



Chief Constable of Warwickshire Police

Statement of Accounts

2014/15

THE CHIEF CONSTABLE OF WARWICKSHIRE POLICE

STATEMENT OF ACCOUNTS 2014/15

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Explanatory Foreword to the Statement of Accounts

Introduction

On 15 September 2011 the Police Reform and Social Responsibility Act (PRSR) 2011 received Royal Assent in Parliament representing a significant shift in the way the police in England and Wales are governed and held accountable. One of the key reforms was to replace Police Authorities with elected Police and Crime Commissioners (PCCs) for each Police Force area. The elected PCCs took office on 22 November 2012. The primary function of the PCC is to secure the maintenance of an efficient and effective police force and to hold the Chief Constable to account for the exercise of operational policing duties under the Police Act 1996.

On 1 April 2014, Stage 2 transfer took effect whereby a clear division of responsibility was agreed between the Chief Constable and the PCC setting out arrangements for who will employ which staff, who will own property and other assets, and who holds associated rights and liabilities. It was previously determined that the PCC retained formal control over the majority of assets, liabilities and reserves and this approach continued under Stage 2. The cost of post employment benefits (pensions) follow the costs of employment and, as the vast majority of police staff and police officers are employed by the Chief Constable, these costs and the associated balance sheet liabilities are shown in the Chief Constable's Accounts.

The foreword explains the most significant issues reported in the Statement of Accounts (Accounts) that follow. All of the Chief Constable's financial transactions incurred in 2014/15 for policing Warwickshire are recognised and recorded within these Accounts, which have been prepared in accordance with "proper practice", chiefly The Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the Code). The Accounts reflect current legislation and local operating arrangements, where legislation takes precedent over the Code or where the Group position differs from that of the Chief Constable this is explained in the Accounts and the notes.

An Alliance between Warwickshire Police and West Mercia Police was implemented on 13 March 2012 with the following specific objectives:

- To provide a more efficient and effective policing service in the geographical areas for which the Parties are responsible for policing; that is: for the communities of Herefordshire, Telford and Wrekin, Shropshire, Warwickshire and Worcestershire.
- Enhanced capability and capacity.
- Greater resilience and flexibility in the use of skilled specialist staff.
- Reduction in duplication of roles and resources.
- Greater opportunity to maximise financial savings.

A significant part of the Alliance programme has been the development of joint working arrangements and a new policing model, which went live on the 2 September 2013. The Alliance is a joint operation and these accounts reflect an appropriate share of the costs of the Alliance as set out in the agreement between Warwickshire Police and West Mercia Police.

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The treatment of transactions (income and expenditure) and balances (assets, liabilities and reserves) in the PCC's and Chief Constable's Accounts under the Alliance is explained in Note 3, 'Critical Judgements in Applying Accounting Policies'.

The Chief Constable's Accounts should be read alongside the PCC and Group Accounts which can be found on both the PCC and Warwickshire Police websites. The corresponding Accounts for the West Mercia PCC and Group and Chief Constable can be found on the West Mercia PCC and West Mercia Police websites.

<http://www.warwickshire-pcc.gov.uk/>

www.warwickshire.police.uk/

www.westmercia-pcc.gov.uk/

www.westmercia.police.uk/

The Statement of Accounts

The following is an explanation of the contents of the Statement of Accounts and the main financial statements, their purpose and relationship between them; they comprise:

- The **Statement of Responsibilities** for the Statement of Accounts, which sets out the responsibilities of both the Chief Constable and the responsible Chief Finance Officer for the preparation of the Accounts.
- The **Movement in Reserves Statement** shows the movement in the year on the different reserves held by the Chief Constable, analysed into 'usable reserves' and other, unusable reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Chief Constable's services, more details of which are shown in the Comprehensive Income & Expenditure Statement.
- The **Comprehensive Income & Expenditure Statement**, is a summary of the income and expenditure received and used to provide services during the year and shows how the PCC has funded the cost of net expenditure incurred at the request of the Chief Constable by an intra-group transfer.
- The **Balance Sheet**, which shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Chief Constable. The net assets (assets less liabilities) are matched by the unusable reserves.
- The **Cash Flow Statement**, which summarises the inflows and outflows of cash arising from transactions with third parties for revenue purposes.
- **Notes to the Accounts**, these comprise a detailed analysis of the summarised financial information in the Core Financial Statements. These also set out the accounting policies adopted by the Chief Constable, which explain the basis on which the financial transactions are presented.
- **Police Officer Pension Fund Account** - This identifies the payments in and out of the Police Officers Pension Fund Account for the year.

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- The **Annual Governance Statement** – This section describes how the Chief Constable conducts business in accordance with proper standards and presents the findings from the annual review of the effectiveness of systems of internal control. The Annual Governance Statement does not form part of the Statement of Accounts but is included here for reporting purposes

Financial Performance 2014/15

Revenue Outturn

The Chief Constable's only source of income is through the intra-group transfer, where the PCC reimburses the Chief Constable for the cost of day to day policing up to the agreed budget. This is representative of the relationship between the PCC and the Chief Constable, which is underpinned by the governance arrangements.

Financial information is monitored across the Alliance and inclusive of income and expenditure of both the PCC and the Chief Constable, therefore the PCC's outturn position is presented here and explained in the wider context. However, the Chief Constable is only responsible for pooled and non-pooled expenditure for Warwickshire.

The 2014/15 budget was set at £91.3m, which included an assumed use of reserves of £0.2m and also included £3.3m of savings. Reserves continue to be used, as part of the Medium Term Financial Plan (MTFP), to allow time for services to be redesigned and savings to be targeted, whilst providing the best possible level of policing from the resources available. Other earmarked reserves are being used to support the PCC initiatives, such as tackling rural, business and cyber crime.

2014/15 saw a continuation of the Government's austerity measures and reductions in funding through Police Grant and Revenue Support Grant amounted to £2.8m.

The main grants are not the only source of funding to be subject to change in 2014/15. The Council Tax, received through the precept levied on the billing authorities, is dependant on the amount set, the number of properties (tax base) and any share of surplus or deficit on the Collection Fund. The PCC decided to increase Council Tax by 1.99% for 2014/15 and this, together with changes in the council tax base and a surplus on the Collection Fund yielded an additional £1.5m in 2014/15. The Council Tax Support Grant, introduced in 2013/14, remained at £3.9m.

The Council Tax Freeze Grant continued to feature in the Government's programme, however the PCC decided not to take this grant in 2014/15 as it was only guaranteed for two years and amounted to an equivalent of a 1% increase in Council Tax. The grants relating to 2011/12 and 2013/14 continue to be paid up to and including 2015/16 and amount to £1.2m. After this date there is no guarantee of funding, potentially adding to the gap and the need for savings.

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The 2014/15 funding is set out in the following table:

Where the Money Came From	Budget £000	Actual £000	%
Police Grant	33,248	33,248	36.4
Non-Domestic Rates and Revenue Support Grant	18,115	18,115	19.8
Council Tax Support Grant	3,910	3,910	4.3
Council Tax Freeze Grant	1,244	1,244	1.4
Central Government Funding	56,517	56,517	61.9
Locally Raised Funding – Precept (Council Tax)	34,750	34,750	38.1
Total Funding	91,267	91,267	100.0

Within the Alliance, Warwickshire Police and West Mercia Police operate a single policing model and combine their resources to provide a single policing service. The vast majority of the 2014/15 budget is pooled and Warwickshire Police and West Mercia Police are accountable for their share of the budget in the ratio 31:69, which is in accordance with the agreed cost sharing model. After comparing actual costs incurred by the two forces an adjustment is made by way of a payment from one force to the other to achieve the 31:69 split of pooled costs. The Accounts are prepared on the same basis, however the accounts also contain figures that are required to comply with the Code and Note 8 to the accounts 'Amounts Reported for Resource Allocation Decisions' reconciles the figures used in the accounts to those used internally to manage the budget.

The following table is a comparison of first, the Alliance and then the PCC's actual expenditure and income against the 2014/15 budget.

Warwickshire Police & West Mercia Police Expenditure & Income	Budget £000	Actual £000	%	Variance £000
Police officers' pay	153,070	145,641	52.0	7,429
Police staff pay	72,638	66,019	23.5	6,619
PCSO pay	10,245	9,377	3.4	868
Police pensions	4,004	4,551	1.6	(547)
Other Employee Costs	3,094	3,446	1.2	(352)
Premises	12,010	10,484	3.7	1,526
Transport	7,800	7,160	2.6	640
Supplies & Services	27,469	23,849	8.5	3,620
Third Party Payments	9,873	10,777	3.8	(904)
Capital Financing	7,653	12,037	4.3	(4,384)
Expenditure	307,856	293,341	104.6	14,515
Income	(11,068)	(15,399)	(5.5)	4,331
Net Expenditure	296,788	277,942	99.1	18,846
Contribution to/from Reserves	(3,262)	0	0.0	(3,262)
Use of Earmarked Reserve – Operation Devonport	0	2,480	0.9	(2,480)
Budget Requirement	293,526	280,422	100.0	13,104

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Warwickshire Police Outturn	Budget £000	Actual £000	%	Variance £000
Force Expenditure	95,012	90,379	101.6	4,633
Force Income	(5,108)	(5,831)	(6.6)	723
Total Warwickshire Police	89,904	84,548	95.0	5,356
Office of the PCC	904	877	1.0	27
PCC – Victims Commissioning	0	(7)	0.0	7
PCC – Grant Scheme	959	905	1.1	54
PCC – Business, Rural & Cyber Crime	0	117	0.1	(117)
Total Office of the PCC	91,767	86,440	97.2	5,327
Contribution to/from Reserves	(500)	0	0.0	(500)
Use of Earmarked Reserve – Operation Devonport	0	2,480	2.8	(2,480)
Budget Requirement	91,267	88,920	100.0	2,347

The Alliance has under spent by £13.1m compared to the original budget of £293.5m, of which £2.3m of the under spend is attributable to Warwickshire Police. It has been possible to meet all of the planned spending that was to be funded by reserves from the base budget supported by main stream funding, for example business rural and cyber crime spend. Further additions to earmarked reserves will strengthen the position and support the MTFP.

Some of the key features of the Alliance under spend are described below.

The police pay budget has under spent by £7.4m because police officer recruitment and budgeted recruitment were not in-sync during the first part of the financial year. Plans are now in place to achieve the required number of officers by November 2015 and the 2015/16 budget has been adjusted accordingly.

Police staff pay has under spent by £6.6m, which is largely due to vacancies. The budget assumes the Alliance structure is in place and at full strength. Posts are being actively recruited to, however a higher than anticipated level of turnover and the lead time to fill vacancies has led to the under spend. The police staff pay budget is reviewed on an ongoing basis to ensure it is set at the right level.

Supplies and Services has under spent by £3.6m, which is a result of a combination of factors, including software, forensics and radio communications. Some of these budgets have been reduced in 2015/16 for permanent savings.

Income has over achieved the budget by £4.3m, which is attributable in part to receiving income that was not budgeted for including: the PCC Victim Support grant and the Police Innovation Fund grant. The expenditure that offsets these grants is an over spend in other areas of the budget. In addition, income exceeds the budget across a range of areas including; prosecution fee reimbursements, vehicles sales, vetting, course fees and additional income achieved by the West Mercia Police Safer Road Partnership, which is held in an earmarked reserve for use at a later date.

In line with the PCC's strategy in the MTFP for the use of under spends, favourable variances were used during the year to meet the cost of capital expenditure and offset

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borrowing up to an amount equal to any unfunded capital expenditure. It has been possible to finance £7.6m of capital expenditure by direct revenue contribution.

Comprehensive Income and Expenditure Statement (CIES) Deficit

The CIES measures the Chief Constable's financial performance for the year in terms of resources consumed over the last twelve months and the funding provided to finance services.

The CIES shows a deficit on the provision of services of £31.1m. The deficit is arrived at after accounting for costs and income in line with the Chief Constable's accounting policies and recognised accounting conventions, which is different to the statutory basis used to identify the net expenditure to be funded from local taxation in the form of Council Tax. For example, proper accounting practice requires the full cost of future pension liabilities to be recognised in the Accounts and is a significant part of the deficit on the CIES.

The financial standing of the Chief Constable needs to be viewed from the perspective of the movement in the Police Fund, as set out in the Movement in Reserves Statement, which reconciles the CIES to the statutory basis for determining taxation.

Capital Outturn

Assets are held on the PCC's Balance Sheet and the PCC exercises strategic control over assets to achieve objectives set out in the Police and Crime Plan and the aims of the Alliance with West Mercia. The capital programme, which contains projects that lead to the creation of new assets or the enhancement of existing assets, is the responsibility of the PCC, who in turn can draw on a range of options to finance capital expenditure, including borrowing, to meet the cost of the capital programme. The Chief Constable is charged for the use of assets in day to day policing. The capital outturn position can be seen in the corresponding section of the Foreword to the Group and PCC Accounts.

Significant Provisions

Provisions are held on the balance sheet in respect of future payments for which the timing and amount of the payments is reasonably certain. At 31 March 2015 the significant provisions on the balance sheet amount to £0.2m and are explained in detail in Note 17.

Balance Sheet

The balance sheet shows that the net worth of the Chief Constable is (£994.6m) as at 31 March 2015 consisting of the Pensions Reserves of (£993.1m) and Other Unusable Reserves of (£1.5m).

Pensions Liabilities

In accordance with International Accounting Standard (IAS) 19, the cost of employment and post-employment liabilities is shown in the Chief Constable's Accounts. The Chief Constable maintains a negative pensions reserve to match the estimated liability in relation to Police Officers, Police Staff and Police Community Support Officers' retirement benefits, which at the 31 March 2015 is £993.1m.

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However, in considering the impact that this has on the financial position of the PCC it must be remembered that:

- Police Staff and Police Community Support Officers are entitled to join the Local Government Pension Scheme (LGPS), which is a funded scheme. The liability will be funded by future planned increases in both the employee and employer contributions.
- The Police Pension Scheme, under the current arrangements, is funded partly by police officer and employer contributions. If there is insufficient money in the Pension Fund Account to meet all expenditure commitments in any particular year the Home Office will fund the deficit.
- The Police Pension Scheme and LGPS have been subject to reform and as from 1 April 2015 the former became a career average (CARE) scheme; the LGPS became a CARE scheme on 1 April 2014. Therefore the future benefit structures, as well as the level of contributions, will change.

Further information about the IAS 19 liability can be found under Note 21, and information about the Police Pensions Fund Account can be found on page 52.

Policing Performance

The following is a statement released by the Chief Constable regarding policing performance:

“This has been a year of consolidation where we have worked to ensure the foundations put in place through the Alliance with West Mercia Police continue to benefit victims of crime. The Alliance continues to evolve in scope and scale and, once again, I thank everyone for their hard work and commitment in protecting the public of Warwickshire.

Our overarching mission is to protect people from harm. Last year there were 60,761 recorded crimes during the year 2014/15 compared to 58,010 the previous year, an increase of 4.7%. This small increase came about largely as a consequence of an increase in crimes involving violence and sexual offences. Any increase is a concern; the reasons for the rise are complex though some is due to changes in national recording practices. However we will continue to work to understand the reasons for the growth, remain vigilant and deploy our resources in the most effective way we can to support all victims.

We take pride in the service we provide to the public and this is why we are pleased that the satisfaction of users of our service continues to remain high.

For the new financial year 2015/16, the PCC has again confirmed that there will be no targets to reduce specific areas of crime.

The agreed alliance vision is to protect people from harm. Harm includes everything from death and injury to loss or distress. Working with West Mercia Police we are committed to continuing to provide the very best possible protection to people with the resources available to us. This will mean focusing our resources on tackling the most serious harms and places where most crimes occur.

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This way of working will allow us to achieve our vision by managing and responding to real time threats and risks. This is more effective in protecting communities than the traditional method of setting annual objectives and targets.

This is about doing the right thing and focusing on those issues that really matter to local communities. Focusing on just a small number of specific crime types is not always the most effective approach to reducing harm.

In 2015/16 we will continue to target those offenders who are causing the most harm, to deploy resources in areas of high risk and work to safeguard the vulnerable members of our communities. This strategy continues to prove effective and will build upon our performance over the last few years.”

Martin Jelley
Chief Constable
Warwickshire Police

Environmental Issues

Warwickshire Police and West Mercia Police have a long standing commitment to protecting the environment and recognise that they have a responsibility to reduce their detrimental impact on the local environment and that their activities, both operational and non-operational have an impact on the natural environment for the communities of Herefordshire, Shropshire, Telford and Wrekin, Warwickshire and Worcestershire.

Through the Alliance, Warwickshire Police and West Mercia Police will achieve this by promoting environmental best practice and complying with all environmental legislation, regulations and codes of practice, and wherever practicable exceed these. It is recognised that improving the environmental impact might increase costs or require investment, which will be balanced against the requirement to achieve value for money.

Warwickshire Police and West Mercia Police have in place a joint Environmental and Sustainability Strategy which is available on the force websites.

The Current Economic Climate and Future Prospects

Whilst the PCC receives the core funding for the provision of police services and sets the budget within which the Chief Constable operates it is appropriate to include this section on future prospects to set out the financial and operational context within which the Chief Constable is required to deliver the Policing Plan.

The 2015/16 budget is the third annual budget set by the PCC and the second time the vast majority of the budget has been built for the Alliance with West Mercia Police as a whole and the budget requirement apportioned to each Force in accordance with the agreed cost sharing approach. The issues that the PCC has considered in setting the budget, which is one of the most important decisions taken by the PCC, are explained in this section and drawn from the MTFP agreed in February 2015; dealing with funding, service demands, savings and the use of reserves.

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The Government's funding to the PCC was reduced by £2.6m and recent statements by the Chancellor have made it clear that continuing reductions in Home Office funding are likely for the foreseeable future; more will be known after the three year Comprehensive Spending Review (CSR) expected in December 2015. Any adjustment to the grant formula is likely to have further adverse effects on the level of government resources received by the PCC. The level of Central Government funding beyond 2015/16 remains uncertain and the February MTFP assumes reductions of 3.2% per annum from 2016/17 to 2019/20.

Another major source of funding to the PCC is through the Council Tax raised by a precept or demand on local billing authorities, (district and borough councils). As in 2014/15, the PCC once again decided not to take the Government's Council Tax freeze grant and instead increase Council Tax by 1.99% (Band D £188.23). This increase, coupled with changes in the council tax base to reflect new house building, is expected to increase income from Council Tax by £1.2m in 2015/16. The MTFP assumes that growth in the precept will continue along these lines from 2016/17 to 2019/20. However, it is assumed that Council Tax Freeze Grant, worth £1.2m is withdrawn in 2016/17.

For the coming year existing policing capabilities, including those developments agreed in the PCC's first two budgets, are to be funded entirely from within existing resources. Policing and community safety partners are facing the prospect of having to deliver considerable budget savings over the coming years. The precept is therefore being increased in 2015/16 to provide additional resources to be used to fund initiatives to reduce and prevent crime. These may be early interventions to stop people committing crime or antisocial behaviour, rehabilitation to help those who already commit crime to desist; or education and support for the wider public to help reduce their likelihood of becoming a victim.

The MTFP includes assumptions about increases in costs and income due to contract inflation, changes in legislation and expenditure necessary to maintain buildings etc. Pay and associated costs make up the majority, approximately 80%, of the budgeted expenditure; and therefore the factors that drive the cost of pay are monitored closely and assessed, for example the changes to National Insurance resulting from the Pensions Act, which will be passed onto PCCs from 1 April 2016.

Total savings of £2.8m in the Warwickshire budget in 2015/16 and 2016/17 are already planned and being progressed. It is expected there will be a further savings requirement over the period to the end of 2019/20 of £9.7m for Warwickshire and the PCC will be considering proposals, being developed by the StraDA (Strengthening and Deepening the Alliance) team, for meeting this.

The Alliance has delivered £30m of savings through development of joint working arrangements and a new policing model. It is estimated that by the 31 March 2019 a further £29m will be required to be saved and the Alliance remains fundamental to delivering these savings. To achieve them whilst minimising the impact on the public, will require a focus on integration of ICT systems, changing channels of engagement with the public and rationalisation of the estate through co-location. This creates the need for a significant provision for invest to save initiatives.

The PCC's earmarked reserves are £29.5m as at 31 March 2015. Each year the Treasurer to the PCC carries out an assessment of the risks facing the PCC so as to determine the minimum level of reserves the PCC needs to hold. The strategy for the use of reserves

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referred to in the previous paragraph takes account of the likely delay in getting final confirmation of the scale of the future savings until after the CSR and the challenge of delivering increased levels of savings required by the Government.

The February MTFP plans to use £22.6m of reserves over a five year period to support each year's budget, including £6.7m in 2015/16. The Force has a track record in delivering its savings targets early and where this happens, the PCC's strategy for the use of these under spends, which would otherwise increase reserves, will be to seek to minimise the need to use borrowing to fund capital expenditure.

The PCC will closely monitor financial performance throughout the year to ensure that policing demands can be met within the resources available to the Chief Constable.

The PCC's Medium Term Financial Plan is available on the PCC's website.

Statement of Responsibilities

Responsibilities of the Chief Constable of Warwickshire Police

The Chief Constable is required to:

- make arrangements for the proper administration of the Chief Constable's financial affairs and to ensure that one of his officers has the responsibility for the administration of those affairs. In this organisation that officer is the Director of Finance to the Chief Constable;
- manage the Chief Constable's affairs to secure economic, efficient and effective use of resources and safeguard the Chief Constable's assets;
- approve the Statement of Accounts.

I accept the above responsibilities and approve these Statement of Accounts for 2014/15.

Martin Jelley

The Chief Constable of Warwickshire Police

Date:

Responsibilities of the Director of Finance

The Director of Finance to the Chief Constable is responsible for the preparation of Chief Constable's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the Code).

In preparing this Statement of Accounts, the Director of Finance to the Chief Constable has:

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

The Director of Finance has also:

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

The Statement of Accounts for the Chief Constable of Warwickshire Police is duly authorised for issue on 30 June 2015 by authority of the Director of Finance to the Chief Constable.

I certify that the Statement of Accounts represents a true and fair view of the financial position of the Chief Constable of Warwickshire Police at the accounting date and of the income and expenditure for the year ended 31 March 2015.

Heather Costello

Director of Finance to the Chief Constable of Warwickshire Police

Date:

INDEPENDENT AUDITOR'S REPORT TO THE CHIEF CONSTABLE FOR WARWICKSHIRE

We have audited the financial statements of the Chief Constable for Warwickshire for the year ended 31 March 2015 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes and the Supplementary Financial Statements which comprise the Police Pension Fund Account and related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

This report is made solely to the Chief Constable for Warwickshire as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the Chief Constable those matters we are required to state to the Chief Constable in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Chief Constable as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Finance and auditor

As explained more fully in the Statement of Responsibilities, the Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards also require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Chief Constable's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Chief Constable for Warwickshire as at 31 March 2015 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

Opinion on other matters

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

Matters on which we report by exception

We are required to report to you if:

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

We have nothing to report in these respects.

Conclusion on the Chief Constable's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Chief Constable and the auditor

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Chief Constable has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

We report if significant matters have come to our attention which prevent us from concluding that the Chief Constable has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have

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we considered, whether all aspects of the Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Chief Constable has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Chief Constable put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Chief Constable had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, the Chief Constable for Warwickshire put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

Certificate

We certify that we have completed the audit of the financial statements of the Chief Constable for West Mercia in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

John Gregory
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Colmore Plaza,
20 Colmore Circus
Birmingham
B4 6AT

21st September 2015

Financial Statements**Movement in Reserves Statement (MIRS)**

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

	Notes	Police Fund Balance	Unusable Reserves	Total Chief Constable Reserves
		£000	£000	£000
Opening Balance at 1 April 2013		0	(868,485)	(868,485)
Movement in reserves during 2013/14				
Deficit on Provision of Services (restated – see CIES footnote)	8	(38,210)	0	(38,210)
Other Comprehensive Income and Expenditure	21	0	42,538	42,538
Total Comprehensive Income and Expenditure		(38,210)	42,538	4,328
Adjustments between accounting basis and funding basis under regulations	6	38,210	(38,210)	0
Net Increase / (Decrease) before transfers to Earmarked Reserves		0	4,328	4,328
Transfers to/from Earmarked Reserves		0	0	0
Increase/(Decrease) in Year		0	4,328	4,328
Balance at 31 March 2014 Carried Forward		0	(864,157)	(864,157)
Movement in reserves during 2014/15				
Deficit on Provision of Services	8	(31,105)	0	(31,105)
Other Comprehensive Income and Expenditure	21	0	(99,366)	(99,366)
Total Comprehensive Income and Expenditure		(31,105)	(99,366)	(130,471)
Adjustments between accounting basis and funding basis under regulations	6	31,105	(31,105)	0
Net Increase before transfers to Earmarked Reserves		0	(130,471)	(130,471)
Transfers to/from Earmarked Reserves		0	0	0
Increase/(Decrease) in Year		0	(130,471)	(130,471)
Balance at 31 March 2015 Carried Forward		0	(994,628)	(994,628)

Comprehensive Income and Expenditure Statement (CIES)

This Statement recognises the financial resources belonging to the PCC consumed at the request of the Chief Constable in exercising day to day direction and control of the police force for the financial year, presented in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The CIES includes the intra-group transfer, whereby the PCC provides resources to meet the cost of day to day policing provided by the Chief Constable. The presentation of the intra-group transfer has been revised from last year's Accounts and is now part of the Net Cost of Policing Services; Total Comprehensive Income and Expenditure remains unchanged.

2013/14 Gross Expenditure	2013/14 Gross Income	2013/14 Net Expenditure			2014/15 Gross Expenditure	2014/15 Gross Income	2014/15 Net Expenditure
£000	£000	£000			£000	£000	£000
48,258	0	48,258	Local Policing		42,438	0	42,438
4,870	0	4,870	Dealing with the Public		5,985	0	5,985
6,044	0	6,044	Criminal Justice Arrangements		8,434	0	8,434
2,743	0	2,743	Road Policing		4,350	0	4,350
4,131	0	4,131	Specialist Operations		5,755	0	5,755
5,252	0	5,252	Intelligence		5,074	0	5,074
29,174	0	29,174	Investigations		20,801	0	20,801
2,497	0	2,497	Investigative Support		2,657	0	2,657
1,405	0	1,405	National Policing		1,676	0	1,676
0	0	0	Corporate and Democratic Core		0	0	0
153	0	153	Non Distributed Costs		725	0	725
104,527	0	104,527	Cost of Policing Services	8	97,895	0	97,895
0	(94,808)	(94,808)	PCC's Funding for Resources Consumed	9	0	(92,069)	(92,069)
104,527	0	9,719	Net Cost of Policing Services		97,895	0	5,826
		40,180	Financing and investment net expenditure (Note 21)				40,539
		(11,689)	Home Office Grant Towards the Cost of Retirement				(15,260)
		38,210	Deficit on Provision of Services *				31,105
		(42,538)	Re-measurement of the net defined benefit liability (Notes 5 and 21)				99,366
		(42,538)	Other Comprehensive Income & Expenditure				99,366
		(4,328)	Total Comprehensive Income & Expenditure				130,471

* 2013/14's Deficit on Provision of Services has been restated from £133.018m and is now shown net of the Intra-Group transfer that was previously included after Other Comprehensive Income & Expenditure; this change has also been reflected in the Chief Constable's MIRS and Cashflow Statement.

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Chief Constable. The Chief Constable holds employment liabilities, which is associated with the Chief Constable's day-to-day direction and control of police officers and police staff, the costs of which are shown in the CIES. The net liabilities are matched by an unusable reserve held at the bottom of the balance sheet.

31 March 2014 £000		Notes	31 March 2015 £000
0	Long Term Assets		0
2,361	Short Term Debtors	15	3,501
2,361	Current Assets		3,501
(3,822)	Short Term Creditors	16	(3,380)
0	Provisions	17	(209)
(645)	Intra-Group Creditor	9	(1,421)
(4,467)	Current Liabilities		(5,010)
(862,051)	Liability Relating to Defined Benefit Pension Schemes	21	(993,119)
(862,051)	Long Term Liabilities		(993,119)
(864,157)	Net Liabilities		(994,628)
(864,157)	Unusable Reserves	7	(994,628)
(864,157)	Total Reserves		(994,628)

Cash Flow Statement

This statement shows the changes in cash and cash equivalents of the Chief Constable during the reporting period. The statement shows how the Chief Constable generates and uses cash and cash equivalents by classifying cash flows as; operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Chief Constable are funded by the PCC.

2013/14 £000		Notes	2014/15 £000
38,210	Net (surplus) or deficit on the provision of services *		31,105
(38,210)	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	20	(31,105)
0	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities		0
0	Net cash flows from Operating Activities		0
0	Investing Activities		0
0	Net increase or decrease in cash and cash equivalents		0
0	Cash and cash equivalents at the beginning of the reporting period		0
0	Cash and cash equivalents at the end of the reporting period		0

* 2013/14's Deficit on Provision of Services has been restated from £133.018m, as explained in the footnote to the CIES. The format of the Cashflow Statement has been amended to ensure consistency of presentation with the Group and PCC's Accounts.

Notes to the Financial Statements

The following notes contain information which is in addition to that contained in the main financial statements, and is intended to provide a fuller explanation and description of specific figures to aid the reader's understanding of the Statement of Accounts.

1. Accounting Policies

i. General Principles

The Statement of Accounts summarises the Chief Constable's transactions for the 2014/15 financial year and its position at the year-end. The accounting policies are the specific principles, bases, conventions, rules and practices applied by the Chief Constable when preparing and presenting the financial statements. The Chief Constable is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which must be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and the Service Reporting Code of Practice 2014/15 supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The principal accounting policies have been applied consistently throughout the year.

ii. Changes in Accounting Policies

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

iii. Income and Cost Recognition and Intra-group Adjustment

The PCC is responsible for the Police Fund into which all income is received including the main funding streams of Police Grant, Revenue Support Grant, National Non-Domestic Rates and Council Tax as well as income from charges and from which all costs are met. The Police Fund is held in a single bank account: the Chief Constable does not have a separate bank account into which money can be received or from which payments can be made.

The Chief Constable's Accounts show the cost of undertaking day to day operational policing under the direction and control of the Chief Constable. Expenditure shown in the CIES include the salaries of police officers, PCSOs and police staff as well as the cost of purchases. In addition, a charge is shown for the Chief Constable's use of assets, which are strategically controlled by the PCC. The capital charge is equal to depreciation of property, plant and equipment and amortisation of intangible assets plus any charge for impairment through obsolescence or physical damage. To fund the operational expenditure the Chief Constable's Accounts show income by way of funding or financial guarantee provided by the PCC to the Chief Constable. This treatment forms the basis of the intra-group adjustment between the Accounts of the PCC and the Chief Constable. However, because the Chief Constable does

Notes to the Financial Statements

not have a bank account there is no actual transfer of cash between the PCC and the Chief Constable. The Intra-Group funding has been re-presented in the CIES and is now part of the Net Cost of Policing Services, rather than being shown after Other Comprehensive Income and Expenditure.

The cost of post employment benefits accrued by serving and ex-police officers and police staff and the cost of accrued absences is also shown in the Chief Constable's Accounts.

iv. Accruals of Income and Expenditure

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

- Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by police officers, police staff and PCSOs) are recorded as expenditure when the services are received rather than when payments are made.

Notional transactions between the PCC and the Chief Constable are assumed to be settled immediately. The effect is to minimise the debtors within the Chief Constable's Balance Sheet. Where revenue and expenditure has been recognised but cash has not been paid a creditor for the relevant amount is recorded in the Balance Sheet. However, the PCC has not given consent to the Chief Constable to enter into contracts; therefore creditors for purchases are not shown in the Chief Constable's Accounts. However, accruals for police officers, PCSOs and police staff under the control of the Chief Constable are reflected in the Chief Constable's Accounts.

v. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

However, the Chief Constable does not have his own bank account, therefore the cash figure is a notional figure derived from the PCC's cash and cash equivalents to balance with corresponding items held on the Balance Sheet.

vi. Charges to Revenue for Non-Current Assets

Services under the direction and control of the Chief Constable are debited with the following amounts to record the cost of holding non-current assets during the year:

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

vii. Employee Benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave, rest days, toil, paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Chief Constable. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the salary rates applicable at the start of the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the MIRS so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs. The accumulated cost is carried to the Chief Constable's Balance Sheet where it is held as a liability and this is matched by an unusable reserve.

Termination Benefits

This policy only applies to members of police staff, including PCSOs.

Termination benefits are amounts payable to employees as a result of a decision by the Chief Constable to terminate their employment before the normal retirement date or an employee's decision to accept voluntary redundancy and are charged on an accruals basis to the Cost of Services in the CIES at the earlier of when the employer can no longer withdraw the offer of those benefits or when the employer recognises costs for a restructuring.

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

Post-Employment Benefits

Police officers and police staff, including PCSOs have the option of belonging to one of two separate pension schemes relevant to them:

- Police Pension Scheme (PPS) for Police Officers.
- Local Government Pensions Scheme (LGPS) for Police Staff administered by Warwickshire County Council.

Both schemes provide index-linked defined benefits to members (retirement lump sums and pensions) earned as employees worked for the Chief Constable and determined by the individuals' pensionable pay and pensionable service.

The LGPS and the PPS are accounted for as defined benefits schemes as follows:

Notes to the Financial Statements

- the liabilities of the pension fund attributable to the Chief Constable are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of anticipated earnings for current employees.
- International Accounting Standard (IAS) 19 requires the nominal discount rate to be set by reference to market yields on high quality corporate bonds or where there is no deep market in such bonds then by reference to government bonds.
- the PPS liabilities are discounted using the nominal discount rate based on government bond yield of appropriate duration plus an additional margin and the LGPS liabilities are discounted to their value at current prices, using a discount rate based on corporate bond yields at 31 March 2015.
- the discount rates used by the actuaries and other principal assumptions are set out in Note 20.
- the assets of the LGPS fund attributable to the Chief Constable are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities – current bid price
 - property – market value

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

- **Current service cost** – the increase in liabilities as a result of years of service earned in the current year – allocated in the CIES to the services for which the employees worked.
- **Past service cost** – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the CIES as part of Non Distributed Costs.
- **Net interest on the net defined benefit liability** i.e. net interest expense for the Group – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the CIES – this is calculated by applying the discount rate used to measure the defined benefit obligation to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.
- **Re-measurements comprising:**
 - **the return on plan assets** – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
 - **actuarial gains and losses** – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or

Notes to the Financial Statements

because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

- **Contributions paid to the pension fund** – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the Police Fund Balance to be charged with the amount payable by the Chief Constable to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the MIRS this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the Police Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

A difference between the two schemes is that the PPS is an unfunded, defined benefit, final salary scheme, whereas the LGPS is a funded, defined benefit scheme and, with effect from 1 April 2014, became a career average (CARE) rather than final salary scheme. As the PPS is unfunded there are no investment assets built up to meet the pensions liabilities and cash has to be generated to meet the actual pensions payments as they eventually fall due. This is further explained in the notes to the Police Pension Fund Account on page 51.

It should be noted that the Chief Constable has not exercised powers to make discretionary awards of retirement benefits in the event of early retirements. The approach set out in the joint Government Actuary’s Department (GAD)-CIPFA paper “Assessment of Pension Liabilities Disclosures” as realised in the GAD model has been followed in order to satisfy the disclosure requirements of the Code.

The Chief Constable has powers to make awards to Police Officers who have ceased to be members of the police force and are permanently disabled as a result of an injury received without his/her own default in the execution of his/her duty. These payments are made in accordance with the Police (Injury Benefit) Regulations 2006.

viii. Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the PCC and / or Chief Constable in conjunction with other ventures or organisations that involve the use of the assets and resources of the ventures rather than the establishment of a separate entity. The Group recognises on its Balance Sheet the assets (Property, ICT and Vehicles) that it controls or its share thereof. Joint assets give rise to benefits of the joint venturers. The Group also recognises the liabilities that it incurs. The CIES is debited and credited with the expenditure it incurs and the share of costs incurred or income earned through the joint operation.

The Alliance with West Mercia Police bodies is a jointly controlled operation, which lies at the heart of the policing model and governance of the PCCs and Chief Constables of both Warwickshire and West Mercia. The Alliance is primarily a joint venture for operational purposes where each party draws on the pooled resources to deliver services. Assets created or developed as an integral part of the alliance are also shared.

Notes to the Financial Statements

A full explanation of the treatment of transactions and balances under the Alliance has been explained fully in Note 10 to the Accounts 'Pooled Budgets and Joint Ventures'.

ix. Leases

Rentals paid under operating leases are charged to the CIES as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis from the commencement of the lease term over the life of the lease; even if this does not match the pattern of payments (e.g. there is a rent free period at the inception of the lease).

x. Overhead and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2014/15 (SeRCOP). The total absorption costing principle is used i.e. the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the PCC's status as a democratic organisation;
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the CIES, as part of Net Expenditure on Cost of Services.

xi. Prior Year Adjustments

Prior year adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes are applied retrospectively (unless otherwise stated) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

xii. Provisions, Contingent Liabilities and Contingent Assets

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

Provisions are charged as an expense to the Cost of Services in the CIES in the year that the Group becomes aware of the obligation, and are measured at the best estimate as at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

Notes to the Financial Statements

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

A contingent liability or a contingent asset arises where an event has taken place that gives the Chief Constable a possible obligation or asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Chief Constable. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities and contingent assets are not recognised in the Balance Sheet but disclosed in Notes 17 and 18 to the Accounts.

xiii. Reserves

The Chief Constable does not hold any usable reserves as all such reserves are retained by the PCC.

Unusable reserves are held by the Chief Constable to manage the accounting processes for retirement and employee benefits and do not represent usable resources for the Chief Constable. These reserves are explained in the relevant disclosure notes to the accounts.

xiv. Value Added Tax

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

2. Accounting Standards That Have Been Issued But Have Not Yet Been Adopted

The following sets out amendments to accounting standards or new accounting standards that have been issued on or before 1 January 2015 but not yet adopted by the Code.

IFRS13 Fair Value Measurement

IFRS 13 provides a new definition of fair value and a single source of reference for almost all fair value measurements used in IFRS financial statements. It explains how to measure fair value, including when a market is less active. It also requires improved clarity through additional disclosures. It will require valuation techniques to be reviewed and amended if necessary. However, it is anticipated that there will be no significant changes to fair values as the new guidance is intended to be consistent with common valuation practices.

The adoption of this standard has been deferred until the 2015/16 CIPFA Code of Practice.

There are no other unadopted accounting standards that are relevant to the Group Accounts or the PCC Single Entity Accounts.

3. Critical Judgements in Applying Accounting Policies

The financial statements are prepared using the accounting policies set out in Note 1; however the Chief Constable is required to exercise judgement and make estimates and assumptions, based on a range of factors including experience or expert valuation, which affects the application of these policies and the value of transactions and balances reported in the financial statements. This is often the case where there are complex transactions or uncertainty about future events and/or figures are not readily available from another source. The estimates and assumptions are kept under review and revisions, where appropriate, are recognised in the period in which they are made. The critical judgements that have a material impact on the Accounts are as follows:

PCC and Chief Constable Group Relationship

The Police Reform and Social Responsibility Act 2011 came into effect on 22 November 2012, creating two corporation soles: The Police and Crime Commissioner for Warwickshire (PCC) and the Chief Constable of Warwickshire Police (CC).

The allocation of transactions and balances between the PCC and the CC affects the values reported in the two entities' Accounts. The allocation of transactions and balances is a judgement in light of the legislation, accounting standards and the substance of the local arrangements that are in place rather than the legal form underpinning the arrangements. The treatment of the Group, consisting of the PCC and CC, and the Alliance which also includes the PCC and Chief Constable for West Mercia has to be considered jointly.

The approach taken to the accounts is that:

- Revenue expenditure directly relating to those budgets delegated to the CC for the provision of policing services is predominantly included within his Accounts;
- The CC's accounts have been charged with the expense associated with IAS19 pensions and accumulated staff absences as well as the fair value of non-current assets consumed during the year and the CC's Balance Sheet contains the net liabilities associated with these items offset by unusable reserves as required by the Code of Practice;
- An intra-group transfer has been made between the CC's and the PCC's CIES offsetting the above expenses;
- Within the Group accounts, where material, a distinction is made between the transactions and balances of the Group and the PCC;
- The Chief Constable's Balance Sheet contains employment-related debtors, creditors and provisions together with all inventories.

Alliance

The allocation of transactions and balances between partners within the Alliance also affects the values reported in the two entities' respective Accounts.

Judgements taken in the application of accounting policies and the allocation of transactions and balances in the Accounts in respect of the Alliance are consistent to those taken in regard to the Group (PCC and CC) and comply with the requirements of the Code. Integral to this judgement is the financial arrangements for the Alliance as set out in the Section 23 Agreement and the cost sharing model. The economic reality of the Alliance cost sharing model takes precedence over the Group in many respects and has been influential in

Notes to the Financial Statements

determining the treatment of transactions and balances in the Group Accounts in line with accounting policies and our interpretations of the Code.

A judgement, which is fundamental to the cost sharing model, is that costs and benefits relating to the Alliance are apportioned 69% to West Mercia and 31% to Warwickshire. This has been arrived at by looking at various indicators including funding, demographics, work force profile, expenditure, crime volumes etc. and has been widely consulted on and independently validated. This judgement will be reviewed at an appropriate interval to determine if circumstances have changed as the Alliance develops.

Post employment Benefits (Pension Liability)

Estimation of the pension liability depends on a number of complex judgements and assumptions relating to the discount rate, the future value of the assets and liabilities of the Police Pension Schemes (PPS) and Local Government Pension Scheme (LGPS), the rate of increase in pay, changes in retirement ages and mortality rates. Two actuaries are engaged to provide the PCC and the Chief Constable with expert advice about the assumptions to be applied to the pension schemes.

The assumptions used to value the pension assets and liabilities are reviewed annually when the actuaries prepare the figures for inclusion in the Accounts. They will vary year on year based on experience and changes to the pension schemes e.g. scheme profiles and the most appropriate inflation index. A variance in the assumptions compared to reality can produce material changes to the assets and liabilities of the pension schemes. The actuary produces sensitivity analysis to show the impact of a plus or minus 1% variation in key assumptions. The impact of these changes is dampened by the fact that only employer contributions, the cost of ill health retirements and injury awards are charged against the General Fund. The impact on the employer's contributions is smoothed over time by the valuation of the schemes, which is undertaken every three years.

Employee Benefits

With the exception of leave built up through flexible working hours the majority of the hours required to calculate the accrued annual leave and toil are taken directly from the HR and Duty Management system. The flexi hours are calculated by extrapolating a sample of police staff. A cost is applied to the hours to calculate the employee benefit accrual using average salary cost per rank based on the data held in the payroll. This is the most significant estimate used to affect the accruals.

Cost of Service – Comprehensive Income and Expenditure Statement

The SerCOP requires income and expenditure to be categorised into nine service areas in the 'Cost of Services' section of the CIES. Team costs are allocated to the category of service that most of their activity contributes to. Support costs, or indirect overheads, are allocated on the basis of police officer and police staff numbers, the reason for this being the workforce is the biggest driver of cost and can be determined quickly and reliably.

The categorisation of income and expenditure into the SerCOP service areas is driven by the coding structure of the Group's finance system. In 2014/15 a new finance system was implemented across the Alliance and the coding structure was harmonised for West Mercia and Warwickshire. This has resulted in a clearer allocation of income and expenditure to

Notes to the Financial Statements

service areas, although as a result variations between 2013/14 and 2014/15 are higher than would normally be the case: Investigations, for example.

Funding

As explained in the Foreword to the Accounts, there is a high degree of uncertainty around future funding from the Government received through the funding formula. This has been accommodated in the MTFP and is addressed through the requirement to make savings. At this time it is not perceived that this issue will impact further on the assets of the PCC; there is already an asset rationalisation plan in place and as a consequence some land and buildings are classified as assets held for sale, further to this an annual impairment review is also carried out.

Contingent Liability and Contingent Asset - uplifts to commutation factors

A potential liability has been identified in respect of the Pensions Ombudsman's determination regarding uplifts to commutation factors, following a case concerning the lump sum paid to a fire-fighter at retirement. Full details are provided in Notes 17 and 18; in summary, Warwickshire Police will be required to pay an additional lump sum to all officers who received a pension commutation lump sum between 2001 and 2006. The additional lump sum payments will be met by the Police Pension Fund Account (PFA) by way of Pensions Top-up from the Home Office. There are approximately 180 individuals affected by the change and, having calculated a small sample of these, it has been ascertained that due to the number of variables involved each calculation is influenced by the individual's own specific circumstances. Extrapolation of the sample figures results in a range of outcomes that indicate that a reliable estimate of the total liability cannot be made at this time and therefore this has been treated as a contingent liability in the Accounts (and a matching contingent asset for the Home Office funding) rather than a provision.

4. Assumptions Made About the Future and Other Major Sources of Estimation and Uncertainty

The Accounts contain estimated figures that are based on judgements and assumptions made by the Chief Constable about the future or that are otherwise uncertain. However, because balances cannot be determined with certainty, actual results could be materially different from those that have been estimated. The items in the Balance Sheet at 31 March 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Post Employment Benefits (Pension Liability)

The basis of estimating the net liability to pay pension benefits to police officers and police staff is referred to in the previous section. This estimate depends on a number of complex judgements and assumption around the discount rates used to calculate the pension liabilities. Any changes could have a material impact on the total liability of the pension funds. The actuaries provide illustrations of variations in assumptions within reasonable bounds to help the PCC and Chief Constable understand the potential impact of changes in mortality rates, retirement ages and expected returns on fund assets etc. The actuaries provide the Group with advice and illustrations of the potential impact of the changes in assumptions and these are set out at the end of Note 21.

Provisions

The Chief Constable has made a number of provisions that are explained fully in Note 17. There is a high degree of certainty that the liabilities will materialise and that the amounts have been reliably estimated with a high degree of accuracy. The provisions, which relate to employment matters, are held in the Chief Constable's balance sheet. The provisions amount to £0.209m; any changes in the assumptions used to estimate these will only have a minor impact on the Accounts.

5. Material Items of Income and Expenditure

The re-measurement of the net defined benefit liability in the Other Comprehensive Income and Expenditure section of the CIES is a loss of £99.4m. This contributes to an increase in the Pensions Liability, which is held on the Balance Sheet, to £993.1m at 31 March 2015. Further information regarding the Pensions Liabilities can be found in Note 21.

Notes to the Financial Statements**6. Adjustments Between Accounting Basis and Funding Basis under Regulations**

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

2014/15	Police Fund Balance	Unusable Reserves
	£000	£000
Adjustments primarily involving the Pensions Reserve		
Reversal of items relating to retirement benefits debited or credited to the CIES	(59,288)	59,288
Employer's pensions contributions and direct payments to pensioners payable in the year	27,586	(27,586)
Adjustments involving the Accumulated Absences Account		
Amount by which officer remuneration charged to the CIES on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	597	(597)
Total Group Adjustments	(31,105)	31,105

2013/14	Police Fund Balance	Unusable Reserves
	£000	£000
Adjustments primarily involving the Pensions Reserve		
Reversal of items relating to retirement benefits debited or credited to the CIES	(60,379)	60,379
Employer's pensions contributions and direct payments to pensioners payable in the year	22,148	(22,148)
Adjustments involving the Accumulated Absences Account		
Amount by which officer remuneration charged to the CIES on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	21	(21)
Total Group Adjustments	(38,210)	38,210

7. Unusable Reserves

The Pensions Reserve and Accumulated Absences Reserves are held by the Chief Constable and all other unusable reserves are held by the PCC. Unusable reserves are consolidated in the Group Accounts. The Chief Constable's reserves can be summarised as follows:

31 March 2014 £000		31 March 2015 £000
862,051	Pension Reserve	993,119
2,106	Accumulated Absences Account	1,509
864,157	Total Unusable Reserves	994,628

Notes to the Financial Statements

(i) Pensions Reserve

Payments for the cost of post employment benefits and the associated liability are shown in the Chief Constable's Accounts. The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Chief Constable Accounts for post employment benefits in the CIES as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Chief Constable makes employers contributions to pension funds or eventually pays any pensions for which he is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Chief Constable has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits are due to be paid and that the PCC can continue to meet the liability in the Chief Constable's Accounts, which is made up as follows:

2013/14 £000			2014/15 £000	
866,358		Balance as at 1 April		862,051
(42,538)		Re-measurement of the net defined benefit liability		99,366
60,379		Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES		59,288
(22,148)		Employer's pensions contributions and direct payments to pensioners payable in the year		(27,586)
862,051		Balance as at 31 March		993,119

(ii) Accumulated Absences Account

The cost of employment benefits and the associated Accumulated Absences liability is shown in the Chief Constable's Accounts. The Accumulated Absences Account absorbs the differences that would otherwise arise on the Police Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. time off in lieu carried forward at 31 March. Statutory arrangements require that the impact on the Police Fund Balance is neutralised by transfers to or from the Account.

2013/14			2014/15	
£000	£000		£000	£000
	2,127	Balance as at 1 April		2,106
(2,127)		Cancellation of accrual made at the end of the preceding year	(2,106)	
2,106		Amount accrued at the end of the current year	1,509	
	(21)	Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(597)
	2,106	Balance as at 31 March		1,509

Notes to the Financial Statements**8. Amounts Reported For Resource Allocation Decisions**

The analysis of income and expenditure by service on the face of the CIES is specified by the SerCOP. However, the PCC on the basis of the budget report makes decisions about resource allocation, as explained in the Revenue Outturn in the Foreword to the Accounts. This report is prepared on a different basis from the accounting policies used in the financial statements. The differences include:

- no charges are made in relation to capital charges whereas depreciation, revaluation and impairment losses and amortisation are charged to services in the CIES;
- the cost of retirement benefits is based on cash flows (payments of employer's pension contributions) rather than current service cost of benefits accrued in the year.

The following tables show how the figures used for budget reporting relate to those contained in the CIES:

2013/14			2014/15	
£000	£000		£000	£000
		Group Reporting of Income and Expenditure		
77,058		Pooled Expenditure	75,854	
16,935		Non-pooled Expenditure (excluding OPCC)	17,005	
(33)		Adjustment to the Outturn Report	0	
	93,960	Total Expenditure		92,859
		Reconciliation of Group Reporting Income and Expenditure to Cost of Services in the CIES		
	93,960	Net Expenditure in the reporting analysis		92,859
		Amounts in the CIES not reported to management		
4,577		Capital Charges	3,830	
20,046		Current cost of pensions	18,024	
(21)		Accumulated absences	(596)	
153		Non distributed costs	725	
(94,808)		PCC's Funding for Resources Consumed	(92,069)	
(761)		Corporate & Democratic Core - PCC	(516)	
	(70,814)			(70,602)
		Amounts included in the analysis not included in the CIES		
(10,459)		Cost of pensions based on cash flows (employers contributions)	(12,326)	
(1,403)		Minimum revenue provision	(1,374)	
(698)		Revenue contributions to capital	(1,915)	
(867)		Interest payable	(816)	
	(13,427)			(16,431)
	9,719	Cost of Services in CIES		5,826

Notes to the Financial Statements

Reconciliation to Subjective Analysis

These reconciliations show how the figures in the analysis reported for resource allocation decisions relate to the subjective analysis of the Surplus or Deficit on the Provision of Services included in the CIES.

2014/15	Group Analysis	Amounts not reported for decision making	Amounts not included in Income and Expenditure	Corporate Amounts	Group Total
	£000	£000	£000	£000	£000
Funding from the PCC for financial resources consumed	0	0	(92,069)	0	(92,069)
Government grants and contributions	0	0	(15,260)	0	(15,260)
Total Income	0	0	(107,329)	0	(107,329)
Pooled Expenditure	75,854	0	0	0	75,854
Non-pooled Expenditure	17,005	0	0	0	17,005
Pensions current cost of service	0	18,024	0	0	18,024
Cost of pensions based on cash flows	0	0	(12,326)	0	(12,326)
Accumulated absences	0	(596)	0	0	(596)
Corporate & Democratic Core - PCC	0	(516)	0	0	(516)
Non distributed costs	0	0	0	725	725
Capital Charge	0	3,830	0	0	3,830
Interest Payable	0	0	(816)	0	(816)
Minimum revenue provision	0	0	(1,374)	0	(1,374)
Revenue contributions to capital	0	0	(1,915)	0	(1,915)
Net interest on the net defined benefit liability	0	40,539	0	0	40,539
Total Expenditure	92,859	61,281	(16,431)	725	138,434
Total	92,859	61,281	(123,760)	725	31,105
	Group reporting				Deficit on the Provision of Services

Notes to the Financial Statements

2013/14	Group Analysis	Amounts not reported for decision making	Amounts not included in Income and Expenditure	Corporate Amounts	Group Total
	£000	£000	£000	£000	£000
Funding from the PCC for financial resources consumed	0	0	(94,808)	0	(94,808)
Government grants and contributions	0	(11,689)	0	0	(11,689)
Total Income	0	(11,689)	(94,808)	0	(106,497)
Pooled Expenditure	77,058	0	0	0	77,058
Non-pooled Expenditure	16,935	0	0	0	16,935
Adjustment to the Outturn Report	(33)	0	0	0	(33)
Pensions current cost of service	0	20,046	0	0	20,046
Cost of pensions based on cash flows	0	0	(10,459)	0	(10,459)
Accumulated absences	0	(21)	0	0	(21)
Corporate & Democratic Core - PCC	0	(761)	0	0	(761)
Non distributed costs	0	0	0	153	153
Capital Charge	0	4,577	0	0	4,577
Interest Payable	0	(867)	0	0	(867)
Minimum revenue provision	0	0	(1,403)	0	(1,403)
Revenue contributions to capital	0	0	(698)	0	(698)
Net interest on the net defined benefit liability	0	40,180	0	0	40,180
Total Expenditure	93,960	63,154	(12,560)	153	144,707
Total	93,960	51,465	(107,368)	153	38,210
	Group reporting				Deficit on the Provision of services

9. Intra-Group Funding Arrangements Between the PCC and the Chief Constable

The treatment of transactions and balances within the Group Accounts is set out in Note 3.

The Intra-Group funding arrangement is eliminated on consolidation of the Group Accounts, a treatment adopted for any transactions between the PCC and Chief Constable. The guarantee from the PCC in respect of the resources consumed by the Chief Constable in 2014/15 amounts to £92.1m (£94.8m in 2013/14). This has been re-presented in the CIES and is now included within the Net Cost of Policing Services, in line with current best practice for the preparation of Police Accounts.

The Balance Sheet includes an Intra-Group Creditor of £1.421m (£0.645m in 2013/14) being the net balance of funding not settled between the PCC and Chief Constable as at the 31 March; this relates mainly to the balance of Debtors and Creditors shown in each of the single-entities accounts as at this date.

Notes to the Financial Statements

The calculation of the Intra-Group funding is set out in the following table:

2013/14 £000		2014/15 £000
104,527	Chief Constable's Cost of Services	97,895
40,180	Interest on the net defined benefit liability	40,539
(11,689)	Home Office grant towards the cost of retirement	(15,260)
(42,538)	Re-measurement of the net defined benefit liability	99,366
90,480	Resources consumed	222,540
	Items removed through the MIRS:	
4,307	Movement in pensions liability	(131,068)
21	Movement in accumulated absences liability	597
94,808	Total resources consumed for the year by the Chief Constable and funded by the PCC	92,069

10. Pooled Budgets and Joint Ventures

Alliance with West Mercia Police

On 28 June 2011 Warwickshire Police Authority and the Chief Constable of Warwickshire agreed to enter into an 'Alliance' with West Mercia Police Authority and the Chief Constable of West Mercia. The PCCs of both Warwickshire and West Mercia support this decision. The Alliance provides an opportunity for the two neighbouring forces to work closely together and to share resources and assets. Each PCC retains strategic control and their own sovereignty, finances, estates and identity and each Chief Constable retains operational independency.

The new policing model across Herefordshire, Shropshire, Telford and Wrekin, Warwickshire and Worcestershire was implemented on 1 October 2013, resulting in over 90% of all costs being pooled under the Alliance, as set out in the following table. Costs are matched by the contributions from the counterparties to the agreement so as to ensure costs are shared across the entities in line with the cost sharing arrangements, Warwickshire 31%, West Mercia 69%.

The governance arrangements and resulting treatment of transactions and balances is set out in Note 3 and also referred to in the Foreword to the Accounts.

2013/14 £000		2014/15 £000
(77,058)	Contribution from Warwickshire	(75,847)
(171,361)	Contribution from West Mercia	(168,907)
(248,419)	Total Funding provided to the Alliance	(244,754)
216,117	Pay and allowances	211,923
7,162	Transport costs	6,460
24,371	Supplies and Services	23,135
0	Third Party Payments	3,236
247,650	Total Expenditure	244,754
769	Other Inter-Force Charges for Supplies and Services	0
248,419	Total Expenditure (pooled)	244,754

Notes to the Financial Statements

East Midlands Air Support Unit (EMASU) and National Police Air Service (NPAS)

The EMASU was a joint operation by the Chief Constables of Warwickshire, Northamptonshire and Leicestershire, the latter provided the financial administration service for this joint unit, with the three PCCs jointly owning the helicopter. Warwickshire made a contribution of £0.180m to EMASU for the period 1 April 2013 to 2 October 2013, covering all operating costs except for officers attached to the Unit and subsequently received a reimbursement of £0.137m as its share of EMASU reserves as at 2 October 2013.

NPAS was set up by the Home Office with effect from 2 October 2012 with administration of the service being provided by the Chief Constable of West Yorkshire. The Warwickshire, Northamptonshire and Leicestershire helicopter was formally transferred to the new national service provider on 3 October 2013. NPAS does not constitute a jointly controlled operation and so the PCC only accounts for the expense of payments to NPAS amounting to £0.487m in 2014/15, (£0.244m in 2013/14) and not for a share of the assets or liabilities. The 2013/14 accounts were adjusted to remove the Warwickshire share of the helicopter.

As part of the transfer arrangements, the PCC will receive an annual payment from NPAS to reflect the value of the air frame credits for the transferred helicopter. NPAS's liability to the PCC is shown in the PCC's balance sheet as a long term debtor of £0.258m, representing the discounted value of future expected cash flows in 2014/15 and subsequent years. Future payments from NPAS will be offset against these debtors and an annual interest amount credited to the CIES.

The Northern Justice Centre and Southern Justice Centre

The Warwickshire Justice Centres are a multi-partner jointly controlled operation. Whilst no legal entity exists, the business of the Justice Centres is conducted through a separate Justice Centre Board, under a formal agreement. The partners to the agreement have joint control of operations; therefore the PCC for Warwickshire is not the sole beneficiary or controlling partner. The Chief Constable provides financial administration support to the Warwickshire Justice Centres Board.

Partners contribute to the running costs on the basis of floor area as follows:

Northern Justice Centre

- 45.6% Police
- 40.0% Her Majesty's Courts Service
- 10.4% Probation
- 3.8% Youth Justice Service
- 0.2% Victim Support

Southern Justice Centre

- 27.9% Police
- 56.9% Her Majesty's Courts Service
- 7.8% Probation
- 5.1% Crown Prosecution Service
- 2.3% Youth Justice Service

The operational costs, including building maintenance, for the Northern Justice and Southern Justice Centre are met from partner's contributions. A surplus or deficit on the Justice Centre

Notes to the Financial Statements

Accounts is carried forward and taken into account in setting the following year's budget. Sinking funds exist for both Justice Centres to meet future building maintenance costs, these funds are ring fenced in their earmarked Reserves and do not form part of the Chief Constable, PCC or Group Accounts. The sinking funds are cash-backed Reserves and £3.0m relating to these reserves is invested by Warwickshire Police on behalf of the Justice Centres.

The assets of the two Justice Centres (land and buildings) are recorded in the PCC and Group Balance Sheet representing the PCC's control over these assets. The entire income and expenditure associated with operating the Warwickshire Justice Centres is set out in the following tables, however only the Chief Constable's share of this income and expenditure is included in the Chief Constable and Group financial statements.

Northern Justice Centre

2013/14 £000		2014/15 £000
	Income	
(1,458)	Contribution from partners	(1,502)
(5)	Interest	0
(4)	Other income	0
(1,467)	Total Income	(1,502)
	Expenditure	
36	Pay and Allowances	63
1,344	Premises	1,336
1	Transport	0
50	Supplies & Services	59
2	Third Party Payments	0
1,433	Total Expenditure	1,458
(34)	Net (Income) / Expenditure	(44)

Southern Justice Centre

2013/14 £000		2014/15 £000
	Income	
(2,744)	Contribution from partners	(2,728)
(2)	Interest	0
(5)	Other income	(4)
(2,751)	Total Income	(2,732)
	Expenditure	
108	Pay and Allowances	87
2,099	Premises	2,025
1	Transport	2
75	Supplies & Services	73
1	Third Party Payments	0
439	Capital Charges – loan repayment	438
2,723	Total Expenditure	2,625
(28)	Net (Income) / Expenditure	(107)

Notes to the Financial Statements

The reserves, including the sinking funds, for the Justice Centres do not form part of the Chief Constable's Accounts, they are shown here to present the complete picture of a significant partnership arrangement, which the PCC and Chief Constable are involved in:

RESERVE	Balance at 1 April 2014 £000	Transfers out 2013/14 £000	Transfers in 2013/14 £000	Balance at 31 March 2014 £000	Transfers out 2014/15 £000	Transfers in 2014/15 £000	Balance at 31 March 2015 £000
Sinking fund	(1,395)	31	(622)	(1,986)	101	(600)	(2,485)
General Reserve	(91)	0	(72)	(163)	0	(151)	(314)
TOTAL	(1,486)	31	(694)	(2,149)	101	(751)	(2,799)

11. Officers' Remuneration

Regulation 7 of the Accounts and Audit 2011 (SI 2011 No. 533) as amended by SI 2009 No 332 introduced a legal requirement to increase transparency and accountability in Local Government for reporting remuneration of senior employees and senior police officers. Remuneration includes all sums paid to or receivable by an employee and expense allowance chargeable to tax, including non-cash benefits in kind. The relevant remuneration information is as follows:

Senior Officer and Relevant Police Officer Emoluments:

		Salary, Fees & Allowances	Bonuses	Expenses Allowances	Benefits in Kind (e.g. car allowance)	Other Payments (Police Officers only)	Exit Packages	Pension Contributions	Total
		£	£	£	£	£	£	£	£
Chief Constable - Mr A Parker Note 1	2014/15	137,793	0	2,150	3,614	0	0	0	143,557
	2013/14	136,411	0	2,150	3,592	0	0	7,868	150,021
Deputy Chief Constable – Mr N Brunton - Note 2	2014/15	57,945	0	0	1,668	0	0	11,760	71,373
	2013/14	118,854	0	0	3,357	0	0	26,501	148,712
Deputy Chief Constable – Mr L Benjamin - Note 2	2014/15	118,966	0	0	718	0	0	26,514	146,198
	2013/14	115,907	0	0	2,564	0	0	25,694	144,165
Asst Chief Constable – Note 3	2014/15	107,152	0	0	4,494	0	0	23,660	135,306
	2013/14	105,040	0	0	24,486	0	0	22,821	152,347
Director of Enabling Services	2014/15	107,531	0	0	1,479	0	0	13,334	122,344
	2013/14	103,428	0	0	2,218	0	0	14,066	119,712

Notes to the Financial Statements

Notes:	
1	Mr Parker retired on 31 March 2015 and Mr Benjamin became Temporary Chief Constable up until CC Martin Jelley commenced in the post on 7 April 2015.
2	Mr Brunton retired on 9 September 2015 and Mr Benjamin became Temporary Deputy Chief Constable.
3	Benefits in kind include relocation expenses.
*	Under the Alliance agreement the costs of Assistant Chief Constables from West Mercia Police and Warwickshire Police are pooled and the expenditure is shared between the two forces on the basis of 31% Warwickshire and 69% West Mercia. The Chief Constable and Deputy Chief Constable costs are not shared.

Senior police officers and police staff receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) and including Senior Officers listed above were paid the following amounts:

Number of Employees		Remuneration Band	Number of Employees	
Group	PCC		Group	PCC
2013/14	2013/14		2014/15	2014/15
41	0	£50,000 - £54,999	41	0
27	0	£55,000 - £59,999	24	0
12	1	£60,000 - £64,999	14	1
4	1	£65,000 - £69,999	6	1
2	0	£70,000 - £74,999	1	0
5	0	£75,000 - £79,999	4	0
1	0	£80,000 - £84,999	0	0
1	0	£85,000 - £89,999	1	0
0	0	£100,000 - £104,999	0	0
1	0	£105,000 - £109,999	2	0
1	0	£115,000 - £119,999	1	0
1	0	£120,000 - £124,999	0	0
1	0	£125,000 - £129,999	0	0
0	0	£130,000 - £134,999	0	0
0	0	£135,000 - £139,999	1	0
1	0	£140,000 - £144,999	0	0
98	2	Total	95	2

12. Exit Packages

In order to make savings as part of the Medium Term Financial Plan it has been necessary to review how police services are delivered. As a result a number of exit packages have been approved during 2014/15.

Exit packages include charges by the LGPS in respect of benefits paid before normal retirement age. There were no compromise agreements covering the 2014/15 exit packages. Seven of the employees will not leave the organisation until after 1 April 2015 and a provision of £0.109m has been set aside to meet these costs. All redundancies were voluntary and there were no compulsory redundancies in 2014/15.

Notes to the Financial Statements

The number of exit packages resulting from redundant posts with total cost per band is set out in the table:

Exit Package cost band (including special payments)	Number of Exit Packages		Total cost of Exit Packages in each band	
	2013/14	2014/15	2013/14 £000	2014/15 £000
£0 - £20,000	26	20	290	220
£20,001 - £40,000	4	8	114	235
£40,001 - £60,000	1	2	46	83
£60,001 - £80,000	0	1	0	60
£80,001 - £100,000	0	2	0	169
Total	31	33	450	767

13. External Audit Costs

The Chief Constable has incurred the following costs in relation to the Audit of the Statement of Accounts statutory inspections and to non-audit services provided by the Group's external auditors, Grant Thornton.

2013/14 £000		2014/15 £000
(1)	Rebate from the Audit Commission with regard to external audit costs	(2)
20	Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor for the year	20
0	Fees payable to Grant Thornton in respect of other services provided by them during the year	0
19	Total Chief Constable	18

The total audit fee for the statutory audit of the Group's Statement of Accounts payable to Grant Thornton is £69,374 (£61,380 in 2013/14). The PCC's share of the audit fees is £49,374 (£41,380 in 2013/14), including £7,994 relating to additional work carried out during the audit of the 2013/14 Statement of Accounts.

14. Related Parties

The PCC and the Chief Constable are intrinsically related. The PCC empowers the Chief Constable through the scheme of delegation and provides funding to meet expenditure incurred by the Chief Constable on behalf of the PCC. A full explanation of this relationship is set out in Note 3 to the Accounts.

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

Notes to the Financial Statements

Central government has significant influence over the general operations of the Chief Constable. It is responsible for providing the statutory framework within which the Chief Constable operates. The PCC has direct control over the Group's finances, including making crime and disorder reduction grants and is responsible for setting the Police and Crime Plan. The Chief Constable retains operational independence and operates within the budget set by the PCC, to deliver the aims and objectives set out in the Police and Crime Plan.

Warwickshire County Council administer the LGPS and provide Legal Services and, from 1 April 2015, Internal Audit services to the Group (previously Worcestershire County Council). West Midlands Police have previously administered the police pension schemes and provided payroll services to the Group; with effect from 1 April 2015, these services are provided by West Mercia Police and Worcestershire County Council respectively.

The PCC and Chief Constable participate in various partnerships with a range of public bodies, the most significant of which is the Alliance under a Section 23 Agreement with West Mercia Police. Details of the transactions with other public bodies participating in joint arrangements are set out in Note 10 to the Accounts.

The Alliance with West Mercia Police involves a cross-charge in and cross-charge out in 2014/15 of £41.1m (£34.9m in 2013/14) and £35.4m (£30.6m in 2013/14) respectively as shown in the table below.

The following table shows the extent of the expenditure and income with other local authorities and police forces.

	Expenditure £000	Income £000
West Mercia Police Strategic Alliance S23 Agreement cross-charges	41,130	(35,373)
Local Authorities in the Policing Area	3,929	(1,168)
Other Local Authorities	15	(9)
Seconded Police Officers	0	(614)
Other Police Forces	2,482	(527)
Total	47,556	(37,691)

There are no related party transactions for the PCC and Chief Constable other than those set out above, which require adjustment of or disclosure in the financial statements or the accompanying notes.

15. Debtors

This note shows money owed to the Chief Constable for funding and services provided on or before 31 March 2015 where the money has not been received by this date.

31 March 2014 £000		31 March 2015 £000
2,336	Central Government bodies (balance of Police Pensions Top-up Grant)	3,479
25	Other entities and individuals	22
2,361	Total Debtors	3,501

Notes to the Financial Statements**16. Creditors**

This note shows money owed by the Group and PCC for goods and services purchased and received on or before 31 March 2015 where the money has not been paid by this date.

31 March 2014 £000		31 March 2015 £000
(1,229)	Central Government bodies	(1,225)
(239)	Other Local Authorities	(223)
(2,354)	Other entities and individuals	(1,932)
(3,822)	Total Creditors	(3,380)

17. Provisions and Contingent Liabilities

	Termination Benefits	Employment Appeal Tribunal Ruling	Total Provisions
	£000	£000	£000
Balance at 1 April 2014	0	0	0
Additional provisions made in 2014/15	109	100	209
Balance at 31 March	109	100	209

The following provisions were charged to the CIES in 2014/15 in respect of events or decisions which are likely to give rise to payments in the future:

Termination Benefits

This provision has been established to meet the costs of voluntary redundancies and early retirements on the grounds of voluntary redundancy agreed during the 2014/15 financial year but falling into the following financial year; these payments are expected to amount to around £0.109m.

Employment Appeal Tribunal Ruling in Respect of Holiday Pay

The ruling from the Employment Appeal Tribunal *Bear Scotland vs Fulton*, states that employees whilst on holiday are entitled to be paid, under the Working Time Directive and Working Time Regulations, "normal remuneration". The implication is that normal remuneration will be calculated taking into account overtime and various other allowances. Discussions are ongoing between the Police Federation of England and Wales and the Home Office regarding the impact that this ruling has on Police Officers' holiday pay. The Federation have stated that they will seek additional payments of holiday pay for its members backdated to August 2014. An estimate of the potential cost of the backpay relating to the 2014/15 financial year has been made and a provision of £0.100m has been charged to the CIES in the year.

Regulation A19 Employment Tribunal

Regulation A19 was applied in Warwickshire Police during 2011/12 and required all Officers of full pensionable service to retire. Officers from five Forces took a case to the Employment Tribunal (ET) claiming that use of this Regulation by Police Forces amounted to age discrimination and could not be lawfully justified. The Tribunal upheld the claims brought by the officers. An appeal against the decision of the ET has been issued by the five forces to the Employment Appeal Tribunal and this is waiting to be heard. Officers at the other forces that were also affected by A19, including Warwickshire, have subsequently made later claims since the judgement of the ET was published.

Police Pension Scheme - uplifts to commutation factors

A potential liability has been identified in respect of the Pensions Ombudsman's determination regarding uplifts to commutation factors, following a case concerning the lump sum paid to a fire-fighter at retirement. The Government Actuary's Department (GAD) issued a Technical Bulletin on 15 May 2015 in response to the determination by the Pensions Ombudsman on this date stating that anyone who received a pension commutation lump sum between 2001 and 2006 should have received an additional payment because the GAD commutation factor had not been reviewed as required. Warwickshire Police will be required to pay the additional lump sum to all officers affected, plus interest and any tax arising from an unauthorised payment would also be met, in the first instance, by the Force. GAD have subsequently indicated that the additional lump sum payments will be met by the Police Pension Fund Account (PFA) by way of Pensions Top-up from the Home Office, despite the effective dates of the revised commutation factors pre-dating the existence of the PFA. GAD produced guidance for scheme administrators on calculating the payments in August 2015 and have advised Forces that these calculations will need to be completed by December 2015 with payments to the individuals affected by the change to be made by April 2016.

Due to the complex nature of the calculations and the number of variables involved, a calculation will need to be made for each individual. There are approximately 180 individuals affected by the change and, having calculated a small sample of these, it has been ascertained that each calculation is influenced by the individual's own specific circumstances. Extrapolation of the sample figures results in a range of outcomes that indicate that a reliable estimate of the total liability cannot be made at this time and therefore a provision is not appropriate. The matching funding from the Home Office is recognised as a Contingent Asset, as per Note 18 below.

18. Contingent Assets

Police Pension Scheme - uplifts to commutation factors

As described in Note 17 above, the liability relating to the Pensions Ombudsman's determination regarding uplifts to commutation factors, will be funded by the Home Office through the Police Pension Fund Account by way of Pensions Top-up. The total liability and matching funding cannot be reliably estimated, as explained in Note 17. This funding was confirmed by the government in the 2015/16 financial year and will be recognised in that year together with the matching financial liability.

Notes to the Financial Statements**19. Proceeds Of Crime**

The Act gives powers to the Police and Customs to seize cash derived from, or intended for use in crime, and to secure its forfeiture in civil magistrates' court proceedings. The PCC is currently holding cash totalling £0.164m.

20. Cash Flow Statement – Operating Activities

The Chief Constable does not hold a bank account and in order to balance the mandatory cash flow statement a non-cash movement is shown in respect of the sums required at the financial year end to finance the Chief Constable's share of external debtors, external creditors, provisions and the employment liability due to employees and the pensions accounts, as shown on the following page.

2013/14 £000		2014/15 £000
192	(Increase)/decrease in revenue creditors	442
(314)	Increase/(decrease) in revenue debtors	1,140
143	Movement in Intra-Group Funding	(776)
(38,231)	Movement in pension liability	(31,702)
0	Movement in provisions	(209)
(38,210)	Total – Group and PCC	(31,105)

21. Defined Benefit Pension Schemes**Participation in Pension Schemes**

As part of the terms and conditions of employment for police officers and other employees the Chief Constable makes contributions towards the cost of post-employment benefits (pensions). Although these benefits will not actually be payable until employees retire, the Chief Constable has a commitment to make the payments that need to be disclosed at the time that the employees earn their future entitlement, no matter when the actual financial cost is incurred.

The Chief Constable participates in two defined benefit pension schemes:

- the Local Government Pension Scheme (LGPS), for police staff and PCSOs, administered locally by Warwickshire County Council. This is a funded, defined benefit scheme, meaning that the Chief Constable and the employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. With effect from 1 April 2014, the LGPS became a career average (CARE) scheme rather than a final salary scheme.
- the Old Police Pension Scheme (OPPS) and New Police Pension Scheme (NPPS), for police officers, are administered in-house. This is an unfunded defined benefit final salary scheme, meaning that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet the actual pensions payments as they eventually fall due. The income and expenditure incurred by the police pension schemes

Notes to the Financial Statements

and how they are funded is summarised in the section covering the Police Pensions Fund Account.

The pension schemes above provide members with indexed-linked benefits, which are determined predominantly by the individual's pensionable salary and length of service. As part of the government's pension reforms, these schemes are undergoing significant changes in how they are funded and the benefits they offer. However, the purpose of this note is to explain the financial impact, in accordance with the Code, of the pension schemes, on the Accounts. Details of how the police pension schemes operate can be found on the Home Office website and details of how the LGPS operates can be found on the Worcestershire County Council website.

Discretionary post-retirement benefits on early retirement are an unfunded benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

Transactions Relating to Post-Employment Benefits

The cost of retirement benefits is reported in the Cost of Services when they are earned by police officers, police staff and PCSOs, rather than when the benefits are eventually paid as pensions. However, the charge against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Police Fund via the Group MIRS. The following transactions have been made in the Group CIES and the Police Fund via the MIRS during the year:

2014/15	LGPS £000	Police Pension Scheme 1987 £000	Police Injury Awards £000	Police Pension Scheme 2006 £000	Total £000
CIES					
Cost of Services:					
– current service costs	3,224	12,920	240	1,640	18,024
– past service costs and gain/loss from settlements	75	240	0	410	725
Financing and Investment Income and Expenditure					
– net interest expense	4,089	34,490	1,370	590	40,539
Total Post Employment Benefit charged to the surplus or deficit on the Provision of Services	7,388	47,650	1,610	2,640	59,288
Other Post-Employment Benefits charged to the CIES					
Re-measurement of the net defined benefit liability and return on plan assets	9,715	95,371	(7,660)	1,940	99,366
Total Post Employment Benefit charged to the CIES	17,103	143,021	(6,050)	4,580	158,654

Notes to the Financial Statements

MIRS					
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code.	(7,388)	(47,650)	(1,610)	(2,640)	(59,288)
Actual amount charged against the Police Fund Balance for pensions in the year					
– employers' contributions payable to the scheme	2,245	25,021		(420)	26,846
– benefits paid direct to beneficiaries			740		740

2013/14	LGPS £000	Police Pension Scheme 1987 £000	Police Injury Awards £000	Police Pension Scheme 2006 £000	Total £000
CIES					
Cost of Services:					
– current service costs	3,476	14,990	250	1,330	20,046
– past service costs and gain/loss from settlements	143	0	10	0	153
Financing and Investment Income and Expenditure					
– net interest expense	4,240	34,050	1,370	520	40,180
Total Post Employment Benefit charged to the surplus or deficit on the Provision of Service	7,859	49,040	1,630	1,850	60,379
Other Post-Employment Benefits charged to the CIES					
Re-measurement of the net defined benefit liability and return on plan assets	(5,554)	(34,090)	(1,590)	(1,304)	(42,538)
Total Post Employment Benefit charged to the CIES	2,305	14,950	40	546	17,841
MIRS					
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits.	(7,859)	(49,040)	(1,630)	(1,850)	(60,379)

Notes to the Financial Statements

Actual amount charged against the Police Fund Balance for pensions in the year					
– employers' contributions payable to the scheme	2,202	19,520	0	(304)	21,418
– benefits paid direct to beneficiaries	0	0	730	0	730

Pensions Assets and Liabilities Recognised in the Balance Sheets for the Chief Constable and the Group

The amount included in the Balance Sheet arising from the Group's obligation in respect of its defined benefit plans is as follows:-

2014/15	LGPS £000	Police Pension Scheme 1987 £000	Police Injury Awards £000	Police Pension Scheme 2006 £000	Total £000
Present value of the defined benefit obligation	(118,592)	(907,420)	(24,590)	(17,140)	(1,067,742)
Fair value of plan assets	74,623	0	0	0	74,623
Net liabilities arising from the defined benefit obligation	(43,969)	(907,420)	(24,590)	(17,140)	(993,119)

2013/14	LGPS £000	Police Pension Scheme 1987 £000	Police Injury Awards £000	Police Pension Scheme 2006 £000	Total £000
Present value of the defined benefit obligation	(94,053)	(789,420)	(31,380)	(12,140)	(926,993)
Fair value of plan assets	64,942	0	0	0	64,942
Net liabilities arising from the defined benefit obligation	(29,111)	(789,420)	(31,380)	(12,140)	(862,051)

Notes to the Financial Statements**Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation) for the Chief Constable and the Group**

2014/15	LGPS £000	Police Pension Scheme 1987 £000	Police Injury Awards £000	Police Pension Scheme 2006 £000	Total £000
Opening balance at 1 April	(94,053)	(789,420)	(31,380)	(12,140)	(926,993)
Current service cost	(3,224)	(12,920)	(240)	(1,640)	(18,024)
Interest cost	(4,089)	(34,490)	(1,370)	(590)	(40,539)
Contributions by scheme participants	(934)	(3,600)	0	(430)	(4,964)
Re-measurement of liabilities	(18,237)	(94,560)	7,660	(1,940)	(107,077)
Benefits paid	2,020	27,810	740	10	30,580
Past service costs	(75)	(240)	0	(410)	(725)
Closing balance 31 March	(118,592)	(907,420)	(24,590)	(17,140)	(1,067,742)

2013/14	LGPS £000	Police Pension Scheme 1987 £000	Police Injury Awards £000	Police Pension Scheme 2006 £000	Total £000
Opening balance at 1 April	(92,917)	(793,990)	(32,070)	(11,290)	(930,267)
Current service cost	(3,476)	(14,990)	(250)	(1,330)	(20,046)
Interest cost	(4,240)	(34,050)	(1,370)	(520)	(40,180)
Contributions by scheme participants	(1,001)	(3,670)	0	(300)	(4,971)
Re-measurement of liabilities	5,879	34,090	1,590	1,300	42,859
Benefits paid	1,845	23,190	730	0	25,765
Past service costs	(143)	0	(10)	0	(153)
Closing balance 31 March	(94,053)	(789,420)	(31,380)	(12,140)	(926,993)

Notes to the Financial Statements**Reconciliation of the Movements in the Fair Value of the Scheme Assets for the Chief Constable and the Group**

Reconciliation of fair value of the scheme assets (LGPS)	2013/14 £000	2014/15 £000
Opening balance at 1 April	63,909	64,942
Interest income	2,904	2,815
Re-measurement gain/loss: The return on plan assets, excluding the amount included in the net interest expense	(3,229)	5,707
Contributions by employer	2,202	2,245
Contributions from employees into the scheme	1,001	934
Benefits paid	(1,845)	(2,020)
Closing balance 31 March	64,942	74,623

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The Police Pension Scheme has no assets to cover its liabilities.

The net liabilities show the underlying commitments that the Chief Constable and the Group has, in the long run, to pay post employment retirement benefits. However, statutory arrangements for funding the deficit mean that the financial position of the Chief Constable and the Group remains healthy. The deficit on the LGPS will be made good by increased contributions over the remaining working life of employees, (i.e. before payments fall due) as assessed by the scheme actuary. Finance is only required to be raised to cover police pensions when the pensions are actually paid.

The total contributions expected to be made to the LGPS by the Chief Constable in the year to 31 March 2016 is £2.1m. Expected contributions for the Police Pension Schemes by the Chief Constable in the year to 31 March 2016 are £8.0m.

Reconciliation of the Re-measurement of the Net Defined Benefit Liabilities for the Chief Constable and the Group

The analysis of the re-measurement of the net defined benefit liabilities for 2014/15 is shown in the table below. The two actuaries concerned have different approaches in providing their respective analyses and the table below is therefore a composite analysis.

Notes to the Financial Statements

2014/15	LGPS £000	Police Pension Scheme 1987 £000	Police Injury Awards £000	Police Pension Scheme 2006 £000	Total £000
Changes in financial assumptions	18,976	135,960	3,600	3,560	162,096
Changes in demographic assumptions	0	(26,110)	(11,080)	(1,250)	(38,440)
Return on plan assets	(8,522)	0	0	0	(8,522)
Experience gains and losses	(739)	(14,479)	(180)	(370)	(15,768)
Total re-measurement	9,715	95,371	(7,660)	1,940	99,366

2013/14	LGPS £000	Police Pension Scheme 1987 £000	Police Injury Awards £000	Police Pension Scheme 2006 £000	Total £000
Changes in financial assumptions	2,222	(23,790)	(700)	(930)	(23,198)
Changes in demographic assumptions	(942)	50	80	0	(812)
Return on plan assets	325	0	0	0	325
Experience gains and losses	(7,159)	(10,350)	(970)	(374)	(18,853)
Total re-measurement	(5,554)	(34,090)	(1,590)	(1,304)	(42,538)

LGPS Assets

The LGPS assets consist of the following categories, by proportion of the total assets held:

	Total 31 March 2014 £000	Split of Assets between Investment categories %	Total 31 March 2015 £000	Split of Assets between Investment categories %
Cash & Cash Equivalents	267	0	3,547	5
Equities	20,716	32	23,870	32
Investment Funds & Unit Trusts	37,080	57	38,240	51
Private Equity	704	1	1,345	2
Property	6,175	10	7,621	10
Total Assets	64,942	100	74,623	100

Basis for Estimating Assets and Liabilities

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

Notes to the Financial Statements

The assets and liabilities of the LGPS which is administered by Warwickshire County Council (County Council Fund) have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2013, projected forward to 31 March 2015. The liabilities for the Police Pension Schemes have been assessed by the Government Actuary's Department.

The principal assumptions used by the actuaries have been:

2013/14			2014/15	
LGPS	Police Pension Schemes		LGPS	Police Pension Schemes
		Mortality assumptions		
		Longevity at 65 for current pensioners:		
22.4 years	23.4 years	Men	22.4 years	23.3 years
24.4 years	25.9 years	Women	24.4 years	25.7 years
		Longevity at 65 for future pensioners:		
24.3 years	25.6 years	Men	24.3 years	25.4 years
26.6 years	28.0 years	Women	26.6 years	27.9 years
2.8%	2.5%	Rate of CPI inflation	2.4%	2.2%
4.6%	4.5%	Rate of increase in salaries	4.3%	4.2%
2.8%	2.5%	Rate of increase in pensions	2.4%	2.2%
4.3%	4.4%	Rate for discounting scheme liabilities	3.2%	3.3%
50%	100%	Take-up of option to convert annual pension into retirement lump sum	50%	100%

Life expectancy is based on the Self Administered Pensions Scheme (SAPS) year of birth tables adjusted for specific characteristics of the membership of the two schemes.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumptions analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	Impact on the Defined Benefit Obligation in the Scheme	
	Increase in assumption	Decrease in assumption
	£000	£000
Longevity (increase or decrease in 1 year)	25,858	(25,858)
Rate of increase in salaries (increase or decrease by 1%)	41,922	(41,922)
Rate of increase in pensions (increase or decrease by 1%)	188,912	(188,912)
Rate for discounting scheme liabilities (increase or decrease by 1%)	(242,240)	242,240

Police Pension Fund Account

The Chief Constable administers the Police Pension Fund Account (the Account) on behalf of the PCC; amounts debited and credited to the Account are specified by legislation, the Police Pension Fund Regulations 2007 [Statutory Instrument 2007 No 1932], (the Regulations).

In relation to the Account the use of the word 'Fund' should not be taken to mean the Police Pension Scheme is a funded scheme, as there are no assets or investments associated with the Account to provide for future benefits. Instead the purpose of the Account is to provide a basis for demonstrating the balance of cash based transactions taking place over the year and for identifying the arrangements needed to balance the account for that year.

2013/14			2014/15	
£000	£000		£000	£000
		Contributions Receivable		
		From employer		
(7,125)		- Normal	(7,290)	
(309)		- Ill Health Capital Sum Income	(277)	
(142)		- Other – Pre 1974 Contributions (West Midlands)	(119)	
(3,917)		From members (serving police officers)	(3,955)	
	(11,493)			(11,641)
	(73)	Individual Transfers In from other schemes		(659)
		Benefits Payable		
19,947		Pensions	21,048	
3,308		Commutations and Lump Sum retirement benefits	5,356	
0		Lump sum death benefits	0	
	23,255			26,404
		Payments to and on account of leavers		
0		Refunds of contributions	0	
0		Individual transfers out to other schemes	1,155	
	0			1,155
	11,689	Sub-total for the year before transfer from the Group of amount equal to the deficit		15,259
	(11,689)	Additional funding payable by the Group to meet deficit for the year		(15,259)
	0	Net Amount Payable / Receivable for the year		0

Notes to the Police Pension Fund Account

The principles contained in the Regulations, which have been adopted in preparing the Account are as follows:

1. The Account collects the costs and income relating to retired police officers that are in receipt of pensions and income associated with serving police officers that are members of the Old Police Pension Scheme (OPPS) or New Police Pension Scheme (NPPS). There are certain exceptions to this arrangement, such as pensions payable under the Police Injury Pension Regulations, which are charged directly to the Cost of Services in the Comprehensive Income and Expenditure Statement;
2. The Account is prepared on an accruals basis with the exception of accounting for lump sum transfer values to and from other pension schemes. Due to the unpredictable nature of transfer values they have been attributed to or transferred from the Account on a payment and receipts basis;
3. The annual cost of police pensions is met, in part, by contributions from the employer and serving police officers and other minor sources of income. Under the Police Pension Fund Regulations 2007, if the Account is in deficit an amount equal to the deficit is transferred from the Police Fund to meet the deficit; the cost to the Police Fund is subsequently reimbursed by the Home Office by way of the Pensions Top-Up. Conversely, if the Account was to be in surplus, this would be transferred to the Police Fund and subsequently paid over to the Home Office;
4. The amounts due from the Home Office in respect of the shortfall on the Account is the responsibility of the Chief Constable and has therefore been included in the Chief Constable's (and the Group's) Balance Sheet;
5. This Account does not take account of long-term liabilities to pay future pension benefits after the year end, details of the Group's pension liability can be found in Note 21 to the Accounts;
6. Employers' contributions, which are set by the Home Office subject to the Government Actuary's Department triennial valuation, are calculated at 24.2% of police officer pensionable pay.
7. Police officer contributions are deducted from officer salaries. The contribution rates were increased on 1 April 2012 to reflect the agreement reached between the Home Secretary and the Police Negotiating Board. Contribution rates range between 10.1% and 12.5% dependant on the range the police officer's salary falls into and whether the officer is a member of the OPPS or NPPS.
8. There are no related party transactions to the Account.

Glossary of Terms

Accounts and Audit (England) Regulations 2011 – The regulations that govern the preparation, approval and audit of statements of accounts and other accounting statements prepared in respect of the year ending 31 March 2011 onwards.

Accounting Policies – The specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting The Statement of Accounts.

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

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

Accumulated Absences Account – This account holds the liability value of accumulated accrued absences (annual leave, time owing in lieu etc) that are due to employees at the end of the financial year.

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

Amortisation – The expensing of the acquisition cost minus the residual value of intangible assets in a systematic manner over their estimated useful economic lives.

Amortised Cost – The carrying amount of some financial assets and liabilities in the Balance Sheet will be written down or up via the Comprehensive Income and Expenditure Statement over the term of the instrument.

Appropriations – Amounts transferred to or from revenue or capital reserves.

Asset – An item owned by the PCC, which has a value, for example, land and buildings, vehicles, equipment and cash. These can be held over the long or short term.

Billing Authority – A local authority that, by statute, collects the council tax and national non-domestic rates and manages the Collection Fund

Budget – A statement of the PCC's Policing Plan in financial terms for a specific financial year, which starts on 1 April and ends on 31 March. A budget is prepared and approved by the PCC before the start of each financial year.

Capital Adjustment Account – An account that manages the timing differences between the amounts that have been set aside for capital expenditure, which are not aligned with the charges made for assets such as depreciation, revaluation and impairment, along with the amortisation of intangible assets.

Capital Expenditure – Expenditure on new assets or on the enhancement of existing assets so as to prolong their life or enhance market value.

Glossary

Capital Financing Charges – The repayment of loans and interest for capital projects.

Capital Grant – A grant from central government used to finance specific schemes in the capital programme.

Capital Programme – The plan of capital projects and future spending on purchasing land, buildings, vehicles, IT and equipment.

Capital Receipts – The proceeds from the sale of an asset, which may be used to finance capital expenditure or to repay outstanding loan debt.

Cash – Cash in hand and held at the bank in on-demand deposits.

Cash Equivalents – Short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash Flows – Inflows and outflows of cash and cash equivalents.

Chief Constable – Chief Constable is the rank used by the chief police officer of a territorial police force, who has overall responsibility for the day to day operational direction and control of the Force. The Chief Constable has ultimate statutory responsibility for maintaining the Queen's peace.

CIPFA – The Chartered Institute of Public Finance and Accountancy is the body that oversees financial standards and financial reporting in public organisations. It is also the professional body for accountants working in the public services.

Code of Practice on Local Authority Accounting in the United Kingdom (The Code) – The Code is based on approved accounting standards issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Standards Committee, except where these are inconsistent with specific statutory requirements. The Code specifies the principles and practices, sets out the accounting requirements for local authorities and is based on International Financial Reporting Standards (IFRS).

Collection Fund Adjustment Account – The account that manages the differences arising from the recognition of council tax income as it falls due from taxpayers compared to the statutory arrangements for receiving amounts from the billing authorities.

Comprehensive Income and Expenditure Statement - The total of income less expenditure, including other comprehensive income and expenditure items, presented in the CIES and prepared in accordance with IFRS as set out in the Code.

Contingency – A sum of money set aside to meet unforeseen expenditure or a liability.

Corporate and Democratic Core – Activities which the PCC engages in because they are an elected body and costs associated with co-ordinating and accounting for the service provided to the public.

Corporation Sole – this a legal entity consisting of a single incorporated office, occupied by a sole person. This allows corporations to pass from one office holder to the next successor-in-

Glossary

office, giving the positions legal continuity with subsequent office holders having identical powers to their predecessors.

Council Tax – The local tax levied on householders, based on the relative market values of property, which helps to fund local services including the police.

Creditors – Individuals or organisations to which the Chief Constable owes money at the end of the financial year.

Current Assets – These are assets which can either be converted to cash or used to pay current liabilities within 12 months. Typical current assets include cash, cash equivalents, short-term investments, debtors and stock.

Current Liabilities – These are liabilities that are to be settled within 12 months. Typical current liabilities include creditors and loan payments due within 12 months.

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

Curtailed Costs – Costs that arise when many employees transfer out of the pension scheme at the same time, such as when an organisation transfers its members to another scheme. The cost represents the value of the pensions rights accrued by the transferring staff.

Debtors – Individuals or organisations who owe the Chief Constable money at the end of the financial year.

Defined Benefit Scheme – A pension scheme which defines the benefits paid to individuals independently of the contributions payable and the benefits are not directly related to the investments of the scheme.

Depreciation – An annual charge to reflect the extent to which an asset has been worn or consumed during the financial year, which is charged to the Comprehensive Income and Expenditure Statement.

Disclosure – Information that must be shown in the accounts under the CIPFA Code of Practice.

Discretionary Benefits – Retirement benefits which the employer has no legal, contractual or constructive obligation to award and which are awarded under the Chief Constable's discretionary powers.

Earmarked Reserves – Monies set aside that are intended to be used for a specific purpose and held in the Balance Sheet.

Exit Packages – Payments such as redundancy payments, either voluntary or compulsory, or early retirement payments made to employees leaving the Group before their due retirement dates.

Fair Value – The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Glossary

Financial Instruments – The borrowings and investments disclosed in the Balance Sheet, consisting of loans and investments.

Finance Leases and Operating Leases – A Finance lease transfers substantially all of the risks and rewards of ownership of a non-current asset to the lessee. If these leases are used, the assets acquired have to be included within the non-current assets in the balance sheet at the market value of the asset involved. With an operating lease, the ownership of the asset remains with the leasing company and an annual rent is charged to the revenue account.

Financial Reporting Standards (FRS) – Recommendations on the treatment of certain items within the accounts.

Financing Activities – Activities that result in changes in the size and composition of the principal, received from or repaid to external providers of finance.

Financial Management Code of Practice for the Police Services of England and Wales 2012 – The Financial Management Code of Practice provides clarity around the financial governance arrangements within the police service in England and Wales, and reflects the fact that the police service has a key statutory duty to secure value for money in the use of public funds.

Financial Year – The period of twelve months for the accounts, from 1 April to 31 March.

General Fund – The main account which income is received into and expenditure is paid from.

General Reserves – Funds set aside to be used in the future.

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

Gross Spending – The costs of providing services before allowing for government grants and other income.

Group Accounts – The financial statements that combine the accounts for the PCC and the Chief Constable, that show the performance of the Group as if it was a single entity.

Home Office Grant (Pensions) – If there is insufficient money in the Pension Fund Account to meet all expenditure commitments in any particular year, the Home Office will fund the deficit by way of a grant.

Impairment – The amount by which the recoverable value of an asset falls below its carrying (or book) value.

Intangible Asset – A non-physical non-current asset, e.g. computer software.

Interest Income – The money earned from investing activities, typically the investment of surplus cash.

Glossary

International Accounting Standards Board (IASB) – This is the independent, accounting standard-setting body, which is responsible for developing International Financial Reporting Standards and promoting the use and application of these standards.

International Financial Reporting Standards (IFRS) & International Accounting Standards (IAS) – The accounting rules and principles, adopted by the International Accounting Standards Board, on which the Statement of Accounts is based. The Code is prepared in accordance with the IFRS.

Investing Activities – The buying and selling of long-term assets and investments that are not cash equivalents.

Jointly Controlled Operations - Activities undertaken by the Chief Constable and/or the PCC that are jointly controlled with other venturers. The jointly controlled operation does not give rise to the creation of a separate entity.

Liabilities – Amounts that are due to be settled by the PCC in the future, which includes Current Liabilities and Long Term Liabilities.

Major Precepting Authority – Authorities that make a precept on the billing authority's collection fund, e.g. County Councils and Police and Crime Commissioners.

Materiality – Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of financial statements. Materiality depends on the nature or size of the item omission or misstatement judged in the surrounding circumstances.

Minimum Revenue Provision (MRP) – The statutory minimum amount that is required to be set aside on an annual basis as a provision to repay debt.

National Non-Domestic Rates (NNDR) – The national non-domestic rate in the pound is the same for all non-domestic rate payers and is set annually by the government. Income from non-domestic rates goes into a central government pool that is then distributed according to resident population.

Net Book Value – The amount at which non-current assets are included in the balance sheet, i.e. their historical cost or current values less the cumulative amounts provided for depreciation.

Non-Current Assets (Fixed Assets) – Tangible assets, such as buildings and equipment are assets that yield benefits for a period of more than one year. Intangible non-current assets have no physical substance but provide a benefit for more than one year, e.g. computer software.

Non-Distributed Costs – Overheads where it is not appropriate to charge or apportion them across individual services.

Notes to the Accounts – The notes contain information in addition to that presented in the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet and Cash Flow Statement.

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Operating Activities – The activities of the entity that are its normal activities, excluding its investment and financing activities.

Outturn – The actual amount spent in the financial year.

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

Payments in Advance – These represent payments made prior to 31 March for supplies and services received on or after 1 April.

Pension Fund – The fund that makes pension payments following the retirement of its participants.

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

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

Pensions Reserve – A non-cashable reserve used to reconcile payments made for the year to various statutory pension schemes and the net change in the recognised liability under IAS19 for the same period.

Police and Crime Commissioner (the PCC) – an elected representative charged with securing efficient and effective policing of a police area in England and Wales. The elections were on 15 November 2012, and the successful candidate took up office on 22 November 2012. PCCs replaced the now abolished Police Authorities.

Police Act 1996 – An Act of the Parliament of the United Kingdom which defined the current police areas in England and Wales, constituted the Police Authorities for those areas (now superseded by PCCs), and set out the relationship between the Home Secretary and the English and Welsh territorial police forces.

Police and Crime Panel – The Police Reform and Social Responsibility Act 2011 established Police and Crime Panels within each force area in England and Wales. The panel is responsible for scrutinising PCCs' decisions; they also review the Police and Crime Plan and have a right of veto over the precept.

Police and Crime Plan - The Police Reform and Social Responsibility Act 2011 introduces a duty on the PCC to prepare a Police and Crime Plan which should determine, direct and communicate their priorities during their period in office.

Police Fund Balance - The Police Fund Balance is the statutory fund into which all the receipts of the PCC are required to be paid and out of which all liabilities of the PCC are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the Police Fund,

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which is not necessarily in accordance with proper accounting practice. The Police Fund Balance therefore summarises the resources that the Commissioner is statutorily empowered to spend on his services or on capital investment.

Police Principal Grant – This is part of the total specific government grant support for police services. The amount is determined annually by the Home Office on a formula basis.

Police Reform and Social Responsibility Act 2011 (The Act) – this is an Act of the Parliament of the United Kingdom. It transfers the control of police forces from Police Authorities to elected PCCs. The first PCC elections were held in November 2012, and will be held every four years thereafter.

Precept – The amount of council tax that the PCC, as a major precepting authority, has instructed the billing authorities to collect and pay over in order to finance its net expenditure.

Provisions – The amounts set aside to provide for liabilities that are likely to be incurred, but the exact amount and the date on which it will arise is uncertain.

Public Works Loan Board (PWLB) – A government agency which provides long-term loans to local authorities at interest rates only slightly higher than those at which the government itself can borrow.

Receipts in Advance – These represent income received prior to 31 March for supplies and services provided by the Authority on or after 1 April.

Reimbursements – Payments received for the work carried out for other public organisations, e.g. the government.

Related Parties – Bodies or individuals that have the potential to control or influence the Chief Constable and/or the PCC.

Reserves – Monies set aside by the PCC that do not fall within the definition of provisions. Reserves held for specific purposes are known as earmarked reserves.

Retirement Benefits – All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

Revaluation Reserve – The Reserve records the accumulated gains on the non-current assets held by the PCC arising from increases in value. It is charged with the part of the depreciation charge for the asset which relates to the revaluation. Any balance on this account is written back to the Capital Adjustment Account upon disposal of the asset.

Revenue Expenditure and Income – Day to day expenses mainly salaries, general running expenses and debt charges. These costs are met from the Council Tax, Government Grants, fees and charges.

Revenue Support Grant (RSG) – General Government Grant support towards the PCC's expenditure.

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Scheme Liabilities (Pensions) – The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities are measured using the projected unit method to reflect the benefits that are committed to be provided for service up to the valuation date.

Scheme of Delegation and Consent, Financial and Contract Regulations 2012/13 – The Scheme of Delegation and Consent details the key roles of the PCC and those functions that they designate to the Chief Executive, Treasurer, the Chief Constable and, if appointed, the Deputy PCC. The scheme also provides a framework to ensure that business is carried out efficiently, ensuring that decisions are not unnecessarily delayed. The Financial and Contract Regulations establish overarching financial responsibilities; confer duties, rights and powers upon the PCC, the Chief Constable and their officers providing clarity about the financial accountability of groups or individuals. They apply to every member and officer of the service and anyone acting on their behalf.

Service Reporting Code of Practice (SeRCOP) – CIPFA guide regarded as best practice under the Code, which sets out the framework for financial reporting to net cost of services level, with the objective of ensuring consistency and comparability of financial information between public sector organisations to inform stakeholders and support organisations in the delivery of value for money services.

Specific Grant – Payments from the government to cover Local Authority spending on a particular service or project (for example, the Crime Fighting Fund). Specific grants are usually a fixed percentage of the cost of a service or project and have strict rules detailing eligible expenditure.

(Strategic) Alliance – The alliance formed by Warwickshire Police and West Mercia Police to use their combined resources to deliver all policing services to the people and communities of Herefordshire, Shropshire, Telford & Wrekin, Warwickshire and Worcestershire.

Surplus or Deficit on the Provision of Services – The total of income less expenditure, excluding the components of Other Comprehensive Income and Expenditure. Presented in the Comprehensive Income and Expenditure Statement in accordance with IFRS as set out in the Code.

Tangible Non-current Assets – Physical non-current assets, e.g. land, buildings, vehicles and equipment held for a period of over one year.

Taxation and Non-Specific Grant Income – Council Tax and all grants and contributions recognised in the financial year.

Transfer Value – A sum of money transferred between pension schemes to provide an individual with entitlement to benefits under the pension scheme to which the transfer is made.

APPENDIX 1

Chief Constable of Warwickshire Police Annual Governance Statement 2014-15