

## Accounting Policies

### General

The accounts of the Authority have been compiled in accordance with the Code of Practice on Local Authority Accounting, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), which is recognised by statute as representing proper accounting practice.

Separate accounts are maintained for capital and revenue transactions. The accounts have been prepared for the period from 3 July 2000 to 31 March 2001.

### Reserves

Capital Accounting regulations require the maintenance of a Fixed Asset Restatement Reserve and a Capital Financing Reserve within the Balance Sheet.

The Police Authority maintains reserves which are either earmarked for specific purposes or held to meet unforeseen or emergency expenditure. Earmarked Reserves have been established to meet the set up costs of the Metropolitan Police Authority, for the future costs of pension liabilities and for the pension cost of staff transfers.

The Authority seeks to have an Earmarked Reserve in respect of officers who have completed their pensionable service and who can retire at a month's notice. The cost, over and above the budget for 'normal' retirements and the provision established in the opening balance sheet (see below) is estimated to be some £44m. The opening financial position of the Authority allowed for a reserve of only £8m to be established.

A further policy - yet to be effected - will be to provide for the anticipated 'bulge' in the cost of retirement lump sums in four years time, related to the age profile of the current establishment.

Details of earmarked Reserves are set out on page 15.

The Authority also maintains a General Reserve to meet unforeseen or emergency expenditure which cannot be contained within the approved budget and has agreed that this reserve be established at a minimum of 1.0% of net budgeted expenditure,

provided that there are adequate accounting provisions and earmarked reserves, reasonable insurance arrangements, a well funded budget and effective budgetary control.

### Debtors and Creditors

The accounts of the Authority are maintained on an accruals basis. Sums due to or from the Authority are accounted for in the year in which they arose by the creation of debtors and creditors including estimates where appropriate.

### Provisions

The Authority sets aside provisions to meet existing liabilities where the cost and the timing cannot be determined precisely. At March 2001, there were provisions for police officers lump sum pension liabilities, bad debts, obsolescent stock and retrospective pay awards.

The provision for lump sum pension liabilities, established in the 3 July opening balance sheet, reflected an assessment of the liability for officers whose 30-day retirement notice period included 2 July 2000, together with a projection of the costs for officers who reached the retirement age of 55 in the period 3 July 2000 - 31 March 2001

No adjustments have been made to the provision for lump sums - this will need to be refined in the light of the clarification awaited from the Audit Commission on the appropriate position to be adopted to adequately fund the Authority's pension liabilities.

### Investments

All investments shown in the Balance Sheet have been recorded in the Accounts at cost.

### Work in Progress, Stocks and Stores

Work in progress is valued at cost. Where stocks are maintained and recorded they are shown in the Balance Sheet at the lower of cost or net realisable value.

### Revenue Account

The Authority was not a Best Value Authority in 2000/01 and, accordingly, the accounts have not been completed in Best Value format.

### Government Grants

Government grants are accounted for on an accruals basis and income has been credited, in the case of revenue grants, to the revenue account, or in the case of capital grants, to a balance sheet grants account. Government grants applied in financing capital expenditure are transferred to a Government Grant Deferred Account - amounts are then released from the Governments Grants Deferred Account to offset any provision for depreciation charged to the revenue account in respect of assets to which the grants relate.

### Interest

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

### **Pensions**

The Metropolitan Police Service operates two pension schemes for police and civil staff.

### **Uniformed Staff**

The Police Pension Scheme (PPS) is a contributory occupational pension scheme, (contracted out from the State Earnings Related Pension Scheme), governed by the Police Pension Regulations 1987 (as amended) and related regulations that are made under the Police Pensions Act 1976. The Scheme is funded by contributions of 11% of the police pensionable pay and is a defined benefit scheme paid from revenue (without a managed pension fund).

Accordingly, the statutory charge does not equate to the accrued cost of meeting future pension liabilities on a systematic basis over the period during which the Police Authority derives benefit from its employee's service. Liabilities included in the Balance Sheet are therefore understated in respect of uniformed officer's pension costs.

### **Non-Uniformed Staff**

The Metropolitan Civil Staffs Superannuation Scheme (MCSSS) is an occupational pension scheme, (contracted out from the State Earnings Related Pension Scheme), constituted by Section 15 of the Superannuation (Miscellaneous Provisions) Act 1967 as amended by Section 14 of the Superannuation Act 1972. The Scheme is a defined benefit scheme paid from revenue (without a managed pension fund) and, although it is not overtly contributory (salaries are set at levels which take account of the scheme benefits), contributions of 1.5% of pensionable pay go towards the funding of widow(er)s' benefits.

Accordingly, the statutory charge does not equate to the accrued cost of meeting future pension liabilities on a systematic basis over the period during which the Police Authority derives benefit from its employee's service. Liabilities included in the Balance Sheet are therefore understated in respect of non-uniformed employees' pensions costs.

Further costs arise in respect of certain pensions paid to retired employees on an unfunded basis.

The Authority has determined that civil pensions will transfer to the Civil Service Pension Scheme, at a date to be confirmed. This will change the basis for the funding of civil pensions from that date.

### **VAT**

VAT is included in the accounts of the Authority, whether of a capital or revenue nature, only to the extent that it is not recoverable.

### **Fixed Assets**

All expenditure on the acquisition, creation or enhancement of fixed assets has been capitalised on an accruals basis.

Land and buildings are included on the Balance Sheet at their latest valuation amount. Land and buildings are revalued on a 4 year rolling basis in accordance with the R.I.C.S. Manual of Valuation. Buildings under Construction represent the value of work performed to date yet to be added to the value of Land and Buildings.

Vehicles and equipment are held at historic cost. Work-in-progress represents expenditure on assets yet to be completed

### **Depreciation**

Assets, other than land and buildings, are being depreciated over their useful economic lives.

Buildings are regularly repaired and maintained and have not been depreciated - contrary to statutory requirements. Further work is being carried out to more accurately identify the asset lives of the Building Stock.

### **Capital Charges**

The capital charges made to revenue equate to the sum of depreciation plus a notional interest charge based on the net amount at which the fixed asset is included in the Balance Sheet. The interest rate used is prescribed by CIPFA each year and for 2000-2001 was 6% for all fixed assets.

### **Leases**

SSAP21 identified two types of lease transactions - operating leases and finance leases.

An operating lease involves the lessee paying a rental for the hire of an asset for a period of time which is substantially less than its useful economic life. The lessor retains most of the risks and rewards of ownership. The Authority has a number of operating leases in respect of the acquisition of vehicles. The lease costs are charged directly to the Revenue Account. A finance lease normally involves payment by a lessee to a lessor of the full cost of the asset, together with a return on the finance provided by the lessor. The lessee has substantially all the risks and rewards associated with ownership of an asset, other than legal title. The Authority currently has no finance leases.

## **Accounting Policies (continued)**

### **De Minimis Level**

The accounts for 2000/01 are based upon a de minimis level of £1,000 for the acquisition, renewal, or

replacement of buildings, plant, machinery or other equipment to count as prescribed capital expenditure. A de minimis level of £1,000 is also used for vehicles plant and equipment.

From the 1 April 2001, the Authority has agreed to increase the de minimis level to £5,000.

#### **Revaluations and Disposals**

Land and buildings included in the Balance Sheet at current value are formally revalued at four yearly intervals and the updated values reflected in the Accounts. With regard to disposals, income from the sale of fixed assets is taken to the Capital Receipts Reserve and is available to support the capital programme.

The Authority also has usable capital reserves. Details of these are shown in the Balance Sheet on page 10 and the relevant notes on page 13

## Summary Revenue Account

This summary shows the total revenue expenditure and income for the period 3 July 2000 to 31 March 2001

	Notes	9 Months to 31 March 2001	
		£'000	£'000
<b>Expenditure</b>			
<b>Employee Costs</b>			
Pay, Allowances and Training	1	996,775	
Pensions	2	202,037	<b>1,198,812</b>
<b>Other Running Costs</b>			
Premises		93,227	
Transport	3	34,827	
Supplies and Other	4	67,104	
Communications		67,770	
Services		70,449	
Capital Charges		61,212	<b>394,589</b>
<b>Total Gross Expenditure</b>			<b>1,593,401</b>
<b>Income</b>			
Sales		(1,393)	
Fees and Charges		(67,927)	
Other Income		(37,741)	
<b>Total Income</b>			<b>(107,061)</b>
<b>Net Expenditure</b>			<b>1,486,340</b>
Transfer from Asset Management Revenue Account	5	(18,118)	
Interest and Investment Income		(10,827)	
Minimum Revenue Provision Adjustment	6	(31,208)	<b>(60,153)</b>
<b>Net Operating Expenditure</b>			<b>1,426,187</b>
<b>Appropriations</b>			
Contributions from Earmarked Reserves		(10,879)	<b>(10,879)</b>
<b>Amounts to be met from Government Grants and Local Taxation</b>			<b>1,415,308</b>
<b>This was financed by:</b>			
S102 Greater London Authority Act 1999 Grant	7	(629,572)	
Other Government Grants	8	(777,827)	<b>(1,407,399)</b>
<b>Deficit for the period transferred from General Reserve</b>			<b>7,909</b>
Balance on General Reserve at beginning of period			<b>(21,368)</b>
<b>Balance on General Reserve at end of period</b>			<b>(13,459)</b>

## Notes to the Revenue Account

### 1. Employment Costs

In accordance with the CIPFA Statement of Recommended Practice, the Authority has disclosed below the number of employees whose taxable remuneration, excluding pension contributions, was £40,000 or more, in bands of £10,000:

Remuneration Band £	Number of Employees
40,000 - 49,999	6,851
50,000 - 59,999	1,445
60,000 - 69,999	213
70,000 - 79,999	38
80,000 - 89,999	18
90,000 - 99,999	10
100,000 - 109,999	9
110,000 - 119,999	4
120,000 - 129,999	2
130,000 - 139,999	1
140,000 - 149,999	-
Over 150,000	1

Note: these figures represent a full year's remuneration.

### 2. Pension Costs

#### Police Officers

In the twelve month period to 31 March 2001 the net costs of pensions and other benefits amounted to £255m, representing 35.5% of pensionable pay. Using information provided by the government's actuary and adhering to the requirements of SSAP 24 (Accounting for pension Costs) the regular cost of the scheme would have been £138m representing 19.2% of pensionable pay. The cost of spreading the unfunded liability over an appropriate period would have been an additional £245m, representing 34% of pensionable pay.

#### Civil Staff

The MPA is the only Authority with an unfunded civil staff pension scheme. Accordingly, an assessment of the implications of SSAP 24 for this group of staff is currently being undertaken with specialist actuarial advice from the Government Actuary's Department. Full disclosure will be reported in the formal accounts.

### 3. Leases

In the period 3 July 2000 to 31 March 2001 the Authority spent £1.1m on operating leases for vehicles. Outstanding commitments in respect of operating leases at 31 March 2001 are as follows:-

	£'000
2001 - 2002	1,422
2002 - onwards	Nil

### 4. Members' Allowances and Expenses

A total of £102,213 was paid in the period 3 July 2000 to 31 March 2001 for member's allowances and expenses.

### 5. Asset Management Revenue Account

This account allows the Authority to offset the impact of capital charges in arriving at the total level of expenditure to be financed from government and local tax payers.

	2000-2001 £'000
<b>Income</b>	
Capital charges	(61,212)
<b>Expenditure</b>	
External interest	6,080
Provision for depreciation	37,014
<b>Balance to Summary Revenue Account</b>	<b>(18,118)</b>

### 6. Minimum Revenue Provision

The Local Government and Housing Act 1989 requires a minimum revenue provision to be set aside for the redemption of debt. This amount is calculated as a percentage (currently 4%) of the Authority's adjusted credit ceiling.

The Accounting Code of Practice requires that the provision for depreciation should be regarded as part of MRP, with the difference being a charge or credit to the Revenue Account. This ensures that the Revenue Account is charged with no more than the amount required for the repayment of debt.

The amount required for 2000/01 was £5.806m and the amount of depreciation charged was £37.014m, requiring a credit to the Revenue Account of £31.208 with a corresponding charge to the Capital Financing Reserve.

### 7. S102 GLA Act 1999 Grant

The establishment of the Greater London Authority in July 2000 changed the funding arrangements for the MPS. Whilst the service had hitherto precepted upon London Boroughs for Council Tax and received RSG and NNDR directly, these are now collected by the GLA and paid to the MPS in instalments through Section 102 grant.

### 8. Other Government Grants

Major grants are:	£'000
Police grant	741,794
London Allowances	11,321
Crime Fighting Fund	8,806
Street Crime Initiative Fund	6,213
DNA database expansion programme	3,512

## 9. Publicity

Under the requirements of Section 45(1) of the Local Government Act 1986 the Authority is required to identify expenditure on publicity. This amounted to £4.849m in the period and is analysed below.

		2000-2001 £'000
Staff advertising/recruitment		4,081
Other		768
<b>Total</b>		<b>4,849</b>

## 10. Related Party Transactions

Financial Reporting Standard (FRS) 8 requires the Authority to disclose all material related party transactions.

During the accounting period transactions with related parties amounted to:

	2000-2001	
	Income £'000	Expenditure £'000
Home Office revenue	32,350	
Common Police	10,465	2,840
Greater London	1,371,366	
City of London Police	162	
Transport Director for	208	
Inner London Magistrates Courts Service	65	
Inner London Probation	40	
National Crime Squad	13,484	16,213
National Criminal	2,745	6,001
Seconded Officers	17,406	
Partnership Activity	2,030	99
<b>Total</b>	<b>1,450,321</b>	<b>25,153</b>

## Balance Sheet

The Balance Sheet shows the financial position of the Metropolitan Police Authority as at 31st March 2001

3 July 2000				31 March 2001	
£'000	£'000		Notes	£'000	£'000
		<b>Fixed Assets</b>	<b>1</b>		
580,051		Land and Buildings		568,565	
74,043		Vehicles, Plant and Equipment (VPE)		86,103	
8,954		Buildings under Construction		16,012	
5,635		VPE - Work in Progress		16,247	
	<b>668,683</b>				<b>686,927</b>
	15,457	Long-term Debtors	<b>2</b>		14,839
	<b>684,140</b>	<b>Total Long-Term Assets</b>			<b>701,766</b>
		<b>Current Assets</b>			
3,923		Stock		3,914	
60,211		Amounts owed to the Authority by debtors	<b>2</b>	56,966	
213,652		Short-term investments		155,400	
(4,395)		Cash and Bank balances		(6,080)	
	273,391				210,200
	(155,171)	<b>Less: Current Liabilities</b>			
		Amounts owed by the Authority to creditors	<b>3</b>		(135,572)
	<b>802,360</b>	<b>Total Assets less Current Liabilities</b>			<b>776,394</b>
	(10,700)	Police Pensions Provision	<b>4</b>		(10,700)
	(8,569)	Other Provisions			(4,096)
	(146,966)	<b>Less: Long-Term Liabilities</b>			
		Long term loans			(135,966)
	<b>636,125</b>	<b>Total Assets less Liabilities</b>			<b>625,632</b>
		<b>Accounting Reserves</b>	<b>5</b>		
28,849		Government Grant Deferred Account		47,328	
523,221		Fixed Asset Restatement Account		513,161	
(18,070)		Capital Financing Reserve		(27,055)	
	<b>534,000</b>				<b>533,434</b>
		<b>Usable Reserves</b>	<b>5</b>		
37,878		Usable Capital Receipts Reserve		48,282	
12,934		Capital Grant Reserve		12,934	
5,794		Earmarked Capital Reserve		4,251	
24,151		Earmarked Revenue Reserves		13,272	
21,368		General Revenue Reserve		13,459	
	<b>102,125</b>				<b>92,198</b>
	<b>636,125</b>	<b>Total Equity</b>			<b>625,632</b>

## 1. Fixed Assets

	Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Buildings under Construction £'000	VPE-Work in Progress £'000	Total £'000
Gross book value at 1.7.2000	648,188	143,244	8,954	5635	806,021
Additions	7,590	38,403	17,831	12734	76,558
Disposals	(23,246)	(8,956)	-	(605)	(32,807)
Transfers			(7,145)	(1,517)	(8,662)
Revaluations	15,674		(3,967)		11,707
Transfer to from Provision		-	339		339
Gross book value as at 31.03.01	648,206	172,691	16,012.00	16247	853,156
Accumulated depreciation	(68,137)	(69,200)			(137,337)
Depreciation for the period	(12,233)	(24,575)			(36,808)
Depreciation on assets sold	729	7,187			7,916
<b>Net book value as at 31.03.01</b>	<b>568,565</b>	<b>86,103</b>	<b>16,012</b>	<b>16,247</b>	<b>686,927</b>

**Basis of valuation**

The valuation of land and buildings is performed by qualified in-house surveyors on a rolling 4 year basis.

All such valuations were carried out on the above mentioned basis in accordance with the Statement of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors. Police Stations are inspected at the date of the asset valuation and inspections of police dwelling houses are generally limited to external inspections only.

Properties regarded by the Authority as operational were valued on the basis of open market value for the existing use, or where this could not be assessed because there was no market for the subject asset, the depreciated replacement cost.

Properties regarded by the Authority as non-operational have been valued on the basis of open market value.

Buildings under construction are included at cost as at 31 March 2001 other than those amounts for alterations which are not deemed to increase their capital value.

The sources of information and assumptions made in producing the various valuations are set out in the Valuation Certificate and report.

Short life assets such as vehicles, plant and equipment are included at historical cost as a proxy for current value.

**Capital expenditure 2000-2001**

Items of capital expenditure during the period were:-

	2000-01 £'000
Vehicles, Equipment and IT	33,973
Land & Buildings	17,333
Communications	6,610
Plant and Equipment	1,058
<b>TOTAL</b>	<b>58,974</b>



### Future capital expenditure commitments

capital expenditure to be incurred in 2000-2001 and later years includes the following:

	£'000
IT various projects	5,500
Building works	23,747

### 2. Amounts owed to the Authority by debtors

	At 3 July 2000 £000	At 31 March £2,000 £000
<b>Long Term debtors:</b>		
ILMCS/ILPS repayment of		
MPS Debt	15,457	14,839
<b>Other Debtors:</b>		
Staff Advances	2,098	1,593
Government Departments	4,722	5,087
General Debtors	7,408	16,433
Other Local Authorities	4,902	5,846
ILMCS/ILPS	19,274	6,564
Payments in Advance	17,798	14,728
Customs and Excise	4,009	6,715
<b>TOTAL</b>	<b>60,211</b>	<b>56,966</b>

### 3. Amounts owed by the Authority to creditors

	At 3 July 2000 £000	At 31 March 2000 £000
Receipts in advance	(22,316)	(4,434)
Government Departments	(30,603)	(32,099)
General Creditors	(68,030)	(85,133)
ILMCS/ILPS	(34,222)	(13,906)
<b>TOTAL</b>	<b>(155,171)</b>	<b>(135,572)</b>

Capital creditors amounting to £5.4m are included in the accounts as at 31 March 2001

### 4. Pensions Provision

A provision has been made for uniformed staff lump sum commutations in accordance with the accounting policies set out on page 4.

This provision is as follows:-

	£'000
Balance at 3 July	10,700
Income	
Expenditure	
Balance at 31 March	10,700

### 5. Reserves

The reserves of the Authority have been presented to show a clear distinction between Accounting Reserves which cannot be used to support spend, and Usable Reserves. Details of movements on these reserves are shown in the notes to the Statement of Total Movement in Reserves on pages 13, 14 and 15.

## Statement of Total Movement in Reserves

Notes	Accounting Reserves			Total £'000
	Government Grant Deferred Account £'000 1	Fixed Asset Restatement Account £'000 2	Capital Financing Reserve £'000 3	
Balance as at 3.7.2000	(28,849)	(523,221)	18,070	(534,000)
Minimum Revenue Provision Adjustment			31,208	31,208
Revaluation of fixed assets		(11,707)		(11,707)
Cost of value of assets disposed of		32,807		32,807
Capital expenditure adjustment		(11,040)	2	(11,038)
Financing of Fixed Assets	(18,479)		(22,225)	(40,704)
<b>Balance as at 31.03.01</b>	<b>(47,328)</b>	<b>(513,161)</b>	<b>27,055</b>	<b>(533,434)</b>

Notes	Usable Capital Reserves			Total £'000
	Usable Capital Receipts £'000 1	Capital Grant Reserve £'000 2	Earmarked Capital Reserve £'000 3	
Balance as at 3.7.2000	(37,878)	(12,934)	(5,794)	(56,606)
Receipts & Transfers During Year		(18,479)		(18,479)
Proceeds of disposals	(31,086)			(31,086)
Financing of Fixed Assets	20,682	18,479	1,543	40,704
<b>Balance as at 31.03.01</b>	<b>(48,282)</b>	<b>(12,934)</b>	<b>(4,251)</b>	<b>(65,467)</b>

Notes	Usable Revenue Reserves		Total £'000
	Earmarked Revenue Reserves £'000 1	General Revenue Reserve £'000 2	
Balance as at 3.7.2000	(24,151)	(21,368)	(45,519)
Transfers During Year	10,879	7,909	18,788
<b>Balance as at 31.03.01</b>	<b>(13,272)</b>	<b>(13,459)</b>	<b>(26,731)</b>

## Accounting Reserves

### 1. Government Grant Deferred Account

Where a government grant has been applied to finance capital expenditure on a fixed asset which is depreciated, a balance is established representing a deferred credit which is written off to the Asset Management Revenue Account over the useful life of the asset to match the depreciation of the asset to which it relates. The account cannot be used to support spending.

### 2. Fixed Asset Restatement Account

The Fixed Asset Restatement Account is debited or credited with the deficits or surpluses that arise on the revaluation of fixed assets as well as being written down by the net book value of assets when they are disposed of. The account cannot be used to support spending.

### 3. Capital Financing Reserve

The Capital Financing Reserve contains the amount of capital expenditure that has been financed from revenue and capital receipts. It also contains the difference between the Minimum Revenue Provision and depreciation and also the release of government grant from the Government Grants Deferred Account. The account cannot be used to support spending.

## Usable Capital Reserves

### 1. Usable Capital Receipts

The use of capital receipts is regulated by the Local Government and Housing Act 1989, and they can only be used to finance capital expenditure.

### 2. Capital Grant Reserve

All available capital grant is credited to this account and used as appropriate to fund capital expenditure. In 2000/01 all capital grant monies available were utilised.

### 3. Earmarked Capital Reserve

This reserve contains in and out receipts.

## Usable Revenue Reserves

### 1. Earmarked Revenue Reserves

	Balance at 3 July 2000	Income	Expenditure	Balance at 31 March 2001
	£'000	£'000	£'000	£'000
MPA	(1,500)		1,067	(433)
Lump Sum Transfers	(11,287)		6,500	(4,787)
Funding for the 2000/01 Revenue Budget	(3,312)		3,312	
Commuted Pensions	(8,052)			(8,052)
<b>Balance as at 31.03.01</b>	<b>(24,151)</b>		<b>10,879</b>	<b>(13,272)</b>

#### MPA

The reserve was used to support the costs of setting up the Metropolitan Police Authority.

#### Lump Sum Transfers

This account reflects payments to outsourced companies in respect of the pension entitlement of transferring staff.

### 2. General Revenue Reserve

This reserve was established to provide cover for emergencies. The 2000/01 overspend of £7.9 m has reduced this to £13.5m.

#### Funding for 2000/01

This Reserve was set up prior to the establishment of the MPA, to address budget pressures in 2000/01

#### Commuted Pensions

This reserve has been set up to provide for a proportion of the commuted pensions of uniformed staff who are able to retire, in accordance with the accounting policies set out on page 4.

The consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

		<b>31 March 2001</b>	
		<b>£'000</b>	<b>£'000</b>
	<b>Notes</b>		
<b><u>Revenue Activities</u></b>			
<b>Cash Outflows</b>			
Employee costs		1,005,478	
Other operating costs		591,628	
<b>Cash Inflows</b>			
S102 Greater London Authority Act 1999 Grant		(629,572)	
Police Act 1996 Grant		(741,794)	
Other government grants		(36,033)	
Cash received for goods and services		(53,966)	
Other revenue income		(103,893)	
<b>Net cash inflow from revenue activities</b>	<b>1</b>		<b>31,848</b>
<b><u>Servicing of Finance</u></b>			
<b>Cash Outflow</b>			
Interest paid		7,073	
<b>Cash Inflow</b>			
Interest received		(10,827)	
<b>Net cash inflow from servicing of finance</b>			<b>(3,754)</b>
<b><u>Capital Activities</u></b>			
<b>Cash Outflows</b>			
Purchase of fixed assets		59,677	
<b>Cash Inflows</b>			
Sale of fixed assets		(32,063)	
Capital grants received		(18,466)	
<b>Net cash outflow from capital activities</b>			<b>9,148</b>
<b><u>Management of Liquid Resources</u></b>			
<b>Net increase/(decrease) in short-term investment</b>			<b>(58,253)</b>
<b><u>Financing Activities</u></b>			
<b>Cash Outflow</b>			
Repayment of loans		11,000	
Funding of ILPS and ILMCS		11,696	
<b>Cash Inflow</b>			
New loans		0	
<b>Net cash outflow from financing activities</b>			<b>22,696</b>
<b>Decrease/(increase) in cash</b>	<b>2</b>		<b>1,685</b>

## 1. Reconciliation of deficit to revenue cashflow

	2000-01
	£'000
<b>Deficit</b>	7,909
<b><u>Non-cash Transactions</u></b>	
net transfer from reserves	(1,426)
net transfer from provisions	3,888
<b><u>Items on an accruals basis</u></b>	
(increase)/decrease in revenue creditors	(10,265)
increase/(decrease) in stocks	(9)
increase/(decrease) in debtors	27,997
<b><u>Items shown later in the cashflow statement</u></b>	
investment income	10,827
interest paid	(7,073)
<b>Net cashflow from revenue activities</b>	<b>31,848</b>

## 2. Analysis of cash balances

	Balance 3.7.2000	Balance 31.3.2001	Movement in the year
	£'000	£'000	£'000
Cash and bank (overdrawn)	(4,395)	(6,080)	1,685