

# GWENT POLICE AUTHORITY



## STATEMENT OF ACCOUNTS

2005/2006



# STATEMENT OF ACCOUNTS 2005/2006

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## FOREWORD BY THE TREASURER

### Introduction

The Authority's annual accounts for the financial year ended 31<sup>st</sup> March 2006 which are in accordance with the CIPFA Code of Practice on Local Authority Accounting 2005, are set out on pages 13 to 38 and consist of:

- Statement of Accounting Policies - which explains the basis of the figures in the accounts;
- Revenue Account - which shows the Authority's income and expenditure for the year;
- Balance Sheet - which shows the assets and liabilities of the Authority as at 31<sup>st</sup> March 2006;
- Cash Flow Statement - which summarises the inflows and outflows of cash arising from transactions with other parties for revenue and capital purposes;
- Statement of Movements in Reserves - which shows all the movements during the year in the revenue and capital reserves; and
- Notes to the accounts and statements - which explain further the entries in the Revenue Account and the Balance Sheet.

### Revenue Income and Expenditure

#### Where the money came from:

The revenue budget requirement for the year of £102.312m was approved by the Police Authority on 11 February 2005. After Home Office Grant of £44.444m, Revenue Support Grant of £16.882m and National Non-Domestic Rate of £12.475m, the amount to be collected from Council Tax was £28.511m

#### What the money was spent on:

The Revenue Account (page 16) analyses the total cost of services of £91.422m over the respective activities of policing. Adjusting this figure for corporate costs, other unallocable items and transfers to and from reserves, produces total expenditure to be met from grants and taxation of £92.166m and comparing this sum with income from grants and council tax of £102.312m shows a net surplus for the year of £10.146m. During the process of completing the final accounts for 2005/06 the Police Authority resolved to make the following prudent contributions to reserves and these have been taken into account in arriving at the net surplus:

- £214,419 relating to devolved budgetary under-spending to be rolled over in accordance with the agreed budgetary control framework;
- £1,143,309 net contribution to be transferred to the PFI scheme sinking fund;
- £761,000 to be transferred to the Airwave sinking fund, to alleviate the pressure caused by the cessation of the revenue grant from the Home Office in 2006/07;
- £32,000 to be transferred to the Command & Control sinking fund, to maintain its purchasing power; and
- £1,737,000 to be transferred to earmarked reserves for utilisation by Divisional Commanders/Departmental Heads in 2006/07

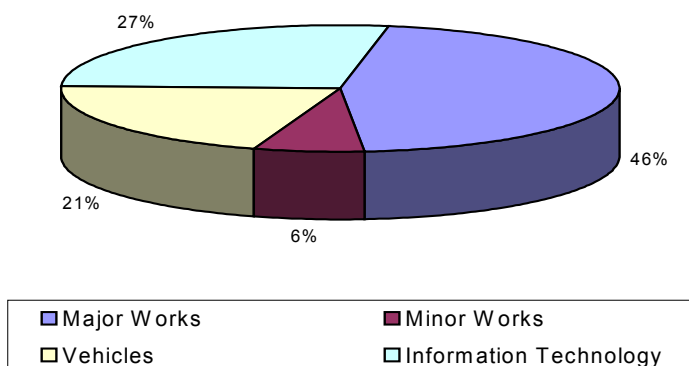
The total appropriations above amount to £3.888m and of this sum, £0.207m was funded by a transfer from the roll over reserve, with the balance of £3.681m being a charge on the Revenue Account. It follows that the surplus on the Revenue Account prior to these contributions was £13.827m.

## FOREWORD BY THE TREASURER

### Capital Expenditure and Capital Financing

The capital budget for 2005/2006, including resources brought forward from 2004/2005 to cover slippage from that financial year, was £6.340m. The actual capital expenditure, on an accruals basis, was £5.240m and the balance of £1.100m was rolled forward to finance the elements of the programme to be concluded in 2006/07.

### Analysis of Expenditure 2005/2006



Capital expenditure can be funded from specific Home Office grant, capital receipts, borrowing under the terms of the Prudential Code or directly from revenue.

The funds available for capital expenditure are only applied on a cash paid basis and, during 2005/2006, £5.062m of cash paid was applied as follows:

	2004/05 Funds Brought Forward £m	Additional Funds in Year £m	2005/06 Total Funds Available £m	Total Funds Applied £m	2006/07 Funds Carried Forward £m
Capital Grant	0.381	1.934	2.315	1.854	0.461
Revenue Financing	5.403	4.348	9.751	3.041	6.710
Capital Receipts	-	0.167	0.167	0.167	-
<b>Totals</b>	<b>5.784</b>	<b>6.449</b>	<b>12.233</b>	<b>5.062</b>	<b>7.171</b>

Although capital expenditure in the year amounted to £5.240m, it can be seen from the table above that the total funds applied for capital purposes in the year amounted to £5.062m. The difference of £178,000 represents the increase in capital creditors as at 31<sup>st</sup> March 2006.

## FOREWORD BY THE TREASURER

### Capital Borrowing and the Repayment of Debt

The total of debt repayments was £0.590m, made up of £0.162m principal and £0.428m interest. No new loans were taken up in respect of approved capital expenditure. The loan debt outstanding as at 31<sup>st</sup> March 2006 was £6.522m.

### Looking Ahead

In fixing its budget for 2006/07, Gwent Police Authority had to address a difficult situation where increases in grant income plus the maximum permissible increase in council tax were insufficient to meet unavoidable budgetary increases on pay awards, price increases and high priority growth necessary to meet its objectives relating to the further development of neighbourhood policing. The budget was eventually balanced by efficiency savings, an increase of 5% in council tax and by meeting approximately £4 million of largely non-recurring expenditure from reserves.

During 2005/06 and the early part of 2006/07 considerable input, in terms of time and cost, was directed towards addressing the Home Secretary's proposals for "closing the gap" in protective services. Initially, there was an assumption on the part of the Home Office that the economies of scale released by creating large strategic authorities/forces would cover the cost of improving protective services. Eventually, the Home Secretary accepted the funding deficit associated with his proposals and on 12<sup>th</sup> July 2006 the Police Minister announced the Government's decision not to go ahead with their proposals for compulsory authority/force mergers.

Although authority/force mergers are off the Government's agenda for the time being, the financial outlook over the medium term still promises to be difficult. Best current estimates show expenditure increasing by 5.1% in 2007/08 and 4.5% p.a. over the following two years. Against this, Government grant which currently funds 72% of Gwent's Budget Requirement, is likely to increase by only 3.6% in 2007/08 and only 2.1% in the following two years. Government grant increasing at a lower percentage than expenditure results in increasing demand on council tax of 8.9%, in 2007/08 and 10.1% in the following two years. If council tax increases are capped at 5% p.a. the Authority will be facing an annual budget deficit of £4.7 million by 2009/10. This deficit excludes additional costs of developing neighbourhood policing or closing the gap in protective services.

Neil Phillips CPFA  
Treasurer to the Police Authority

## **INDEPENDENT AUDITOR'S REPORT TO THE GWENT POLICE AUTHORITY**

I have audited the accounting statements of Gwent Police Authority for the year ended 31 March 2006 under the Public Audit (Wales) Act 2004. The accounting statements comprise the Consolidated Revenue Account, the Consolidated Balance Sheet, the Statement of Total Movements in Reserves, the Cash Flow Statement, and the related notes. The accounting statements have been prepared under the accounting policies set out in the statement of accounts.

This report is made solely to Gwent Police Authority in accordance with Part 2 of the Public Audit (Wales) Act 2004 and for no other purpose, as set out in paragraph 42 of the Statement of Responsibilities of Appointed Auditors, and Inspectors, and of Audited and Inspected Bodies (2005) prepared by the Auditor General for Wales .

### **Respective responsibilities of the Chief Finance Officer and auditors**

The Chief Finance Officer's responsibilities for preparing the Statement of Accounts in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005 are set out in the Statement of Responsibilities for the Statement of Accounts.

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 present fairly the financial position of the Authority in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005.

I review whether the statement on internal control on pages 7 to 12 reflects compliance with CIPFA's guidance 'The Statement on Internal Control: Meeting the Requirements of the Accounts and Audit Regulations 2003' published on 2 April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the accounts. I am not required to consider, nor have I considered, whether the statement on internal control 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, and consider whether it is consistent with the audited accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements. My responsibilities do not extend to any other information.

### **Basis of audit opinion**

I conducted my audit in accordance with the Public Audit (Wales) Act 2004 , the Code of Audit and Inspection Practice issued by the Auditor General for Wales, 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. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements 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.

# INDEPENDENT AUDITOR'S REPORT TO THE GWENT POLICE AUTHORITY

## Opinion

In my opinion the accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005, the financial position of the Gwent Police Authority as at 31 March 2006 and its income and expenditure for the year then ended.

## Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Code of Audit and Inspection Practice issued by the Auditor General for Wales.

My conclusion on Gwent Police Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2006 will be reported separately in the Annual Audit Letter to the Authority.

Anthony Barrett  
Appointed Auditor  
Wales Audit Office  
Unit 4  
Evolution  
Lakeside Business Park  
St David's Park  
Ewloe  
CH5 XP  
Date

**Signature:** \_\_\_\_\_

**Date:** \_\_\_\_\_

# STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

## The Authority's Responsibilities

The Gwent Police Authority is required:

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

I certify that the Gwent Police Authority approved this Statement of Accounts at its meeting on 18<sup>th</sup> October 2006

**Date:** \_\_\_\_\_

**Signature:** \_\_\_\_\_

**Chairman, Gwent Police Authority**

## The Treasurer's Responsibilities

The Treasurer is responsible for the preparation of the Authority's statement of accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("The Code of Practice"), is required to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31<sup>st</sup> March 2006.

In preparing the statement of accounts, the Treasurer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the Code of Practice.

The Treasurer has also:

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

I certify that the Statement of Accounts presents fairly the financial position of the Gwent Police Authority at 31 March 2006 and its income and expenditure for the period then ended

**Date:** \_\_\_\_\_

**Signature:** \_\_\_\_\_

**Neil Phillips CPFA  
Treasurer to the Police Authority**

# STATEMENT ON INTERNAL CONTROL

## **Scope of Responsibility**

Gwent Police Authority has a duty under the Police Act 1996 to secure an efficient and effective police force for the people of Gwent. In doing so, the Authority is responsible for ensuring that its business is conducted in accordance with both the law and proper standards and that public money is safeguarded, 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 its functions are exercised, again having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Authority must ensure that there is a sound system of internal control, which facilitates the effective exercise of the Authority's functions and which includes arrangements for the management of risk.

## **The Purpose of the System of Internal Control**

The system of internal control is designed to manage risk to a reasonable level, rather than to try to eliminate the possibility 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. It is 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 to manage them efficiently, effectively and economically.

The system of internal control was in place at Gwent Police Authority for the year ended 31 March 2006 and up to the date of approval of the annual Statement of Accounts.

## **The Internal Control Environment**

Whilst the Chief Constable is responsible for operational policing matters and the direction and control of police personnel, the Police Authority must satisfy itself that there are appropriate control mechanisms in place within the organisation.

The system of internal control is based on a framework that comprises systems, policies and procedures that are designed to:

Establish and monitor the achievement of the Authority's objectives and facilitate the management and reporting of performance.

Facilitate policy and decision making.

Ensure compliance with established policies, procedures, laws and regulations.

Identify, assess and manage the risks to the Authority's objectives.

Ensure the economical, efficient and effective use of resources and the continuous improvement in the way in which its functions are exercised.

Deliver robust financial management of the Authority and the reporting thereon.

# STATEMENT ON INTERNAL CONTROL

## **Establishing Objectives and Monitoring Arrangements**

The Police reform Act 2002, requires the Authority to produce a rolling 3-year strategy. This strategy is consistent with the National Community Safety Plan and incorporates medium to long term priorities, of both a local and national nature. The Authority has a statutory duty to consult with the public in relation to policing issues in general and also in relation to specifics such as the level of precept. The Chief Constable is also required to engage with local communities on policing issues to ensure that the Authority's strategic aims are aligned to the needs of those communities.

The Police Act 1996 requires the Authority to produce a Local Policing Plan (LPP), which sets out the key priorities arising from delivering the first year of the rolling 3-year strategy. The LPP also reflects any further guidance issued by the Home Secretary, the views of the local communities and takes into account the plans of other relevant bodies, such as the Crime and Disorder Reduction Partnerships (CDRPs) and the Local Criminal Justice Board (LCJB). Whilst detailing the targets to be achieved, the LPP identifies a number of performance indicators, ranging from Government set Key Performance Indicators (KPIs), through Police Performance Assessment Framework (PPAF) indicators and Statutory Performance Indicators (SPIs) to locally set indicators and Public Service Agreements (PSAs). The resources required to deliver the LPP and the performance management regime designed to monitor its progress are also included.

The Chief Constable drafts the 3-year strategy and jointly with the Chief Executive and Clerk prepares the LPP for consideration and approval by the Authority. The agreed LPP targets and improvements are delivered by the Chief Constable and the Force via Basic Command Units (BCUs) and Departments.

The progress against LPP targets and performance indicators is monitored at a number of levels. Performance is monitored weekly at BCU and Departmental management meetings, and then monthly with the respective Chief Officer, who has responsibility for that particular BCU/Department. Further monthly monitoring is undertaken within the Force at Strategic Tasking & Co-ordination Group (STCG) and Chief Officer Group (COG). In terms of the Authority, objectives within the LPP are monitored every two months by both the full meeting of the Authority, and in greater detail by the Corporate Planning and Performance Committee (CPPC).

## **Performance Management and Reporting**

As stated above under 'Establishing Objectives and Monitoring Arrangements', performance against LPP targets and performance indicators are monitored at a number of levels.

The above processes are supported by the Performance Review section of the Corporate Services Department, which oversees the production of performance management information for Authority Members and managers across the organisation.

The mandatory system for Performance Development Review (PDR) for each officer and member of police staff provides for the cascading of and targeting of key objectives which appear in the LPP and for the identification of any local objectives within Divisions and Departments. The PDR system provides a robust, evidential process to actively manage staff performance. The system also identifies where individuals may need role specific training to enable them to carry out their duties and/or where general personal development is required.

## **Policy and Decision Making**

The Authority's Standing Orders govern the decision making processes for the organisation. The Scheme of Delegation (SoD) from the Authority to the Chief Executive and Clerk, Treasurer and Chief Constable sets out the parameters for policy and decision making and also facilitates further delegation to individuals and groups within the organisation.

## STATEMENT ON INTERNAL CONTROL

Although the Authority sets the strategic direction for the Force, policy setting and decision making are carried out within the Force through a number of groups, which operate within the Force's Corporate Governance Structure, (for example Operations Policy Group, Personnel Strategy Group, Strategic Risk Management Group etc.) Through the application of the SoD, approval for policies rests with COG. Policy maintenance and review is undertaken on a formalised basis through a risk-based approach as detailed above, however, regular facilitated workshops for Authority members are arranged to identify and discuss issues which affect policing delivery. Additionally, the Force's Strategic Leaders' Forum meets on a quarterly basis to address key strategic issues facing the Force.

### **Ensuring compliance with established policies, procedures, laws and regulations**

The organisation has a robust Corporate Governance Framework that is supported with policies and procedures in all the key areas. The Chief Executive and Clerk is the Authority's Monitoring Officer, whilst the Treasurer is the Authority's Section 151 Officer. Both are responsible for ensuring lawfulness and prudence in particular areas of the Authority's responsibilities.

Procedures exist to deal with complaints against Members, Police Officers and Police Staff as well as those complaints of an operational nature. Arrangements are also in place for Members and officers/staff to declare their pecuniary interests.

The Treasurer has responsibility for the legality of financial transactions and the role of senior finance staff is stated in full in the Authority's Financial Regulations and reflect the Home Office's Code of Financial Management.

HR procedures, supporting terms and conditions of employment for staff, are in place and cover all aspects of good employment. They are reviewed at regular intervals in consultation with staff associations. The Authority has a Diversity/Human Resources Committee which receives regular reports on HR issues.

A number of independent agencies such as Her Majesty's Inspectorate of Constabulary (HMIC), External Audit and the Home Office monitor compliance through regular review programmes. Additionally, internal functions such as the Professional Standards Unit also undertakes compliance work.

Whilst managers are responsible for ensuring that the internal controls throughout the organisation are operating adequately, an independent Internal Audit service is provided by Monmouthshire County Council. Their role is to contribute to delivering the economic, efficient and effective use of resources, by providing the Audit and Resources Committee (ARC), Treasurer and Chief Constable with an assurance as to efficiency of the various systems of internal control.

### **Identifying, assessing and managing the risks to the Authority's objectives**

A Risk Management Strategy has been approved by the Authority and a Strategic Risk Management Group created within the Force's Corporate Governance Framework.

Risks are identified throughout the organisation and recorded on a corporate risk register. These are then scored for probability and impact and allocated both a strategic and operational risk owner, for mitigation and monitoring. Additionally, the identification of risk is a standing item on agendas of a number of strategic meetings within the Force.

Part of the approach to risk management involves the purchasing of insurance cover to protect assets and liabilities where it is either required or cost effective to do so. The Authority is proactive in self-insuring some elements of the overall insurance package, especially where external insurance costs are high. The Authority maintains an insurance provision, which is reviewed annually, to help meet claims.

## STATEMENT ON INTERNAL CONTROL

### **Ensuring the economical, effective and efficient use of resources**

The primary means of ensuring the economic, effective and efficient utilisation of resources, is achieved through the Corporate Governance Framework which is supported by specialist departments such as Finance, Corporate Services and Human Resources. Through this Framework, the Authority and the Force ensures that a link between the resources utilised and the performance outcomes is established.

There are also numerous processes in place to assist in the management of resources including, but not limited to – the LPP, medium-term financial plan, annual budget setting process (including the efficiency plan), internal control framework (including the Budgetary Control framework and Financial Procedures), resource allocation models, policies and procedures and a process of inspections, audits and reviews.

In conjunction with the Authority, the Chief Constable implements a programme of Service Improvement Reviews (Best Value Reviews) to facilitate continuous improvements in service delivery. The programme of Service Improvement Reviews is risk-assessed annually by the Strategic Risk Management Group. This assessment, plus the progress in implementing previously approved reviews are reported to the Authority's Best Value Committee every other month.

HMIC assesses police performance and the extent to which Service Improvement is being achieved, through regular inspections. The Wales Audit Office (WAO) also reviews the Service Improvement performance element of the LPP and certifies our compliance (or otherwise) with the statutory requirements.

Police authorities are required to produce annual efficiency improvements of 3%. This process is monitored by the Authority and the HMIC, with support from the WAO. The efficiency plan is integrated into the budgeting process and details how efficiency savings are recycled into front line policing. The Annual Efficiency Plan Certificate is also signed by both the Chief Constable and the Treasurer.

Performance targets and indicators (KPIs, PPAF, SPIs etc.) identified in the LPP are used by the Home Office, HMIC and the Authority to assess and compare performance.

### **Financial Management of Resources**

The statutory responsibilities of the Treasurer to the Authority are set out in sections 112 and 114 of the Local Government Finance Act 1988. The Treasurer is the Authority's professional advisor on financial matters.

Through the SoD, the Chief Constable delegates to the Director of Finance and Administration (DFA) responsibility for all financial activities undertaken within the Force. The DFA is a key member of the Chief Constable's management team (COG). The Treasurer and the DFA work closely together throughout the year to ensure that the Authority's financial strategy, plans and principles are delivered in the most effective manner. The roles and responsibilities of both officers are set out in the statutory Code of Financial Practice for Police Financial Administration.

In addition to the Authority's Treasurer and the DFA, professionally qualified finance staff and experienced business managers provide financial advice and information to managers across the organisation.

Effective financial management requires an internal control framework which ensures that all resources are used as efficiently and effectively as possible, to attain the Authority's overall objectives and targets. This framework is in place to minimise the risk of loss, unlawful expenditure, poor value for money and to maximise the use of the Authority's assets and resources. The key elements of the Authority's internal control framework are set out below:

## STATEMENT ON INTERNAL CONTROL

Standing Orders, a comprehensive system of delegation and accountability (SoD), a Budgetary Control Framework (BCF) and detailed financial procedures provide a control structure and guidance for managers across the organisation.

A linked budgetary and operational planning process, resulting in the setting of robust and balanced revenue and capital budgets, which are approved by the Authority in February of each year.

In accordance with the Prudential Code and best accounting practice, the Authority produces a medium term financial strategy and associated medium term financial plan, which is informed by other interdependent strategies and plans (HR, IS, Procurement Estates etc.)

The Authority has adopted the CIPFA Code of Practice on Treasury Management. In so doing, it approves an annual treasury management strategy.

The maintenance of adequate provisions and reserves.

A robust framework of budget monitoring and accountability across all levels of the Force and Authority. Individual budget managers and Divisional/Departmental Management Teams receive detailed monthly budget monitoring information, facilitated by the attendance at their monthly Senior Management Teams meetings of their Principal Management Accountant. Maintaining the Force focus, STCG and COG receive monthly financial monitoring reports (including progress against the efficiency plan), that highlight major variances, plus the corrective action underway or proposed. In terms of the Authority, the secretariat receive detailed monthly budget monitoring information, with regard to their costs, whilst the Authority's Audit and Resources Committee (ARC) receive similar reports to those presented to STCG and COM.

### **Review of Effectiveness**

Regulation 4 of the Accounts and Audit (Wales) Regulations 2005 imposes a new responsibility on the Authority for conducting a review at least once a year of the effectiveness of its system of internal control and to include a statement on internal control, prepared in accordance with proper practices, with any statement of accounts.

This review is informed by the work of the internal auditors and the chief officers of the Authority who have responsibility for the development and maintenance of the internal control environment and also by comments made by the External Auditors and other review agencies and inspectors.

The roles of the various bodies are as follows:

### **Internal Audit**

Regulation 6 of the Account and Audit (Wales) Regulations 2005 makes provision in respect of the internal audit system that should be maintained in accordance with proper internal audit practices. The responsibility for the maintenance of an efficient internal audit function rests with the Police Authority. In practice, however, the Authority takes assurance from the work of Internal Audit. The role and standards of Internal Audit are defined in the CIPFA Code of Practice for Internal Audit in Local Government. The Code requires Internal Audit to provide essential assurance to members and officers on the adequacy and effectiveness of systems of internal control. They also provide assurance in relation to the management of financial and operational business risks, corporate governance and the entire control framework.

The audit work for the year is based on a risk based approach and focuses on significant financial and operational risks. The plan is agreed with the Treasurer, Director of Finance and Administration and the Wales Audit Office, as External Auditor and is presented to the Audit and Resources Committee for approval. Reports are presented to each meeting of the Committee on the adequacy of controls in the systems audited.

## STATEMENT ON INTERNAL CONTROL

The Wales Audit Office carries out a review of the effectiveness of Internal Audit against their professional standards and the CIPFA Code and expresses an opinion on the adequacy of internal audit work.

The Internal Audit Annual Report for 2005/06 will be considered by the Audit and Resources Committee at its next meeting on 5 September 2006. This report will consolidate into one document findings already reported to the Committee and whilst it will cover some areas of concern, the overall conclusion is that the main systems of internal control remain sound and may be relied upon to minimise the risk of loss and protect the integrity of the Authority.

### **Wales Audit Office**

The Wales Audit Office in their annual audit letter comment on the financial aspects of corporate governance which includes the legality of financial transactions, financial standing, systems of internal financial control and standards of financial conduct, fraud and corruption.

### **Her Majesty's Inspector of Constabulary (HMIC)**

HMIC provides a measure on the performance of the Force based on its response to the Baseline Assessment.

### **Police Standards Unit**

The Unit focuses on the measurement and comparison of police performance.

### **Welsh Assembly Government and Home Office**

Both bodies require financial returns to monitor expenditure on revenue and capital. Grant returns are submitted for a number of grants received, but a number of grants require a Statement of Grant Expenditure to be submitted which is certified by the Chief Financial Officer of the Force and is not audited.

### **Significant Internal Control Issues**

During 2005/06 the external and internal auditors both raised concerns regarding failure by Divisions and Departments to comply with Contract Standing Orders. The Audit and Resources Committee, and Chief Officers took those concerns very seriously and have brought to the attention of all employees the importance of adhering to Standing Orders and the possible consequences, including disciplinary action, of not doing so. In addition, all relevant officers and staff have attended at least one of a series of training events organised exclusively to address these failures.

The other issue raised by the internal auditor was delays in implementing some of the agreed action plans from the previous year's Internal Audit reports. The Audit and Resources Committee will receive regular monitoring reports on progress against Internal Audit recommendations during 2006/07.

Signed

Chairman, Gwent Police Authority

Chief Constable, Gwent Police

Treasurer, Gwent Police Authority

Chief Executive and Clerk, Gwent Police Authority

# STATEMENT OF ACCOUNTING POLICIES

## Basis of Accounting

The Police Authority's accounting policies have been drawn up in line with the recommended accounting principles as specified in the Code of Practice on Local Authority Accounting and as disclosed below.

## Revenue

The accounts have been prepared on the accruals basis, whereby debtors and creditors are included in the balance sheet in respect of goods and services rendered but not paid for at 31<sup>st</sup> March each year.

## Interest charges/income

Interest on external borrowing is fully accrued in order that each year bears the cost of interest related to its actual external borrowing. External interest income is credited to the revenue account over the period to which it relates

## Fixed Assets

All expenditure on the acquisition, creation or enhancement of both tangible and intangible fixed assets is capitalised on an accruals basis in the accounts. The expenditure is capitalised provided that the fixed asset yields an enduring benefit to the Authority for a period of more than one year and that the asset value exceeds the £6,000 de-minimis level.

Where fixed assets are included in the Balance Sheet on a valuation basis then such valuations will take place at five yearly intervals although material changes to asset valuations will be adjusted in the interim period as they occur. The surpluses and deficits arising on the revaluation of fixed assets will be credited or debited to the Fixed Asset Restatement Account.

The principal asset categories and their useful economic lives, depreciated on a straight-line basis in accordance with FRS 15, are:

	<b>Category</b>	<b>Years</b>
Intangible Assets	Computer Software	5
	Land & Buildings	Indefinite, not depreciated
Vehicles, Plant & Equipment	Police Stations	12, 35 or 75
	Police Houses	35
	Police Vehicles	4
	Telephone Equipment	5 or 10
	Radio Masts	15
	Radio Equipment	5 or 10
	Plant & Machinery	5 or 10
	Computer Equipment	5 or 10

## Depreciation

Depreciation is calculated using the straight-line method for all tangible fixed assets of an operational nature with a finite useful life. A full year's depreciation is calculated in the first year for newly acquired assets, although assets in the course of construction are not depreciated until they are brought into use. No depreciation is calculated in the year of disposal.

# STATEMENT OF ACCOUNTING POLICIES

## Amortisation

The amortisation of intangible fixed assets over their useful lives is calculated using the straight-line method. A full year's amortisation is calculated in the first year for newly acquired assets. No amortisation is calculated in the year of disposal.

## Capital Charge

In accordance with the requirements for capital accounting, a capital charge is made to the Revenue Account for all tangible and intangible fixed assets used in the provision of services. The charge includes an annual provision for depreciation/amortisation plus a capital financing charge determined by applying a specified notional rate of interest to net asset values. Corresponding contra entries from the Asset Management Revenue Account and the Capital Financing Account negate the capital charge to achieve a neutral impact on the amounts required to be raised from local taxation.

## Stocks

The Authority maintains stocks of uniforms, protective clothing, body armour, diesel, petrol, vehicle parts, printing consumables, custody items, stationery, computer equipment, promotional goods, video tapes, firearm ammunition and food stocks for the canteen. The value of these stocks at the end of the year is recorded in the accounts at current cost.

## Investments

Surplus capital and revenue monies are invested externally on a temporary basis. Investments are shown in the Balance Sheet at cost.

## Provisions

In accordance with the Code of Practice the Authority has properly provided for liabilities known or certain to occur but for which the timing and amount are uncertain. Such provisions are included within the operating expenditure in the Revenue Account.

## Capital Receipts

Capital receipts (arising from the disposal of capital assets) which have not been set aside for the redemption of debt or to finance new capital expenditure are held in the Usable Capital Receipts Reserve.

## Debt Redemption

Under the provisions of the Local Government and Housing Act 1989, instalments of principal are charged to the Revenue Account in accordance with the statutory Minimum Revenue Provision.

## Government Grants

Where the acquisition of a fixed asset is financed either wholly or in part by a government grant, the amount of the grant is credited initially to the Government Grants-Deferred Account. Amounts are released to the Asset Management Revenue Account over the useful life of the asset to match the depreciation charged on the asset to which it relates.

# STATEMENT OF ACCOUNTING POLICIES

## Reserves

Amounts set aside for purposes falling outside the definition of provisions are considered as reserves. Revenue reserves are available to finance expenditure. Certain capital reserves created as a result of the capital accounting scheme are not available to meet current expenditure and include:

- Fixed Asset Restatement Account which represents principally the balance of the surpluses and deficits arising on the periodic revaluations of fixed assets; and
- Capital Financing Account, which represents amounts set aside from revenue resources or capital receipts to finance expenditure on fixed assets or for the repayment of external loans and certain other capital financing transactions.

The balances for capital and revenue reserves are given in the Balance Sheet with further analysis given on the Statement of Movement on Reserves.

## Leasing

The rentals payable under operating leases are charged to the Revenue Account on an accruals basis.

## Pensions

The pension costs included in the accounts have been determined in accordance with relevant Government regulations.

Financial Reporting Standard 17 requires that current and future pension liabilities appear in the accounts of organisations (both public and private). It requires that there is full recognition of the asset/liability, that a pension reserve appears in the balance sheet and that entries in the revenue account record movements in the asset/liability.

The main schemes in operation are as follows:

- The pension scheme for police officers is an unfunded, defined benefit scheme and is not the subject of an assessment by an actuary. Pensions and benefits due in the year are paid by the Authority and the cost, less pension contributions received from police officers, is charged to the Revenue Account as part of the net expenditure for the year on a "pay as you go" basis; and
- Pensions and benefits for support staff are provided from the Greater Gwent (Torfaen) Pension Fund. This is a funded, defined benefit scheme. The pension and other benefit payments to support staff, including pension increases, are met from this fund.

## Value Added Tax

The Police Authority is VAT registered and the Revenue Accounts have therefore been prepared exclusive of this tax in accordance with SSAP 5.

## REVENUE ACCOUNT FOR THE YEAR ENDING 31<sup>st</sup> MARCH 2006

### CIPFA Best Value Accounting Code of Practice

This section summarises the Authority's spending. It also shows where the money comes from. The Revenue Account has been prepared in accordance with the CIPFA Best Value Accounting Code of Practice (BVACOP) which sets the categories under which Revenue must be analysed.

2004/2005 £'000	Note	2005/2006 £'000
3,025 Reducing Crime	1	3,302
48,312 Investigating Crime		46,989
24,870 Promoting Public Safety		27,139
17,839 Assistance to the Public		13,992
<b>94,046 Total Cost of Services</b>		<b>91,422</b>
196 Levies	5	206
761 Corporate and Democratic Core		888
1,502 Non-Distributed Costs	4	534
(1,873) Interest on Balances		(2,101)
(1,951) Transfer from Asset Management Revenue Account	7	(2,356)
29,474 Net Finance Expenditure – Pensions	4	32,401
<b>122,155 Total Net Cost of Service</b>		<b>120,994</b>
2,207 Contributions to/(from) Earmarked Revenue Reserves		14,600
1,034 Contribution to/(from) Capital (Revenue Contributions) Reserves		(260)
0 Contribution to Earmarked Capital Reserve		1,521
(30,501) Contribution to/(from) Pension Reserve	4	(37,299)
1,753 Financing of Capital Expenditure		3,041
(1,645) Provision for the Repayment of External Loans	8	(1,257)
Contribution from General Reserve		(9,174)
<b>95,003 Total Expenditure to be met from Grants &amp; Taxation</b>		<b>92,166</b>
(43,292) Home Office Grants		(44,444)
(15,998) Revenue Support Grant		(16,882)
(12,525) Non Domestic Rate Income		(12,475)
(26,375) Council Tax Precept	9	(28,511)
<b>(3,187) Net (Surplus)/Deficit for the Year</b>		<b>(10,146)</b>
<b><u>General Fund</u></b>		
(3,501) General Fund Balance b/fwd		(6,688)
0 Contribution from General Reserve		9,174
(3,187) Surplus for the Year		(10,146)
<b>(6,688) General Fund Balance as at 31 March 2006</b>		<b>(7,660)</b>

# NOTES TO THE REVENUE ACCOUNT

## 1. BEST VALUE ACCOUNTING

The revised CIPFA Best Value Accounting Code of Practice (BVACOP) 2005 applies to all accounting periods beginning on or after 1<sup>st</sup> April 2005.

In the interests of providing consistent and accurate recording of the costs of the major activities of police forces, the revenue account provides an analysis of costs over the mandatory service divisions that follow the same definitions as the Police Activity-Based Costing (ABC) Model.

An outline of the service classifications as defined by the CIPFA Best Value Accounting Code of Practice is as follows: -

**Reducing Crime** - Police activity in the prevention and reduction of crime

**Investigating Crime** – Detective and specialist resources involved in the solving of crime and bringing offenders to justice.

**Promoting Public Safety** – The activity of police officers in the promotion of public safety.

**Assistance to the Public** – The action of the police in dealing with the public when the public come to them for assistance.

**Levies** – The share of costs to fund national services.

**Corporate and Democratic Core** – This relates to the governance structure of the Authority that enables information required for public accountability purposes to be provided. It represents Police Authority costs and includes an element of the costs of the senior management of the Force for time spent supporting and reporting to the Police Authority.

# NOTES TO THE REVENUE ACCOUNT

## 2. REVENUE ACCOUNT FOR YEAR ENDED 31<sup>ST</sup> MARCH 2006 BY SUBJECTIVE ANALYSIS

2004/2005 £'000		Note	2005/2006 £'000	£'000
	<b>EXPENDITURE</b>			
	Employees:			
52,745	Police Officers	3	56,362	
17,529	Police Staff	3	18,749	
13,481	Pensions - Police	4	9,639	
2,000	Pensions - Police Staff	4	1,415	
85,755				86,165
4,324	Premises			4,737
2,814	Transport			3,419
11,954	Supplies and Services			12,692
196	Agency	5		206
<b>105,043</b>	<b>TOTAL EXPENDITURE</b>			<b>107,219</b>
	<b>INCOME</b>			
(1,469)	Customer and Client Receipts		(4,947)	
(7,069)	Grants and Reimbursements	6	(9,222)	
<b>(8,538)</b>	<b>TOTAL INCOME</b>			<b>(14,169)</b>
<b>96,505</b>	<b>NET COST OF SERVICE</b>			<b>93,050</b>
(1,951)	Transfer to/(from) Asset Management Revenue Account	7		(2,356)
(1,873)	Interest and Investment Income			(2,101)
29,474	Net Finance Expenditure – Pensions	4		32,401
<b>122,155</b>	<b>NET OPERATING EXPENDITURE</b>			<b>120,994</b>
2,207	Contribution to/(from) Earmarked Revenue Reserves:		14,600	
	Contribution to/(from) Capital Reserves:			
1,034	Capital (Revenue Contributions) Reserve		(260)	
0	Earmarked Capital Reserve		1,521	
1,753	Financing of Capital Expenditure		3,041	
(1,645)	Provision for Repayment of External Loans	8	(1,257)	
(30,501)	Contribution to/(from) Pension Reserve	4	(37,299)	
0	Contribution from General Reserve		(9,174)	
(27,152)				(28,828)
<b>95,003</b>	<b>AMOUNT TO BE MET FROM GOVERNMENT GRANTS AND LOCAL TAXATION</b>			<b>92,166</b>
	Government Grants:			
(43,292)	Police		(44,444)	
(15,998)	Revenue Support		(16,882)	
(12,525)	Non domestic rate income		(12,475)	
(26,375)	Precept	9	(28,511)	
				<b>(102,312)</b>
<b>(3,187)</b>	<b>(SURPLUS)/DEFICIT FOR THE YEAR</b>			<b>(10,146)</b>
	<b>GENERAL FUND</b>			
(3,501)	General Fund Balance b/fwd			(6,688)
0	Contribution from General Reserve			9,174
(3,187)	Surplus for the Year			(10,146)
<b>(6,688)</b>	<b>GENERAL FUND BALANCE AS AT 31 MARCH 2006</b>			<b>(7,660)</b>

## NOTES TO THE REVENUE ACCOUNT

### 3. EMPLOYEE DETAILS:

#### 3.1 Numbers employed

	31 March 2005 Number	31 March 2006 Number
Police Officers:		
Above the rank of Constable	303	323
Constables	1,150	1160
	1,453	1,483
Police Staff:		
Full Time	711	754
Part Time	125	152
	836	906

#### 3.2 Remuneration Received

During the year, the number of officers and support staff who received remuneration in excess of £60,000, excluding pension contributions, were:

Remuneration Band	2004/2005 Number	2005/2006 Number
£60,000 - £69,999	6	8
£70,000 - £79,999	1	2
£80,000 - £89,999	1	0
£90,000 - £99,999	1	2
£100,000 - £109,999	1	1

#### 3.3 Members' Allowances

The total of expenses and allowances paid to Police Authority Members during the year was £188,613

### 4. PENSION COSTS

As part of the terms and conditions of employment of its police officers and other employees, the Authority offers retirement benefits. Although these benefits will not actually be payable until employees retire the full cost of providing retirement benefits must be included in the accounting period in which they are earned.

The Authority participates in two pension schemes:

- The Police Pension Scheme for police officers – this is an unfunded scheme, meaning that there are no investment assets built up to meet the pension liabilities, and cash has to be generated to meet actual pension payments in the year they eventually fall due.
- Pensions and benefits for police staff are provided under the Local Government Pension Scheme from the Greater Gwent (Torfaen) Pension Fund. This is a funded scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.  
Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. On the advice of our actuaries we have assumed that 50% of employees retiring after 6 April 2006 will take advantage of this change to the pension scheme. Our actuaries have advised that this will reduce the value of the Authority's pension liabilities by £1.140m and this has been included as a Past Service Cost shown below.

## NOTES TO THE REVENUE ACCOUNT

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 retirement benefits is reversed out of the revenue account after Net Operating Expenditure. The following transactions have been made in the revenue account during the year:

	2004/2005			2005/2006		
	Police Pension Scheme £000s	LGPS £000s	£000s	Police Pension Scheme £000s	LGPS £000s	£000s
<b>Net Cost of Services:</b>						
• Current service cost	(11,860)	(2,000)	(13,860)	(17,770)	(2,511)	(20,281)
• past service cost	(830)	-	(830)	(1,630)	1,096	(534)
	(12,690)	(2,000)	(14,690)	(19,400)	(1,415)	(20,815)
<b>Net Finance Expenditure - Pensions:</b>						
• interest cost	(28,780)	(1,901)	(30,681)	(31,670)	(2,322)	(33,992)
• expected return on assets in the scheme	-	1,207	1,207	-	1,591	1,591
	(28,780)	(694)	(29,474)	(31,670)	(731)	(32,401)
<b>Movement on pensions reserve</b>						
In year movements	30,290	211	30,501	38,050	(751)	37,299
<b>Actual amount charged against the council tax for pensions in the year:</b>						
• employers' contributions payable to scheme		(2,483)	(2,483)		(2,897)	(2,897)
• retirement benefits payable to pensioners less deductions	(11,180)		(11,180)	(13,020)		(13,020)
	(11,180)	(2,483)	(13,663)	(13,020)	(2,897)	(15,917)

## NOTES TO THE REVENUE ACCOUNT

### 5. AGENCY TRANSACTIONS

	2004/2005 £'000	2005/2006 £'000
Police National Computer	196	206
	196	206

### 6. GRANTS AND REIMBURSEMENTS

General police expenditure attracts grant from the Home Office and revenue support grant and a share of the business rates from the Welsh Assembly Government. These resources are allocated in accordance with a formula.

The £9.222m shown in the Revenue Account as grants and reimbursements relates to general and specific grants. This is mainly made up of £0.790m received in respect of contributions from other police authorities towards jointly funded projects and £8.348m received from the Home Office, Welsh Assembly, Crown Prosecution Service and Police Information Technology Organisation as specific grant funding in respect of the following initiatives:

	2004/2005 £'000	2005/2006 £'000
Crime Fighting Fund (Additional Police Officers)	2,361	2,361
Police Community Support Officers	943	1,582
Special Priority Payments	-	727
PFI Ystrad Mynach	-	671
Basic Command Units	465	478
All Wales Schools Liaison	260	321
Airwave (national communication system)	205	285
Crime Scene Investigation	-	221
Rural Policing	202	200
Drug Intervention Programme	-	191
DNA Database Creation	494	181
Witness Care Programme	179	172
National Management Information System	189	171
Criminal Records Bureau	145	163
Drugs Arrest Referral	133	136
IMPACT Data Cleansing Project	-	65
Occupational Health Project	82	82
Sexual Assault Referral Centres	-	70
No Witness No Justice	14	63
Capacity Building within Special Constabulary	25	60
National Hi-Tec Crime Unit	63	53
National Intelligence Model	53	48
Custody & Case Preparation	-	25
Financial Investigation Unit	28	16
Warrant Management System	-	6
	5,841	8,348

## NOTES TO THE REVENUE ACCOUNT

### 7. TRANSACTIONS ON THE ASSET MANAGEMENT REVENUE ACCOUNT

This account shows the difference between the capital charges applied to the revenue account and the actual external capital financing costs incurred. The net surplus on this account is carried to the Revenue Account.

	2004/2005 £'000	2005/2006 £'000
<b>INCOME</b>		
Capital Charges	(4,421)	(4,550)
Transfer from government grants deferred account	(963)	(1,351)
	(5,384)	(5,901)
<b>EXPENDITURE</b>		
Provision for depreciation	3,005	3,124
External interest charges	428	421
	3,433	3,545
Balance to Revenue Account	(1,951)	(2,356)

### 8. MINIMUM REVENUE PROVISION

Regulations require Police Authorities to set aside money to provide for redemption of at least 4% of outstanding debt. The difference between this sum and the charges made to the AMRA for depreciation is included in the revenue account as provision for the repayment of external loans.

	2004/2005 £'000	2005/2006 £'000
Minimum revenue provision	397	516
Amount charged as depreciation	(2,042)	(1,773)
Additional charge/credit to revenue account	(1,645)	(1,257)

### 9. PRECEPT

Council tax income derives from charges raised according to the value of residential properties, which in 2005/2006 were classified into nine valuation bands. The charge for a band D property is calculated by taking the amount of income required for the year and dividing this amount by the council tax base i.e. the number of band D equivalent properties. The council tax for properties in other bands is then calculated by applying a multiplying factor to the band D figure e.g. a band A property is equivalent to two thirds of a band D property. The council tax levied, by band, was as follows for 2005/2006:

Property Tax Band	A	B	C	D	E	F	G	H	I
£	96.71	112.83	128.95	145.07	177.30	209.54	241.78	290.13	338.49

## NOTES TO THE REVENUE ACCOUNT

The council tax, for police purposes, collected by each of the Local Authorities was:

	2004/2005 £'000	2005/2006 £'000
Blaenau Gwent	2,758	2,822
Caerphilly	7,554	8,042
Monmouth	5,304	5,983
Newport	6,692	7,313
Torfaen	4,067	4,351
	26,375	28,511

### 10. SECTION 5(1) LOCAL GOVERNMENT ACT 1986

Set out below, under the requirements of Section 5(1) of the Local Government Act 1986, is the Authority's spending on publicity.

	2004/2005 £'000	2005/2006 £'000
Recruitment & other advertising	149	100
	149	100

### 11. LEASES

The Authority currently leases twenty-two buildings ranging from a Police Box on Malpas Road to 11,600 sq ft of office accommodation at Mamhilad Park. The amount paid under these arrangements during 2005/6 was £260,033. Payments on leases during 2006/7 will total £348,942 of which £24,202 are in respect of leases expiring in that year, £156,990 on leases expiring between 2007/8 and 2010/11 and £167,750 on leases expiring subsequently.

### 12. RELATED PARTY TRANSACTIONS

During the year none of the authority members or chief officers or parties related to them has undertaken any material transactions with Gwent Police Authority. However: -

One Police Authority Member was also a member of Monmouthshire County Council from whom the Police Authority purchased the following services in the year:

	2005/06 £'000
Internal Audit	25
Property Services	139
	164

Two Police Authority Members were also members of Torfaen County Borough Council from whom the Police Authority purchased the following services in the year:

	2005/06 £'000
Central Supplies Services	8
Pension Services	13
	21

## NOTES TO THE REVENUE ACCOUNT

One Police Authority Member was employed by the Audit Commission in Wales to whom the Authority made payments during the year.

	2005/06 £'000
Audit Commission	57
	57

One Police Authority Member was a Major Shareholder in the Glen-Yr-Afon House Hotel to whom the Authority made payments during the year.

	2005/06 £'000
Glen-Yr-Afon House Hotel	7
	7

During the year the Authority has had a number of material transactions with the following related parties:

	2005/06 Income Received £'000
Home Office – Police Grant	43,254
Welsh Assembly Government – Revenue Support Grant and Business Rates	30,547
Unitary Authorities: Council Tax Precepts	
• Blaenau Gwent	2,822
• Caerphilly	8,042
• Monmouth	5,983
• Newport	7,313
• Torfaen	4,351

### Police Staff Pensions

Police staff pensions and benefits are provided from the Greater Gwent (Torfaen) Pension Fund which is administered by Torfaen County Borough Council to whom the following amounts were paid over for 2005/06.

	2005/2006 £'000
• Employers Contributions	2,899
• Employees Contributions	954
	3,853

## 13. AUDIT COSTS

In 2005/6 Gwent Police Authority incurred the following fees relating to external audit carried out by Audit Commission in Wales:

	2005/2006 £'000
• Fees payable with regard to external audit services carried out	62
• Fees payable for the certification of grant claims, National Fraud Initiative and other returns	1
	63

## NOTES TO THE REVENUE ACCOUNT

### 14. PRIVATE FINANCE INITIATIVE

The Authority has entered into a long-term contract under the PFI, whereby the contractor is responsible for the design, construction, finance and maintenance of a 31-cell custody unit and police station at Ystrad Mynach. The agreement imposes a 30-year occupation/use of the new facility on the Authority and the facility became operational during the year.

The PFI contract has been deemed to be off balance sheet in accordance with the Accounting Standards Board's FRS5 'Reporting the Substance of Transactions'.

The amount included within the consolidated revenue account in respect of the Unitary Charge Payments on the PFI asset deemed to be off-balance sheet was £256,871.

The Authority receives funding from the Welsh Assembly Government, via specific grant payments, to meet the costs of the unitary charge payments. However, the scheduling of the funding is such that it differs annually, during the period of the PFI contract, from that applying to the payments to the contractor. Whilst the unitary charge payments increase annually over the period of the contract the WAG funding reduces annually over the same period.

The result of the variance in these funding and expenditure profiles means that the funding received by the Authority in the early years of the contract will exceed that required to meet the unitary charge. Subsequently however, until the expiry of the contract term, the opposite will be true. As a result, the Authority has agreed that the initial funding 'surpluses' will be set aside, to provide for the subsequent funding shortfalls, and is holding such funds as an earmarked reserve to meet future PFI liabilities.

The Authority is committed to make the following future payments in respect of this contract.

	£
Within one year	1,027,486
Years 2-5 (inclusive)	4,109,943
Years 6-10 (inclusive)	5,137,429
Years 11-15 (inclusive)	5,137,429
Years 16-20 (inclusive)	5,137,429
Years 21-25 (inclusive)	5,137,429
Years 26-30 (inclusive)	5,137,429
	<u>30,824,574</u>

## BALANCE SHEET AS AT 31st MARCH 2006

2004/2005 £'000		Note	2005/2006 £'000      £'000	
	<b>FIXED ASSETS</b>			
	<b><u>Intangible Fixed Assets</u></b>			
922	Computer Software	1		985
	<b><u>Tangible Fixed Assets</u></b>			
31,930	Operational Land and Buildings	1	31,292	
5,077	Vehicles, Plant and Equipment	1	4,754	
0	Non-Operational Land & Buildings	1	624	
				36,670
	<b>LONG TERM DEBTORS</b>			
0	PFI Long-Term Debtor	2		130
<b>37,929</b>	<b>TOTAL LONG TERM ASSETS</b>			<b>37,785</b>
	<b>CURRENT ASSETS</b>			
529	Stocks	3	616	
5,075	Debtors	4	5,628	
1,108	Payments in Advance	5	1,180	
36,000	Investments	6	36,000	
2,480	Cash at Bank and in hand		2,797	
23	Petty Cash		27	
				46,248
	<b>CURRENT LIABILITIES</b>			
(15,476)	Provisions	7	(500)	
(9,988)	Creditors	8	(9,022)	(9,522)
<b>57,680</b>	<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<b>74,511</b>
(6,522)	Long Term Borrowing	9	(6,360)	
(3,293)	Government Grants Deferred Account	10	(3,796)	(10,156)
<b>47,865</b>	<b>NET ASSETS</b>			<b>64,355</b>
(602,929)	<b>Net Pension Liabilities</b>	11		(753,104)
<b>(555,064)</b>				<b>(688,749)</b>
	<b>REPRESENTED BY:</b>			
	<b>AVAILABLE CAPITAL RESERVES</b>			
381	Government Grants	12	462	
5,403	Capital (Revenue Contributions)	13	5,189	
0	Earmarked Capital Reserve	14	1,521	
				7,172
	<b>STATUTORY RESERVES</b>			
21,279	Fixed Asset Restatement Account	15	18,889	
6,056	Capital Financing Account	16	8,007	
(602,929)	Pensions Reserve	11	(753,104)	
				(726,208)
	<b>REVENUE BALANCES</b>			
8,058	Earmarked Revenue Reserves	17	22,627	
6,688	General Fund	18	7,660	
				30,287
<b>(555,064)</b>	<b>NET EQUITY</b>			<b>(688,749)</b>

# NOTES TO THE BALANCE SHEET

## 1. FIXED ASSETS

### 1.1 Movements in the year

	Intangible Assets	Operational Land & Buildings	Vehicles, Plant and Equipment	Non- Operational Land & Buildings	Total
	£'000	£'000	£'000	£'000	£'000
Gross Book value as at 1st April 2005	1,211	35,761	16,083	289	53,344
Additions	398	380	1,930	471	3,179
Revaluations	9	0	(11)	0	(2)
Impairments	0	(108)	0	0	(108)
Disposals	0	(19)	(927)	(136)	(1,082)
Gross Book value as at 31st March 2006	1,618	36,014	17,075	624	55,331
Accum. Depreciation/Amortisation at 31st March 2005	(289)	(4,120)	(11,006)	0	(15,415)
Depreciation/amortisation for the year	(344)	(614)	(2,166)	0	(3,124)
Depreciation on assets sold	0	12	851	0	863
Net Book value as at 31st March 2006	985	31,292	4,754	624	37,655

### 1.2 Capital Financing

The additions to the fixed assets, excluding capital creditors, were financed as follows:

	<b>£'000</b>
Financed from Capital (Revenue Contributions) Reserve	1,667
Financed from Government Grant	1,512
	<b>3,179</b>

### 1.3 Valuations

Land and buildings have been valued as at 31 March 2002 by Cooke & Arkwright (the next valuation is due on 31 March 2007). The asset valuers responsible were Andrew Gardener, Bsc, MRICS, Jeremy Symons, Bsc, MRICS and Selby Milner, MA, MRICS. The basis of the valuation was either "open market value", "existing use value" or "depreciated replacement value".

Police houses were included in the before mentioned valuation, but were valued at "open market value".

Vehicles are valued at historical costs less depreciation.

Other operating assets (tangible and intangible) are either valued at historical costs less depreciation or valued by the staff of the Police Authority.

## NOTES TO THE BALANCE SHEET

### 1.4. Capital commitments

As at 31<sup>st</sup> March 2006, the Police Authority continues to be contractually committed under the Premises Improvement Fund to build a new Police Station at Pillgwenlly, which is expected to be completed in November 2006. The estimated spend is £1.092m. The Authority was also contractually committed to a major refurbishment of the Rhymney Police Station at an estimated cost of £950,000 and a completion date of November 2006.

### 1.5. Information on Assets held

Fixed assets owned by the Authority include the following:

	2004/2005 Number	2005/2006 Number
Operational Buildings – Police Stations	45	44
Non-operational Buildings – Police Houses	5	3
Non-operational Buildings – Pill Police Station (under construction)	0	1
Radio Sites	5	5
Operational Vehicles	356	393

## 2. LONG-TERM DEBTORS

As part of the Authority's PFI contract for custody services, the Authority will acquire the residual value of the new police station and custody facilities at Ystrad Mynych at the end of the contract for nominal consideration.

The residual value of the asset 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 under the contract 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 2005-2006, resulting in a cumulative long-term debtor of £0.130m. This is offset by an equal reserve (see note 17 to the balance sheet).

## 3. STOCKS

An analysis of stocks is shown below:

	2004/2005 £'000	2005/2006 £'000
Uniform	237	328
Protective Clothing	8	8
Body Armour	51	45
Diesel	56	65
Petrol	19	15
Vehicle Spares	82	69
Printing Consumables	6	6
Custody Stores	11	15
Paper & Printed Stationery	18	11
Information System Stocks	14	27
Promotional Goods	2	1
Video Tapes	7	7
Firearm Ammunition Stocks	17	18
Canteen Stocks	1	1
	529	616

## NOTES TO THE BALANCE SHEET

### 4. DEBTORS

No significant bad debts were identified as at 31<sup>st</sup> March 2006. An analysis of debtors due within one year is shown below:

	2004/2005 £'000	2005/2006 £'000
Sundry Debtors & Other	116	318
Grants & Partnership Schemes	3,785	4,131
VAT	497	490
Interest on Balances	505	430
Secondments	172	259
	5,075	5,628

### 5. PAYMENTS IN ADVANCE

This relates to the police pension scheme payments for April 2006 that are paid monthly in advance.

### 6. INVESTMENTS

This represents cash in hand at the end of the period, which has been invested in order to generate income.

### 7. PROVISIONS

During 2005/2006 a review of the provisions set up by the Authority was undertaken to ensure that they fully complied with the criteria laid down in the Code of Practice. It was concluded that most had been incorrectly set up as provisions and that those balances still remaining at the end of the financial year should be reclassified as reserves and treated as such in the final accounts.

Consequently such provisions, not fully released during the year, have been reclassified as General or Earmarked Reserves.

	2004/2005 £'000	Movement during year £'000	2005/2006 £'000
Insurance	712	(212)	500
Pensions	9,398	(9,398)	0
Private Finance Initiative	33	(33)	0
External	632	(632)	0
Major Incidents	80	(80)	0
Operational	1,860	(1,860)	0
Projects	1,007	(1,007)	0
Support	1,754	(1,754)	0
	15,476	(14,976)	500

## NOTES TO THE BALANCE SHEET

### Insurance

The Police Authority Insurance Provision currently meets the first £100,000 of successful public and employer's liability claims. The insurance provision represents the amount set aside for claims made and claims incurred but not received to date which are due to be met by the Authority and which fall into the employer's and public liability category.

The main types of claim under employer's liability are injury to or illness of employees. Under public liability the main heads of claim are wrongful arrest, unlawful detention, malicious prosecution, assault and/or injury to members of the public and loss or damage to property.

The balance of claims above £100,000 in the above categories are met by way of insurance cover as is property damage and motor claims (both own damage and third party) for amounts exceeding £50,000. Motor claims below £50,000 are catered for by way of internal funding.

Various other, comparatively minor risks are also met by way of insurance e.g. personal accident, fidelity guarantee, engineering, but sometimes with differing excess levels which are uninsured.

### Pensions

Police officer pensions – New financing arrangements from April 2006

Changes to financing of police pensions have been introduced from April 2006. Under these new arrangements Police Authorities will continue to be responsible for paying police officers and to receive grant funding to support employer's contributions.

The existing non ill-health police pensions component of the Force budget will be removed and this will be replaced by an employer's pension contribution of 24.6% of police officer basic pay.

Any deficit on the Authority's net pension costs will be met from specific grant managed by the Home Office.

As a result of these new financing arrangements the pension provision will not be required at the 31 March 2006.

## 8. CREDITORS

Creditors falling due within one year are shown below:

	2004/2005 £'000	2005/2006 £'000
Sundry Creditors & Other	7,174	6,029
Taxation & Pensions	1,983	2,142
Various Funds	670	690
Short Term Loans	161	161
	9,988	9,022

## 9. LONG TERM BORROWING

Loans falling due after more than one year are analysed as follows:

Source of Loan:	2004/2005 £'000	2005/2006 £'000
Newport City Council	2,262	2,100
Public Works Loan Board	4,260	4,260
	6,522	6,360
<b>Analysis of loans by maturity:</b>		
>1 year to 2 years	161	161
3 years to 5 years	485	485
6 years to 10 years	808	808
Over 10 years	5,068	4,906
	6,522	6,360

## NOTES TO THE BALANCE SHEET

### 10. GOVERNMENT GRANTS DEFERRED ACCOUNT

The government grants deferred account contains the amount of capital expenditure financed by government grant. The balance is reduced by a contribution to the asset management revenue account to offset the depreciation on the capital asset charged to that account.

Where assets are not depreciated the amount remains in this account as long as the asset is retained.

	2004/2005 £'000	2005/2006 £'000
Opening balance	2,468	3,293
Grants applied to capital expenditure	1,788	1,854
Transfer to asset management revenue account	(963)	(1,351)
Balance at 31st March	3,293	3,796

### 11. PENSION ASSETS & LIABILITIES

In accordance with the requirements of Financial Reporting Standard No. 17 – Retirement Benefits (FRS 17) the Police Authority records in its balance sheet its share of assets and liabilities related to pension schemes for its employees and matches the net amount with an equivalent pension reserve. As explained on Page 15 the Authority participates in two schemes, the Police Pension Scheme for Police officers which is unfunded, and the Local Government Pension Scheme for other employees which is administered by Torfaen County Borough Council.

The Authority's assets and liabilities as at 31st March 2005 and 2006 were as follows:

	31 March 2005 £'000	31 March 2006 £'000
Estimated liabilities in Police Pension Scheme	583,420	732,310
Share of liabilities in Local Government Pension Scheme	41,388	52,754
Total Liabilities	624,808	785,064
Less Share of assets in Local Government Pension Scheme	(21,879)	(31,960)
Net pensions deficit	602,929	753,104

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. Of the £150m increase in liabilities £120m relates to a change in assumptions made in the actuary process. The total liability of £753m has a substantial impact on the net worth of the Authority as recorded in the balance sheet, resulting in a negative overall balance of £688m. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

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

The Greater Gwent (Torfaen) Pension Fund liabilities have been valued by Mercer Human Resource Consulting, an independent firm of actuaries, on an actuarial basis using the projected unit method, which assesses the future liabilities of the fund discounted to their present value. The Police Scheme has been valued following the approach set out in the joint GAD/CIPFA paper "Assessment of Pension Liabilities for Disclosures for the Year 2002/03", as realised in the Government Actuary's Department (GAD) model, in order to satisfy the disclosure requirements of the SORP.

## NOTES TO THE BALANCE SHEET

The main assumptions used in the calculations are:

	Police Pension Scheme		Local Government Pension Scheme	
	2005	2006	2005	2006
Rate of inflation	2.9%	3.2%	2.9%	2.9%
Rate of increase in salaries	4.4%	4.7%	4.4%	4.4%
Rate of increase in pensions	2.9%	3.2%	2.9%	2.9%
Rate for discounting scheme liabilities	5.4%	4.9%	5.4%	4.9%

Assets in the Local Government Pension Scheme are valued at fair value, principally market value for investments, and consist of the following categories, by proportion:

	2005	2006
	%	%
Equities	79.3	79.8
Government Bonds	6.4	6.5
Other Bonds	6.5	6.5
Property	1.0	0.9
Cash/Liquidity	6.8	6.3
Other	0.0	0.0
	100.0	100.0

### 12. GOVERNMENT GRANTS RESERVE

The amount of Government Capital Grants received but as yet unapplied remains in this account. Amounts applied to finance capital expenditure are transferred to the Government Grants Deferred Account.

	2004/2005	2005/2006
	£'000	£'000
Opening balance	1,115	381
Government capital grants	1,053	1,934
Less:		
Funding of capital expenditure	(1,787)	(1,853)
Balance at 31st March	381	462

### 13. CAPITAL (REVENUE CONTRIBUTIONS) RESERVE

Contributions from the Revenue Account to finance capital expenditure which remain unused at the year end are held in this account.

	2004/2005	2005/2006
	£'000	£'000
Opening balance	4,173	5,403
Contributions from revenue account and reserves	2,983	2,827
Less:		
Funding of capital expenditure	(1,753)	(3,041)
Balance at 31st March	5,403	5,189

## NOTES TO THE BALANCE SHEET

### 14. EARMARKED CAPITAL RESERVE

These represent capital funds that have been earmarked for specific purposes anticipated to arise in future years.

	2004/2005 £'000	2005/2006 £'000
Opening balance	0	0
Contributions from revenue account and reserves	0	1,521
Less:		
Funding of capital expenditure	0	0
Balance at 31st March	0	1,521

### 15. FIXED ASSET RESTATEMENT ACCOUNT

The balance represents the increase in value of assets following the revaluation as at 1st April 2002, together with any subsequent alterations in the valuation. The account is written down by the net book value of assets as they are disposed of and debited or credited with the deficits or surpluses arising on future valuations.

	2004/2005 £'000	2005/2006 £'000
Opening balance	21,351	21,279
Surplus/(Deficiency) on revaluation of fixed assets	(53)	(2,172)
Disposal of fixed assets	(19)	(218)
Balance at 31st March	21,279	18,889

### 16. CAPITAL FINANCING ACCOUNT

The capital financing account represents amounts set aside from revenue resources or capital receipts to finance expenditure on fixed assets or for the repayment of external loans and certain other capital financing transactions.

	2004/2005 £'000	2005/2006 £'000
Opening balance	5,947	6,056
Capital expenditure financed from revenue	1,753	3,041
Capital exp. financed from usable capital receipt	0	167
Minimum Revenue Provision (less depreciation)	(1,644)	(1,257)
Balance at 31st March	6,056	8,007

### 17. EARMARKED REVENUE RESERVES

These represent funds that have been earmarked for specific revenue purposes anticipated to arise in future years.

	2004/2005 £'000	2005/2006 £'000
Insurance	0	1,089
Planned Expenditure	0	3,934
Additional Expenditure	0	7,528
Divisional Rollovers	360	299
PFI Ystrad Mynach – Investment	5,866	6,979
PFI Ystrad Mynach – Residual Interest	0	130
Airwaves Radio Communications System	1,832	2,668
	8,058	22,627

## NOTES TO THE BALANCE SHEET

### 18. GENERAL FUND

The General Fund of £7,660m represents the balance of the Authority's revenue reserves which were not, at the balance sheet date, earmarked for specific purposes.

### 19. CONTINGENT LIABILITIES / GAINS

The Authority is awaiting the outcome of outstanding employment tribunals, for which there is considered to be sufficient provision in the reserves for any potential liability.

### 20. EURO CONVERSION COSTS

The Authority has not incurred any costs relating to the introduction of the Euro, though continues to monitor the potential impact of any introduction of the Euro.

## CASH FLOW STATEMENT

<b>2004/2005</b>		<b>2005/2006</b>	
<b>£'000</b>		<b>£'000</b>	<b>£'000</b>
	<b>REVENUE ACTIVITIES</b>		
	<b>Cash Outflow</b>		
(91,609)	Cash paid to and on behalf of employees	(99,662)	
(13,250)	Other operating costs	(21,293)	
(104,869)			(120,955)
	<b>Cash Inflow</b>		
43,292	Police grant	43,254	
3,978	Special grants	4,555	
26,375	Council Tax income	28,511	
12,526	Non domestic rate income	12,475	
15,998	Revenue support grants	18,072	
6,785	Cash received for goods and services	11,605	
2,113	Other revenue income	4,171	
			122,643
6,198	<b>NET INFLOWS BEFORE FINANCING</b>		1,688
	<b>SERVICING OF FINANCE</b>		
(428)	Interest paid	(420)	
1,679	Interest and investment income	2,176	
			1,756
7,449	<b>TOTAL NET REVENUE ACTIVITIES</b>		3,444
	<b>CAPITAL ACTIVITIES</b>		
	<b>Cash (Outflow)/Inflows</b>		
(3,541)	Purchase of fixed assets	(5,062)	
0	Sale of fixed assets	167	
1,054	Grant	1,934	(2,961)
4,962	<b>NET CASH FLOW BEFORE FINANCING</b>		483
	<b>FINANCING</b>		
	<b>Cash (Outflow)/Inflows</b>		
(162)	Repayments of amounts borrowed	(162)	
0	New loans raised	0	
			(162)
4,800	<b>INCREASE IN CASH AND EQUIVALENTS</b>		321
	<b>MOVEMENT IN CASH AND CASH EQUIVALENTS</b>		
33,703	Cash, bank balance and investments, 1 <sup>st</sup> April 2005		38,503
0	Movement between cash, petty cash and other funds		0
38,503	Cash, bank balance and investment, 31 <sup>st</sup> March 2006		38,824
4,800	<b>INCREASE IN CASH AND EQUIVALENTS</b>		321

## NOTES TO THE CASH FLOW STATEMENT

### Reconciliation of Net Surplus to Cash Inflow from Revenue Activities

<b>2004/2005</b>		<b>2005/2006</b>	
<b>£'000</b>		<b>£'000</b>	<b>£'000</b>
3,187	Surplus/(Deficit) for the year		10,146
	Add/(Less) Non Cash Transactions:		
3,005	Depreciation	3,124	
(1,645)	Additional charge in respect of MRP	(1,257)	
283	Decrease in provisions	(14,960)	
2,788	Direct revenue financing of capital expenditure	3,493	
2,207	Contributions to earmarked reserves	6,235	
(963)	Amortisation of Government Grants Deferred	(1,351)	
8,862			(4,716)
	Add/(Less) Movement in Working Capital :		
(2,737)	Movement in debtors	(683)	
(27)	Movement in stocks	(87)	
1,434	Movement in revenue creditors	(1,143)	
(83)	Movement in payments in advance	(73)	
			(1,986)
<b>7,449</b>	<b>TOTAL NET REVENUE ACTIVITIES</b>		<b>3,444</b>



## NOTE TO THE STATEMENT OF TOTAL MOVEMENTS IN RESERVES

The actuarial gains and losses identified as movements on the Pension Reserve in 2005/2006 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2006:

	<b>Police Scheme</b>	<b>Pension</b>	<b>Local Government Pension Scheme</b>	
	<b>£000s</b>	<b>%</b>	<b>£000s</b>	<b>%</b>
Differences between the expected and actual return on assets	-	-	4,867	15.2
Differences between actuarial assumptions about liabilities and actual experience	4,380	0.6	(1,730)	3.3
Changes in the demographic and financial assumptions used to estimate liabilities	(115,220)	(15.7)	(5,173)	9.8
Actuarial gain /(loss)	<u>(110,840)</u>		<u>(2,036)</u>	3.9
Comparative totals 2004/2005	(111,110)		(6,928)	

## GLOSSARY OF TERMS

### **ACCRUALS**

The concept that income and expenditure are recognised as they are earned or incurred, not as money is paid or received.

### **AGENCY COSTS**

Services which are performed by or for another authority or Public Body where the agent is reimbursed for the cost of work done. The only agency costs incurred by us is a contribution towards the costs of the Police National Computer.

### **ASSET MANAGEMENT REVENUE ACCOUNT**

A holding account introduced as a result of the new system of capital accounting which ensures that capital charges have a neutral effect on the amounts which the Authority raises from local taxation.

### **CAPITAL CHARGE**

A charge to revenue account(s) to reflect the real cost of using fixed assets.

### **CAPITAL EXPENDITURE**

As defined in the Local Government and Housing Act 1989, but broadly expenditure on the acquisition of a fixed asset or expenditure which adds life or value to an existing fixed asset.

### **CAPITAL FINANCING ACCOUNT**

An account which contains amounts set aside from the Revenue Account or from capital receipts to finance expenditure on fixed assets or for the repayment of external loans and a number of other capital financing transactions.

### **CAPITAL RECEIPT**

Monies received from the sale of assets, which may be used to finance new capital expenditure or to repay outstanding loan debt as laid down within rules prescribed by Central Government.

### **CREDITORS**

Amounts owed by the Police Authority for goods and services provided which had not been paid for at the end of the financial year.

### **DEBTORS**

Amounts owing to the Police Authority but not received at the end of the financial year.

### **DEPRECIATION**

The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use, passage of time or obsolescence through technological or other changes.

### **FIXED ASSET**

Tangible and intangible assets which yield benefits to the Authority for periods of more than one year.

## GLOSSARY OF TERMS

### **FIXED ASSET RESTATEMENT ACCOUNT**

This account represents the difference between the current valuations of fixed assets and the historic costs of those assets.

### **LEASING**

A method of financing expenditure over a period of time. There are two main types of lease:

- a) Finance Lease - where the risks of ownership are transferred to the lessee and where the assets are recorded in the Authority's balance sheet at a current valuation.
- (b) Operating Lease - where the risks of ownership stay with the leasing company and the annual rental charges are made via the Revenue Account.

There are currently no Finance Leases held by the Police Authority.

### **MINIMUM REVENUE PROVISION**

The minimum amount which must be set aside in the Revenue Account each year as a provision for credit liabilities.

### **NOTIONAL INTEREST**

An element of the capital charge in the Revenue Account to reflect the cost of capital tied up in fixed assets. The interest rate to be applied is determined by statute for each financial year and type of assets held.

### **PENSION - COMMUTATIONS**

These relate to sums payable to officers who are eligible but have not as yet taken up retirement.

### **PENSION - DEFERRED RIGHTS**

These relate to accumulated pension benefits and associated transfer values which are expected to be paid in the future when the liability crystallises.

### **PRECEPT**

The system by which the Unitary Authorities collect Council Tax as requested on behalf of the Police Authority.

### **PROVISION**

An amount set aside to provide for a liability which is likely to be incurred, although the amount and date of that liability are uncertain.

### **RESERVES**

An amount set aside for a specific purpose and carried forward to meet expenditure in future years. General reserves represent accumulated balances which may be used to support future spending.

### **REVENUE SUPPORT GRANT**

A grant from the Welsh Assembly Government towards the cost of Local and Police Authority services.

**8 STATEMENT OF MOVEMENT ON RESERVES FOR THE YEAR ENDED 31ST MARCH 2006**

**CAPITAL RESERVES**

**REVENUE RESERVES**

	Capital Reserve (Revenue Cntrbns)	Ear-marked Capital	Usable Capital Receipts	Government Grants	Fixed Asset Restatement Account	Capital Financing Account	General Fund	Ear- marked Revenue	Pension	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Opening Balances 1st April 2005	5,403	-		381	21,279	6,056	6,688	8,058	(602,929)	(555,064)
Conditions in year	2,242	1,251	167	1,934			10,146	6,770		22,510
Transfer to/from revenue provisions	16									16
Financing from revenue payments	(3,041)					3,041				0
Financing from capital receipts			(167)			167				0
Financing from grant				(1,853)						(1,853)
Transfer to/from General Fund	539	270					(9,174)	8,365		0
Transfer between other reserves	30							(30)		0
Revaluation of Fixed Assets					(2,172)					(2,172)
Disposal of Fixed Assets					(218)					(218)
Transfer to revenue								(536)	(37,299)	(37,835)
Actuarial Loss									(112,876)	(112,876)
Provision for repayment of external loans						(1,257)				(1,257)
Closing Balances 31st March 2006	5,189	1,521	0	462	18,889	8,007	7,660	22,627	(753,104)	(688,749)