as Youth Offending Teams and Business Crime Reductions Partnerships.

Through the MOPI project the Force position in respect of information sharing is becoming more structured and formalised through the development of Information Sharing Agreements (ISAs). ISAs provide information on the legal gateway and legitimate basis for information sharing between agencies. They also detail the responsibilities, obligations and liabilities placed on

organisations in respect of information collection, retention and use.

The Local Councils Support Policy provides a firm basis for relationships and interactions between Sussex Police and town and parish councils. It creates a framework for police districts, through their neighbourhood policing teams, to consult, interact and work with councils in order to reduce crime and the fear of crime in their areas.

Engaging with our communities is an important aspect of our partnership work, and here we are working on producing a Police Support Volunteer Policy to encourage more people to come and volunteer their time to support Sussex Police. A draft policy has been written and a new post of Force Volunteer Manager has been set up to deliver and develop the programme. This is in addition to the effective partnership work already being done with Neighbourhood Watch, and here another new post, Force Neighbourhood Watch Co-ordinator, has also been created to provide a strategic lead and support to divisions in setting up and running schemes.

The Authority operates a Community Safety Accreditation Scheme, whereby the Chief Constable can 'accredit' employers and employees, who are not employed by the police, in discharging functions aimed at community safety and which tackle crime, disorder, public nuisance and anti social behaviour. A number of our key public sector partners have already been accredited, and granted additional powers, further strengthening our partnership arrangements.

Much partnership working happens at district and divisional level, for example via Crime & Disorder Reduction Partnerships (or equivalent), Local Strategic Partnerships and Joint Action Groups. All are guided by clear terms of reference, but with a certain amount of local flexibility. Guidance on Joint Action Groups has been produced and a review of how they were operating was carried out at the end of 2006.

At a more local level, neighbourhood officers work in partnership with community groups to tackle local problems. Local Action Teams (LATs) are small groups of local community champions who can identify crime, disorder and anti-social behaviour problems in their neighbourhood. They can analyse the local causes and provide the basis for an effective local strategy, agreeing on priorities, generating ideas, appraising options and producing a balanced programme; a group which can then make it happen by the application of a simple action plan which commissions work of other agencies, including the police, to resolve the problem. In support of LAT activity a LAT intranet site has been set up which includes a database of all active LATs across the county and the type of issues they are tackling, along with guidance on how to set one up.

Where Sussex Police monies or resources are invested in a partnership arrangement, a structured evaluation process will be introduced at the outset. This process will include the:

- allocation of financial provision for the evaluation (if the value of the funding warrants such an evaluation, the decision on which will be determined locally);
- designation of a responsible officer assigned to conduct the evaluation;
- timescale within which the evaluation should be expedited;
- pre-defined criteria or measurable outcomes for the evaluation at each critical check point.

The evaluation should also take account of: project/programme results; partnership processes for the project/programme results and the establishment at the outset of SMART objectives or targets.

Partnerships are regularly evaluated to take appropriate action when necessary e.g. the decision not to proceed further with the 'Joining Forces Programme' with Surrey Police.

The Force Risk Manager has discussed partnerships when making divisional visits to make sure that all are aware of the protocol and are using it. A review is planned to assess the use and awareness of the partnership protocol.

#### 4 . REVIEW OF EFFECTIVENESS

The Authority has responsibility for conducting, at least annually, a review of the effectiveness of the governance framework, including:

- the system of internal audit
- the system of internal control

These reviews have been completed / informed by the work of the Corporate Development Department, internal auditors, and also managers within the Authority who have the responsibility for the development and maintenance of the governance environment. In addition comments made by the external auditors and other review agencies and inspectorates have informed this review.

The Corporate Development Department (CDD) is the Force lead for performance improvement, undertaking and coordinating inspection activity and providing the head of profession function for performance information and analysis and criminal intelligence analysis. In addition, regular inspection and assurance activity is undertaken by HMIC, the Audit Commission and NPIA, with external findings reported to the Police Authority. This external inspection activity is also co-ordinated by CDD.

The Business Improvement Branch of CDD has devised an assurance gathering process for the compilation of the Statement of Internal Control and the Annual Governance Statement and works with the Police Authority to produce a joint statement.

The Police Authority's Corporate Governance Committee oversees the development of the Annual Governance Statement. It ensures there is continuous improvement in the process and endorses the resulting action plan annually. At a tactical level the Business Improvement Branch of CDD monitors opportunities for continuous development in the process.

A timetable for the production of the Annual Governance Statement has been created. This has been approved by the Police Authority's Corporate Governance Committee. Progress reports against the timetable are made regularly to the Force's Director of Resources.

The CIPFA evidence gathering template is used to gather relevant evidence to show how the Authority exercises control and manages its governance arrangements. The Assistant Chief Executive of the Police Authority undertakes the same process with members of the Police Authority. This evidence is then presented to Corporate Development who collate all of the evidence in a single document. The evidence is reviewed, issues and gaps identified and an action plan drawn up to address the issues.

A process is established to ensure the Chief Constable, the Authority's Chairman and Chief Executive approve and sign-off the joint Annual Governance Statement, in accordance with the CIPFA / SOLACE guidance.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Authority's Corporate Governance Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

#### 5 . SIGNIFICANT GOVERNANCE ISSUES

The issues identified in this section include an outline of the actions currently being taken or are proposed to be taken to address the issues.

- a) **Currently the Force has a confusing and complicated meeting structure and decision-making process.**

This issue is being addressed through the Capability strand of Operation Quest. Quest is a national Home Office programme, working with KPMG. A joint team is currently working for a period of six months in a Brighton & Hove Division to identify frontline policing processes which can be made more effective and efficient, whilst addressing the core strategic issues through the capability strand. Consultation will be undertaken with the chairs of the main boards and Force meetings in order to design an improved meeting structure. The design will also focus on ensuring there is no duplication between the work of boards. The design will be completed by the beginning of July 2008 and the solution implemented by the end of August 2008.

- b) **Work is required to develop the Force's internal performance regime and align it with APACS (Assessments of Policing and Community Safety).**

The Corporate Development Department, working to the Deputy Chief Constable, is at the time of writing refreshing the Force's performance regime. Developments in APACS (Assessments of Policing and Community Safety) are being monitored and will be incorporated into the new framework. The review will encompass the role and format of FPM and the engagement of the Authority in performance issues, including through the PPSG and the work of lead members.

- c) **The vision and values are in place but work is required to embed them throughout the Force by means of an internal communications strategy.**

The Force is developing a single equality scheme to cover all areas of diversity. Work is also being undertaken on a renewed vision and mission for the Force, linked with statement of values, leadership charter, service charter, LISTEN principles (Sussex Police Service Principles) and a Victim Charter.

- d) **Retention of staff: associated issues are length of time officers serve in specialist roles and career opportunities for police staff.**

A retention working group has been established under the direction of an Assistant Chief Constable to instigate measures to reduce the number of officers transferring to the Metropolitan Police Service. Some of the measures involve creating opportunities for officers to undertake roles in more specialist units such as the major crime branch, as well as looking at establishing a monetary value retention package.

- e) **There is further work to do to increase engagement with the risk management process within the Force leading to uncertainty as to whether the correct principle risks for the Force have been identified.**

A review of the risk management system and processes has been commissioned by the Head of Corporate Development Department. This is expected to report its findings to the Organisational Development meeting in July 2008.

- f) **The force needs to check to ensure that it is addressing any recommendations from HMIC or other external inspection and any concerns highlighted from PPAF (Policing Performance Assessment Framework) / APACS or other surveys. NB. If it is found on checking that recommendations / concerns are being addressed, this is not longer an issue. )**

# Glossary of Terms

This section explains key terms and specialist financial language used in the Statement of Accounts.

---

## Accrual

An accrual is a liability to pay for goods and services that have been received or supplied for which an invoice has not yet been received.

## Accrued Income

Income earned in the financial year which has not yet been received.

## Billing Authority

The local authority responsible for administering the collection fund. These are either the district councils in East and West Sussex, or the Unitary Authority in Brighton and Hove.

## BVACOP

The Best Value Accounting Code of Practice establishes 'proper practice' with regard to consistent financial reporting below the Statement of Accounts level. The guidance seeks to provide a means for the aggregation of the costs of policing. More details can be found on the CIPFA website. [www.cipfa.org.uk](http://www.cipfa.org.uk)

## Capital Programme

The Authority's plan of capital projects and spending over future years. Included in this category are the purchase of land and buildings, the erection of new buildings and works, design fees and the acquisition of vehicles and major equipment items.

## Capital Expenditure

Expenditure on the acquisition or construction of assets that have a long-term value to the Authority, e.g. land and buildings.

## Capital Receipts

Income from the sale of fixed assets', can only be used to finance new capital expenditure or repay outstanding debt on assets, financed from loans.

Useable capital receipts are those capital receipts which are not set aside for specific purposes but are available to be used for any capital purchases.

## Code of Practice (SoRP)

Police Authorities are required to prepare their statements of account in accordance with the CIPFA Statement of Recommended Practice (SoRP) on local authority accounting. More details can be found on the CIPFA website. [www.cipfa.org.uk](http://www.cipfa.org.uk)

## Collection Fund

A fund administered by each Billing Authority. Council Tax monies are paid into the fund whilst part of the net revenue spending of the Police Authority, County, Unitary Authority and District Councils are met from the fund.

## Contingency Provision

An amount set aside for exceptional budget requirements in the financial year.

## Council Tax

Council Tax payable locally is based upon house values. Each dwelling is valued and placed into one of eight bands, which determines the level of Council Tax payable.

## Current service cost of Pensions

The cost of retirement benefits is recognised in the net cost of services in the Income & Expenditure Account when they are earned by employees – "current service cost". The current service cost of pensions is defined as the increase in liabilities arising from service during the year. This means pensions costs will be recognised in the year in which they are incurred, with the contributions being treated as a cash flow item as they are made.

## CIPFA

The Chartered Institute of Public Finance and Accountancy, one of the professional accountancy bodies in the U.K. CIPFA specialises in the public services and has responsibility for setting accounting standards for these services. More details can be found on the CIPFA website. [www.cipfa.org.uk](http://www.cipfa.org.uk)

## Fixed Assets

The value of fixed assets for capital accounting purposes represents depreciated replacement cost or open market value for land and buildings and the depreciated historic cost of other assets.

## Intangible Assets

The value of Intangible Assets represents expenditure on computer software licences and development amortised over their life.

## FRS

Financial Reporting Standards, as agreed by the UK accountancy profession and the Accounting Standards Board. These include Statements of Standard Accounting Practice (SSAPs).

## Long Term Debtor

This specifically relates to the PFI contract. The residual value of the assets is estimated to be greater than the consideration. The Authority must build up the difference over the life of the contract to ensure a proper allocation of payments is made between the cost of custody services and the acquisition of the residual interest. This is in line with Treasury Technical Note 1 (Revised) and is offset by a reserve of equal value.

## Minimum Revenue Provision

The statutory requirement to set aside a minimum revenue provision for the repayment of external loans.

## **National Non Domestic Rate (NNDR) – or Business Rates**

The rate in the pound charged on non-domestic properties. It is the same for all businesses in England and is set annually by Government, on whose behalf it is collected by Billing Authorities. The Police Authority then receives a share of the national pool as part of its resources used to meet Total Net Expenditure.

## **Net Operating Expenditure**

The total net expenditure of the Police Authority before financing from Central Government grants and local Council Tax and before the movements shown in the Statement of Movement on the General Fund Balance.

## **PFI**

Private Finance Initiative.(PFI) allows the public sector to contract with the private sector to provide quality services on a long-term basis, typically 25-30 years, so as to take advantage of private sector infrastructure delivery and service management skills, incentivised by having private finance at risk.

The private sector takes on the responsibility for providing a public service against an agreed specification of required outputs prepared by the public sector.

The private sector carries the responsibility and risks for designing, financing, enhancing or constructing, maintaining and operating the infrastructure assets to deliver the public service in accordance with the public sector's output specification.

## **Precept**

The Police Authority makes demands upon the Unitary Authority and District Council's collection funds for its net expenditure requirements to be met by Council Tax.

## **Prepayments**

Any amounts that have been paid for goods and services not received by the end of an accounting period are shown as prepayments in the debtors section of the balance sheet.

## **Provisions**

The Police Authority may set aside amounts as provisions to meet future liabilities or losses that are likely to arise in the future.

## **Reserves**

Balances that represent resources set aside for purposes such as working balances and reserves for cash flow management. Earmarked reserves are those reserves set aside to meet specific policy purposes.

## **Revenue Budget**

The estimate of annual income and expenditure requirements, which sets out the financial implications of the Police Authority's policies and the basis of the annual precept to be levied on collection funds.

## **Provisions**

The Police Authority may set aside amounts as provisions to meet liabilities or losses that are likely to arise in the future.

## **SoRP**

See Code of Practice.

## **Specific Grants**

Central Government grants towards specific services, usually on a fixed percentage for a particular service such as Police. These are included as income on the Income & Expenditure Account.

## **Statements of Standard Accounting Practice (SSAP)**

These are standardised practices and accounting treatments, as agreed by the UK accountancy profession and the Accounting Standards Board.

## **Total Net Expenditure**

The total net spending requirement of the Police Authority after deducting specific grants and other local income. This is financed by Central Government grants and local Council Tax