



Chief Constable for Warwickshire

Statement of Accounts

2013/14

CONTENTS

EXPLANATORY FOREWORD TO THE STATEMENT OF ACCOUNTS	2
STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS	20
ANNUAL GOVERNANCE STATEMENT	21
INDEPENDENT AUDITOR'S REPORT TO THE CHIEF CONSTABLE OF WARWICKSHIRE POLICE	29
MOVEMENT IN RESERVES STATEMENT	32
COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT	33
BALANCE SHEET	34
CASH FLOW STATEMENT.....	35
NOTES TO THE ACCOUNTS.....	36
POLICE PENSION FUND ACCOUNT.....	72
GLOSSARY OF TERMS	74

EXPLANATORY FOREWORD TO THE STATEMENT OF ACCOUNTS

INTRODUCTION

The Office of the Police and Crime Commissioner for Warwickshire (hereafter referred to as the Commissioner) was established on 15 November 2012. Mr Ron Ball was elected and took up office on 22 November 2012. The primary role of the Commissioner is to secure the maintenance of an efficient and effective police force across Warwickshire and to hold the Chief Constable of Warwickshire to account for exercising operational police duties under the Police Act 1996. Operational decision-making on day to day policing matters remains the responsibility of the Chief Constable Mr Andy Parker.

The purpose of the Foreword is to provide an insight into the most significant aspects of the Commissioner's and Chief Constable's performance, the accounting arrangements as set out in these Accounts and the wider financial position in the context of the Medium Term Financial Plan (MTFP) and the need to bridge the gap between the budget and funding.

Fundamental to achieving the savings is the Strategic Alliance, (here after referred to as the alliance), between Warwickshire Police and West Mercia Police, which came into force on 13 March 2012. The objectives of the alliance are:

- 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, 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 and delivered savings across the alliance in excess of £30m.

The Foreword should be read in conjunction with the financial statements, the accompanying notes to the accounts and the accounting policies to understand the nature of the arrangements between the Commissioner and Chief Constable. The treatment of transactions (income and expenditure) and balances (assets, liabilities and reserves) in the Commissioner's and Chief Constable's Accounts under the alliance is explained in the Foreword and is referred to in the note to the accounts entitled 'Critical Judgements in Applying Accounting Policies'. (Note 4)

THE STATEMENT OF ACCOUNTS

This is the second Statement of Accounts to be produced under the arrangements introduced by the Police Reform and Social Responsibility Act 2011 (the Act), which determines that the Police and Crime Commissioners (PCC) and Chief Constables are separate entities (corporation sole). The two entities are also established as Schedule 2 bodies (Accounts subject to Audit) under the Audit Commission Act 1998 and therefore they are required to produce separate Statements of Accounts.

The Accounts and Audit (England) Regulations 2011 require authorities to follow 'proper practices in relation to accounts' when preparing the Statement of Accounts. The Code of Practice on Local Authority in the United Kingdom 2013/14 (the Code), which is based on International Financial Reporting Standards (IFRS), constitutes 'proper accounting practice' in England and Wales under the terms of Section 21 (2) of the Local Government Act 2003. PCCs in England and Wales are defined as local authorities under Section 23 (the Act) and Chief Constables under Section 21 and 22 (the Act); therefore both the Commissioner and the Chief Constable are required to follow the Code when preparing their Accounts.

The Accounts are also prepared in accordance with best accounting practice; however where the treatment under the Code or best practice conflicts with legislation the latter will take precedence. Where full compliance with the Code has not been achieved this is explained in the Foreword, the accounting policies and / or the accompanying Notes to the Accounts.

The financial position of the Chief Constable is set out in this Statement of Accounts. The complete financial transactions incurred during 2013/14 and the balances as at 31 March 2014 for policing Warwickshire have been recognised and recorded in the Commissioner and Commissioner's Group Statement of Accounts. The term Group refers to the consolidated Accounts of the Commissioner and his subsidiary, the Chief Constable.

In addition to legislation, accounting standards and best practice the accounting for the income and expenditure, assets, liabilities and reserves, which are recognised in the Commissioner's Accounts and the Chief Constable's Accounts, reflect not only the current legislative framework but also the local arrangements operating in practice to police Warwickshire following the transfer of assets and liabilities to the Commissioner from the Police Authority. In line with the Government's expectation it is envisaged that the relationship between the Commissioner and Chief Constable will evolve, which may in turn shape the format and content of the Commissioner's and Chief Constable's Accounts. From the 1 April 2014 the Commissioner is required to make a further transfer to the Chief Constable, this is referred to as a Stage 2 transfer and mainly concerns the legal employment status of police staff. However, the current treatments applied in the Accounts reflects the economic substance rather than the legal form of transactions and balances, therefore, the treatment under Stage 2 will be by and large as that under Stage 1. The key elements of the legislative framework and local arrangements include:

- The Police Reform and Social Responsibility Act 2011 (the Act);
- The Home Office Financial Management Code of Practice for the Police Services of England and Wales 2012; and
- Warwickshire's Office of the Police and Crime Commissioner Scheme of Delegation and Financial and Contract Regulations 2013/14.

The legislative framework and local arrangements set out the powers and responsibilities of the Commissioner. The accounting standards set out the format of the Accounts and the concepts and principles that should be used to determine the appropriate treatment of transactions and balances within the Accounts. It is in this context that the Group and Commissioner's Accounts and Chief Constable's Accounts have been prepared.

Since producing the 2012/13 Accounts the status of the Chief Constable has changed under the Police Reform and Social Responsibility Act 2011 (Transitional Provision) Order 2013 (Order) which permits the Chief Constable to apply Sections 21 and 22 of the Local Government Act 2003 (Accounts) to his transactions as they would appear in relation to a local authority. The 2012/13 Statement of Accounts were prepared prior to this statutory provision being in place and therefore on a different basis to the 2013/14 Accounts.

The effect of applying this statutory override is that the cost of the post employment benefits (pension liability) and accumulated employee absences are charged to the Chief Constable's Comprehensive Income and Expenditure Statement, in accordance with accepted practices, which is the same treatment as that followed in 2012/13. However, the charges are subsequently taken to separate Unusable Reserves on the Chief Constable's Balance Sheet, through the Movement in Reserves Statement (statutory override). This treatment means that there is no longer a requirement to meet the costs of the post employment benefits and absence accruals by way of the financial guarantee or income from the Commissioner.

The legislation is retrospective and the 2012/13 transactions have been restated on this basis. This provision is sometimes referred to as the statutory override and allows for items that cannot normally be charged against taxation to be adjusted for.

Under the current arrangements the Commissioner exercises strategic control as distinct from the Chief Constable who exercises day to day operational control. The nature of the transactions and balances are considered in the context of the substance of the relationship and governance arrangements between the Commissioner and Chief Constable, rather than relying solely on the legal form or who owns the item, to determine the treatment of transactions and balances in the Accounts.

A further consideration, often overlooked, is that of the fiduciary duty of the Treasurer to the tax payer to demonstrate that public money is accounted for correctly and that stewardship of public money is demonstrated transparently and logically in the Accounts. For example apportionment and reapportionment of assets is not considered to be helpful in this regard especially when considered from the wider perspective of the alliance.

It has been determined that the Commissioner has retained formal control over the majority of assets, liabilities and reserves; an approach that will continue to be followed under Stage 2 from 1 April 2014. The exception being the cost of post employment benefits (pensions), which, accounting standards determine, should follow the costs of employment. Therefore the cost of providing pension benefits and the associated balance sheet liability is shown in the Chief Constable's Accounts. With few exceptions, assets, liabilities and reserves are held on the Commissioner's Balance Sheet.

The retention of land and buildings on the Commissioner's Balance Sheet can be readily understood, however it can be argued that assets such as vehicles and ICT directly support the Chief Constable in exercising day to day operational control and should be held on the Chief Constable's Balance Sheet. It is the view of the Commissioners, of both Warwickshire

and West Mercia that all assets, which are strategic by their very nature, are controlled by the Commissioners to achieve the strategic objectives set out in the Police and Crime Plan, the Medium Term Financial Plan and Revenue Budget, including the Capital Programme for which the Commissioner holds statutory responsibility. It is also necessary for the Commissioner to exercise strategic control over assets to achieve the objectives set out under the Section 23 Agreement governing the alliance and ensures unity across the individual entities working in partnership. In this sense the role of the Commissioner is strategic in nature and the service benefits that flow from assets are deemed to be strategic benefits flowing to the Commissioner over the medium to long term, which is consistent to the long term nature of assets to deliver benefits over a period of more than one year. This is in contrast to the Chief Constable who exercises day to day operational control over the force and, in doing so, uses assets made available to him by the Commissioner on a day to day basis to deliver policing.

However, in recognition of the day to day use made of buildings, vehicles and ICT, a capital charge is made to the Chief Constable's Comprehensive Income and Expenditure Statement to show the consumption of assets in the delivery of policing.

It should be noted that the Chief Constable does not have a separate bank account and operates within an annual budget set by the Commissioner, with no ability to carry resources forward over years or hold cash backed reserves. The financial consequences of the Chief Constable exercising day to day control of operational policing, within the parameters set by the annual budget, is shown in the Chief Constable's Accounts, whereas the day to day cost of the Office of the Police and Crime Commissioner is shown in the Commissioners Accounts. Further to this all income is paid primarily into the Police Fund, which is held by the Commissioner and is shown in the Commissioner's Accounts. It is assumed that transactions between the Commissioner and the Chief Constable are settled immediately giving rise to few current assets and current liabilities in the balance sheet of the Chief Constable. This feature has been instrumental in determining the content and format of these Accounts.

The resources consumed by the Chief Constable to deliver day to day policing are offset by the resources held and made available by the Commissioner; this is achieved through the intra-group transfer between the Commissioner and Chief Constable, whereby the Commissioner provides a financial guarantee to the Chief Constable for resources consumed, which is income to the Chief Constable and a cost to the Commissioner.

The Accounts are further complicated by the alliance between Warwickshire Police and West Mercia Police, referred to in the introduction. Under the new policing model, pooled expenditure across the alliance in 2013/14 has reached in excess of 90% of total expenditure, as compared to less than 5% in 2012/13.

Whilst the Accounts concern themselves with presenting the financial arrangements of the formal Group consisting of the Commissioner and Chief Constable, the economic reality is that the collaboration arrangement or alliance is influential in determining the appropriate accounting treatment of transactions and balances under the control of the Commissioner and Chief Constable. It is important to ensure accounting policies are applied consistently, whether considering transactions and balances from the perspective of the Commissioner and Chief Constable or their role within the alliance.

The alliance has been put in place to achieve efficiencies by pooling budgets (expenditure) rather than to generate income. However, it is important to ensure that Warwickshire and West Mercia account for and pay for their fair share of expenditure under the Section 23 (S.23) Agreement. A single pooled budget is built for the alliance and shared on a 69:31 ratio (West Mercia Police : Warwickshire Police), subsequently pooled costs are shared on the same basis.

It has been determined that the alliance meets the criteria of a jointly controlled operation. Therefore, under IAS 31 the relevant entity recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs, whilst the Comprehensive Income and Expenditure Statement is debited with the expenditure incurred by the entity as well as the share of expenditure as determined under the alliance agreement. At this time income is not pooled. The difference between the expenditure actually incurred and that which is deemed to be appropriate under the alliance cost sharing model forms the basis of a payment between Warwickshire Police and West Mercia Police. This is recorded as a cash adjustment between the entities and is not shown as income in the Comprehensive Income and Expenditure Statement.

It should be noted that in line with 2012/13 the cost of post employment benefits (pensions), resides on the Chief Constable's Balance sheet and the associated annual expenditure and income is recorded in the Chief Constable's Comprehensive Income and Expenditure Statement. The basis for this treatment is that International Accounting Standard 19 determines that the cost of post employment benefits should follow the current cost of employment. This is reasonable within the Group structure where the Commissioner and Chief Constable are entities and administered as a pooled pension scheme arrangement.

The cost of post employment benefits are not shared in line with the alliance cost sharing model and essentially remain with the employing authority liable for such costs, this is also in line with section 13.2 of the S.23 agreement underpinning the alliance. It is not considered appropriate to apportion post employment benefit costs arising between two or more bodies under budget pooling arrangements such as those fund in the alliance..

Undertaking and financing joint capital works and the impact on property, plant and equipment held on the respective balance sheets is a complex issue. The S.23 agreement states that capital assets will be owned wholly by either one authority or the other. A revenue charge for the use of the asset may be made to the cost pool if relevant and significant. However, to date only immaterial capital works have been undertaken on a joint basis and an appropriate accounting treatment has been determined in line with existing accounting policies to ensure a fair share of the costs are met by each authority. This issue will be considered further in future years when significant activity has been undertaken. It may be appropriate to consider the appropriate treatment for individual projects on a case by case basis in light of the relevant circumstances surrounding that project.

In conclusion, it is important that the Accounts comply with legislation, accounting standards and best practice, whilst at the same time reflect the strategic control exercised by the Commissioner and operational control exercised by the Chief Constable. However, it is impossible to ignore the wider collaboration, the alliance, when considering the consistent treatment of transactions and balances at all levels. Perhaps, above all, the Accounts should have meaning and resonance with readers of the Accounts, whether they are informed readers or not. The Accounts as presented here balance these competing and complex arrangements and meet the requirements of the Code.

The Chief Constable's Statement of Accounts, which should be read alongside the Commissioner and Group Accounts, can be found on both the Commissioner and Warwickshire Police websites. The corresponding Accounts for the West Mercia Commissioner and Group and Chief Constable can be found on the West Mercia Commissioner 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 integration of the internal budget reporting information and the financial accounts used for external reporting and stewardship is demonstrated by way of Note 1 to the Accounts; 'Amounts Reported for Resource Allocation Decisions'. The full cost of the alliance is set out further on in the Foreword and added to in Note 11 to the Accounts; 'Pooled Budgets and Joint Ventures'.

FINANCIAL STATEMENTS

The following is an explanation of the contents of the Statement of Accounts and the main financial statements, their purpose and relationship between them. All figures reported in the financial statements are shown to the nearest thousand pounds.

1. 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.

2. Independent Auditor's Report to the Chief Constable of Warwickshire Police

Under provisions contained in Section 15 & 16 of the Audit Commission Act 1998 and Section 13 & 14 of the Accounts and Audit Regulations 2011 the Statement of Accounts for 2013-14 is available for inspection on 30th June to 25th July 2014. The formal audit of the Group's Accounts commences on 14th July 2014 and the opinion on the Accounts is due to be received on 30 September 2014.

3. Statement of Responsibilities for the Statement of Accounts

This statement outlines the responsibility of the Chief Constable and the Director of Finance for the Statement of Accounts.

4. The Accounting Statements consist of:

Movement in Reserves Statement

The Commissioner has not consented to the Chief Constable holding cash backed reserves. This statement shows the movement in the year on the unusable reserves, which cannot be used to provide services and exist through application of accounting

standards under the Code. The unusable reserves consist of the Pension Reserve and the Accumulated Absence Account.

The Comprehensive Income and Expenditure Statement

This statement recognises the financial resources belonging to the Commissioner consumed at the request of the Chief Constable in exercising day-to-day direction and control of the police force for the financial year, as opposed to the overall cost of policing as shown in the Group and Commissioner's Accounts. This statement also contains the cost of providing pension benefits and accumulated absences, which are directly related to the current cost of police officers and police staff also shown in this statement. The Chief Constable's Comprehensive Income and Expenditure Statement has been prepared in line with the Code and using headings from the CIPFA Service Reporting Code of Practice (SerCOP), which describe the areas of policing undertaken during 2013/14.

The Comprehensive Income and Expenditure Statement takes into account the significant recharges between the Warwickshire and West Mercia police forces to ensure that expenditure and income is shared in accordance with the Section 23 Agreement made under the strategic alliance between the two Police and Crime Commissioner's and Chief Constables.

Balance Sheet

This shows the value as at the Balance Sheet date of assets and liabilities recognised by the Chief Constable. The net assets (assets less liabilities) are matched by unusable reserves.

The Balance Sheet includes an additional column in respect of the restatement of the accounts for 2012/13.

Cash Flow Statement

This statement reflects the changes in cash and cash equivalents of the Chief Constable during the reporting period. The amount of net cash flow arising from operating activities is a key indicator of the extent to which the operations of the Chief Constable are funded by the Commissioner.

5. Accounting Policies

These set out the specific principles, rules and practices adopted in preparing the Statement of Accounts. Wherever possible the Accounts and Statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 (the Code) except where these conflict with specific statutory accounting requirements, so that the Chief Constable's accounts present a 'true and fair view' of the financial position and transactions of the Chief Constable in the context set out in the earlier sections of the foreword.

6. Notes to the Accounts

The notes provide additional information, which further explains items included within the main financial statements, with an aim of improving the reader's understanding of the main financial statements.

7. Pension Fund Account

Regulation 8 of The Police Pension Fund Regulations 2007 requires the Commissioner to maintain a separate Police Pension Fund Account. The Pensions Fund Account, which is administered by the Chief Constable, sets out the income and expenditure during 2013/14 relating to police pensions. The Home Office reimburses the Commissioner, who holds the Police Fund, by way of a top up grant to meet the deficit on the Police Pensions Fund Account. Subsequently the Commissioner reimburses the Police Pension Fund Account. Effectively the Home Office underwrite the deficit on the Pension Fund Account. This practice would work in reverse if the Pensions Fund Account were to show a surplus at the end of the year.

CHANGE IN ACCOUNTING POLICY

The Accounting Policy in respect of Employee Benefits has been revised following the CIPFA Code's adoption from 1st April 2013 of the 2011 amendments to International Accounting Standard 19.

The Movement in Reserves Statement, Comprehensive Income and Expenditure Statement and the appropriate notes to the Accounts for 2012/13 have been re-stated.

PRIOR YEAR ADJUSTMENT

As explained earlier in the Foreword the status of the Chief Constable has changed under the Police Reform and Social Responsibility Act 2011 (Transitional Provision) Order 2013 (Order). The effect of the Order is that the pensions liability is treated in accordance with accepted practices in the Chief Constable's Accounts.

The legislation is retrospective and the 2012/13 transactions have been restated on this basis. A table showing the effect of the changes in accounting policies and prior year adjustments is set out in Section 3 of the Accounting Policies.

FINANCIAL PERFORMANCE

Revenue Outturn

As set out in the Explanatory Foreword to the Statement of Accounts the Chief Constable's only source of income is through the inter-group transfer, where the Commissioner 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 Commissioner and Chief Constable, which is underpinned by the governance arrangements.

In 2012/13 this section only contained the expenditure on day to day policing, which corresponds to the transactions contained in the Chief Constable's financial statements. However, financial information is now only effectively monitored across the alliance and inclusive of income and expenditure of both the Commissioner and the Chief Constable. To do otherwise takes figures out of context and presents a misleading budgetary position,

which bears no resemblance to internal monitoring information. Therefore, the Commissioner's outturn position is presented here and explained in the wider context. The Chief Constable is, however, only responsible for pooled and non pooled expenditure for Warwickshire. The link between the information presented here and that contained in the financial statements is explained in the Note 1 to the Accounts 'Amounts Reported for Resource Allocation Decisions'.

The 2013/14 original budget was set at £92.1m, however, after the use of reserves (£0.7m), and the Council Tax Freeze Grant (£1.2m) the current budget is £90.2m, which includes £7.1m of savings. Reserves continue to be used, as part of the Medium Term Financial Plan, 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 Commissioner initiatives; to support PCSOs numbers at a minimum of 100 throughout the life of the administration, increase the recruitment of Specials, establish a network of 'Community Ambassadors' to act as the focus for communication between the Commissioner and local communities and to top up the Community Safety Fund for local initiatives.

2013/14 saw a continuation of the Government's austerity measures and reductions in funding, however reductions in Home Office funding announced in the Chancellor's Autumn 2012 settlement were not passed on to the Commissioner in 2013/14. Also, contrary to the Government's previous statement, the benefits from public sector pay restraint has not been held by the Government through the funding formula and has been left with the Commissioner.

2013/14 also saw several changes to grants, making comparison to 2012/13 more complicated. For example the neighbourhood policing grant supporting 75% of the costs of PCSOs is no longer ring-fenced and has been amalgamated into the Police Grant. A Community Safety Grant of £0.4m is now paid to the Commissioner, which replaces a multiplicity of funding streams previously paid to various voluntary and statutory agencies in Warwickshire. This money will be paid as a specific grant for 2013/14 only and thereafter forms part of the main Police Grant distributed through the funding formula.

It is important to note that the Commissioner benefits by £1.0m from the formula grant damping mechanism, which is paid as part of the grant settlement. It is applied when there are changes to the formula that determine the distribution of funds between police bodies. Its aim is to prevent significant year on year fluctuations in grant support. Because the overall pot of police funding remains unchanged some policing bodies gain, some lose, through damping, therefore it is contentious and the focus of attention in any funding formula review.

The main grants are not the only source of funding to be subject to change in 2013/14. The Council Tax, received through the precept levied on the billing authorities, is dependant on the amount set, the number of properties and any share of surplus or deficit on the Collection Fund. However, 2013/14 was the first year that funding to support Localisation of Council Tax Support was paid to billing authorities, who in turn were responsible for designing local schemes to provide support through the Council Tax system. The funding transferred from Government to billing authorities was reduced by 10%. A new grant was introduced in 2013/14 called the Council Tax Support Grant, from which the Commissioner received £3.9m. This has gone some way to mitigating the estimated £4.3m loss in Council Tax revenue arising from the introduction of the Localisation of the Council Tax Support, which in effect reduces the number of properties eligible to pay Council Tax.

Council Tax Freeze Grant continues to feature in the current Government's programme. The grant works by paying the Commissioner £0.4m, in 2013/14, equivalent to a 1% increase in Council Tax for freezing the Council Tax at the 2012/13 levels. The grant is paid for two years after which there is no guarantee of funding, potentially adding to the gap and the need for savings, it also increases the dependence on Government funds and diminishes the level of local funding as a proportion of total funding. After consultation and considering the better than anticipated settlement, taking account of the Home Office interventions, the Council Tax Freeze Grant was accepted. It is also worth noting that the maximum increase in Council Tax permitted by the Government before triggering a local referendum is 2%.

The 2013/14 funding is set out in the following table, It should be noted that this is after the use of reserves and excludes the Council Tax Freeze Grant, which has been shown within the Commissioner's budget. The prospects for future funding levels are discussed later in the Foreword.

Where the Money Came From	Budget £000	Actual £000	%
Police Grant	34,483	34,483	38.2
Non-Domestic Rates and Revenue Support Grant	19,001	19,001	21.1
Council Tax Support Grant	3,898	3,898	4.3
Central Government Funding	57,382	57,382	63.6
Locally Raised Funding – Precept (Council Tax)	32,788	32,788	36.4
Total Funding Before the Use of Reserves & Excluding Council Tax Freeze Grant	90,170	90,170	100.0

The West Mercia and Warwickshire police forces operate a single policing model under the alliance; a consequence of which is that the finances are also inexorably linked. Therefore, the 2013/14 budget was built as a joint budget then shared in line with the agreed cost sharing model explained earlier in the Foreword. Actual costs are incurred by the entity that paid the staff or bought the goods and services and shared on the same basis for the purpose of internal reporting and managing the budget. An actual cash adjustment between the entities is required to underpin the cost sharing arrangement, however, the adjustment is recorded in the financial accounts of the entity receiving or paying the money as income or third party expenditure, which avoids netting off the recharge against expenditure, which is the practice followed for internal reporting. The integration of the internal reporting and the figures published in the Accounts is explained in the Note1 to the Accounts 'Amounts Reported for Resource Allocation Decisions'.

The following table is a comparison of first the alliance and then the Commissioner's actual expenditure and income against the 2013/14 budget.

Warwickshire Police & West Mercia Police Expenditure & Income	Budget £000	Actual £000	%	Variance £000
Police officers' pay	157,521	149,319	53.1	8,202
Police staff pay	74,358	70,276	25.0	4,082
PCSO pay	8,872	8,051	2.9	821
Police pensions	3,621	4,700	1.7	(1,079)
Other Employee Costs	3,136	2,347	0.8	789
Premises	12,108	10,572	3.7	1,536
Transport	8,410	8,481	3.0	(71)
Supplies & Services and Third Party Payments	35,960	32,085	11.4	3,875
Capital Financing	7,696	15,083	5.4	(7,387)
Expenditure	311,682	300,914	107.0	10,768
Income (excluding Council Tax Freeze Grant)	(10,364)	(15,642)	(5.6)	5,278
Council Tax Freeze Grant 2011/12	(2,855)	(2,855)	(1.0)	0
Council Tax Freeze Grant 2013/14	(1,168)	(1,168)	(0.4)	0
Net Expenditure	297,295	281,249	100.0	16,046
Transfer from Earmarked Reserves	(1,898)	0	0	(1,898)
Transfer from Budget Reserves	(4,262)	0	0	(4,262)
Budget Requirement	291,135	281,249	100.0	9,886
Warwickshire Outturn				
Force Pooled Expenditure – 31%	83,168	77,059		6,109
Force Non-pooled Expenditure	13,181	16,935		(3,754)
Income	(4,790)	(6,552)		1,762
Council Tax Freeze Grant 2011/12	(875)	(875)		0
Council Tax Freeze Grant 2013/14	(369)	(369)		0
Total Chief Constable Warwickshire	90,315	86,198		4,117
Office of the Police & Crime Commissioner	1,381	1,152		229
Net Expenditure	91,696	87,350		4,346
Transfer from Earmarked Reserves	(821)	0	0	(821)
Transfer from Budget Reserves	(705)	0	0	(705)
Budget Requirement	90,170	87,350	100.0	2,820

The Commissioner has under spent by £2.8m compared to the original budget of £90.2m. 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. Further additions to earmarked reserves will strengthen the position and support the Medium Term Financial Plan. The majority of the savings planned so far, which are required to deliver a balanced budget, have been delivered. Some of the key features of the under spend are described below.

The staff pay budget has been reduced in line with the implementation of the new policing model, however a significant level of vacancies is also being held. Resources have been directed to enabling the implementation of the new policing model, which has created delays elsewhere, for example in carrying out planned and reactive maintenance or in the implementation of ICT systems. It has also been necessary to review the Estates and ICT strategy whilst the new policing model beds in. This has also contributed significantly to the capital under spend commented on later. At the same time the specific budget identified to meet the one-off costs of change has not been used.

Other savings have been possible through new contracting arrangements and review of budgets in for example forensics, Estates and ICT. Notably a new cleaning contract is in place and a different process has been adopted for deciding on forensic submissions.

The Commissioner decided during the year to use favourable variances to meet the cost of capital expenditure and offset borrowing, up to an amount equal to any unfunded capital expenditure. It has been possible to finance £0.7m of capital expenditure by direct revenue contribution. Because the capital programme is heavily reliant on borrowing, the cost of which has to be paid for from the revenue budget, this strategy will contribute to ongoing savings in the budget.

Comprehensive Income and Expenditure Statement Deficit

The Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement shows a deficit on the provision of services of £165.6m. 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 practices requires the full cost of future pension liabilities to be recognised in the Statement of Accounts, this is probably the most significant variation in treatments between the two basis and contributes most to the deficit on the Comprehensive income and Expenditure Statement.

The financial standing of the Chief Constable needs to be viewed from the perspective of the movement in the Police fund, which is set out in the Movement in Reserves Statement, which reconciles the Comprehensive Income and Expenditure Statement to the statutory basis for determining taxation.

Capital Outturn

Assets are held on the Commissioner's Balance Sheet and the Commissioner 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 Commissioner, who in turn can draw on a range of options to finance capital expenditure, including borrowing, to meet the cost of the capital programme, which is not available to the Chief Constable. 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 & Commissioner's Accounts

POLICING PERFORMANCE

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

This (2013/14) has been another successful year which has seen further reductions in crime resulting in fewer victims of crime. Our alliance with West Mercia Police is proving extremely beneficial in delivering the best possible protection from harm to people who live, work and visit Warwickshire. I would like to thank everyone for their hard work and commitment in protecting the public of Warwickshire.

We are here to protect people from harm and figures show that there were 28,331 recorded crimes in the year 2013/14 compared to 29,516 the previous year, an overall reduction in crime of 4%.

We pride ourselves on the service we provide to the public and this is why we are extremely pleased that satisfaction of users of our services has also improved

For the new financial year 2014/15 the Police and Crime Commissioner (PCC) has decided 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.

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 2014/15 we will continue to target those offenders who are causing the most harm and to deploy resources in areas of high risk. This strategy has proved effective and will build upon our excellent performance over the last few years.

Andy Parker
Chief Constable
Warwickshire Police

PENSIONS LIABILITIES

In accordance with International Accounting Standards (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 2014 is £862.0m. However, in considering the impact that this has on the financial position of the Commissioner 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 Pensions Scheme and LGPS are subject to reform in the coming years as part of the government's programme of public sector pension reform; therefore the future benefit structure, as well as the level of contributions, is likely to change.

Further information about IAS 19 liability can be found under Note 15, and information about the Police Pensions Fund Account can be found at the end of the Statement of Accounts

ENVIRONMENTAL ISSUES

The Chief Constable is committed to protecting the environment and recognises that activities both of an operational and non-operational nature have an impact on the natural environment for the communities of Warwickshire. The Chief Constable has a responsibility to reduce the organisation's detrimental impact on the local environment by promoting environmental best practice and to exceed aspirations. The Chief Constable will comply with all environmental legislation and regulations and, wherever practicable; exceed the requirements of codes of practice and best practice provision.

Warwickshire Police and West Mercia Police are in the process of agreeing a joint Environmental Strategy which supports the objective set out above.

FUTURE PROSPECTS

Whilst the Commissioner receives the core funding for the provision of police services and sets the budget within which the Chief Constable operates it was felt appropriate to repeat the section of the future prospects of the Group here in the Chief Constable's Accounts to set out the financial and operational context within which the Chief Constable is required to deliver the Policing Plan.

The 2014/15 budget is the second budget set by the Commissioner and setting the budget is one of the most important decisions taken by the Commissioner. The issues that the Commissioner has considered in setting the budget in the wider context of the Medium Term Financial Plan are explained in this section.

2014/15 also heralds the first time the policing element of the budget has been built for the strategic alliance with West Mercia as a whole and the budget requirement for each Force is determined by apportionment in accordance with the agreed cost sharing approach.

The Commissioner's funding continues to be reduced as part of the Government austerity programme. 2014/15 saw a further reduction in Police Grant, incorporating the Community Safety Funding and Revenue Support Grant of £2.8m. Recent statements by the Chancellor have indicated that further reductions in Home Office funding beyond 2018/19 are a strong possibility. However, there will be a general election in 2015, which is likely to be followed by a Comprehensive Spending Review, and, in addition, there is a proposal to review the grant system itself. Currently the Commissioner benefits to the tune of £1m from an adjustment mechanism to the grant formula, which is intended to prevent significant year on year fluctuations in grant support. This adjustment mechanism, which is referred to as damping, is contentious, therefore it is almost certain that damping would be looked into as part of any review of police funding.

For these reasons the level of central government funding beyond 2014/15 remains uncertain. At this time reductions of 4.3% are assumed in 2015/16 followed by a 2.8% reduction in each of the years 2016/17 and 2017/18. Any further reduction in funding would require further savings to be identified.

Another major source of funding to the Commissioner is through the council tax raised by a precept or demand on local billing authorities, (district and borough councils). In the 2014/15 financial settlement the government once again offered an incentive, in the form of a grant equivalent to a 1% increase in the Band D Council Tax, payable to local authorities which choose to freeze Council Tax at the same level as the previous year, (Band D £180.96). The issue with accepting the freeze grant is that it is only guaranteed for two years and further savings, over and above the £4.8m contained in the 2014/15 and 2015/16 budget, would be required. A further consideration is that any Council Tax increase beyond 2% would have triggered a local referendum. Therefore, in setting the 2014/15 budget at £91m the Commissioner has decided not to take the Council Tax freeze grant and instead increase council tax by 1.99%, (Band D £184.56), which is around the current rate of inflation. This increase, coupled with changes in the council tax-base, to reflect new house building, is expected to increase income from Council Tax by £1.5m in 2014/15.

The value of the two previous rounds of Council Tax freeze grant, which were accepted, is £1.2m. It is assumed, in the Medium Term Financial Plan, that these freeze grants will be withdrawn in 2016/17 and that in future years Council Tax will increase in line with inflation at around 2% before any growth in the tax base.

In the current financial climate growth is not possible without identifying savings elsewhere. However, it is necessary to develop policing in line with the Commissioner's Police and Crime plan, which has been determined in light of national and local priorities and make budgetary provision to do this.

During 2014/15 the Commissioner will become responsible for services provided to victims of crime and will therefore commission services to the victims of crime, in line with the transfer of funding from the Ministry of Justice. The Commissioner has also included a number of developments in the 2013/14 budget to reflect local priorities. Whilst these were funded from reserves for a limited period of time, the Commissioner now believes that the success of

these initiatives merits their being incorporated into the budget for the foreseeable future. These initiatives are:

- The provision of an additional 24 Police Community Support Officers over and above the number planned by the former Police Authority.
- An increase in the amount available for making Community Safety Grants to organisations actively working within local communities to reduce crime.
- The appointment of a number of Community Ambassadors, one for each Safer Neighbourhood Team, to improve liaison with communities and community groups.
- A significant increase in the number of special constables within the Force.

The Commissioner has also responded directly to comments and observations he has received from communities. Namely, the Commissioner plans to accelerate recruitment in 2014/15 to provide an increase in the average number of police officers available for deployment and fill vacancies, which occur on Safer Neighbourhood Teams sooner.

In the consultations with communities around Warwickshire three areas of concern have been highlighted as needing more attention, these are; rural crime, business crime and cyber (or internet related) crime. Perhaps unsurprisingly, a similar picture has emerged in West Mercia. Therefore, a joint provision of £1.5m has been made in the budget, each year for the next five years, funded from reserves; the Commissioner for Warwickshire Police's share of the cost is £0.5m p.a. Funding will be targeted towards a joint response through the two Chief Constables of Warwickshire and West Mercia.

It is also necessary, using the best information available at the time, to routinely build into the Medium Term Financial Plan provision for 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 factors that might influence pay are looked at closely, including:

- Winsor report, a review of Police Officer pay terms and conditions,
- Hutton report, a review of Police Officer, Police Staff and Police Community Support Officer's pension,
- Continuation of the restriction on public sector pay awards to 1%;
- The proposal to remove the reduced rate of national insurance contributions for employer pension schemes.

The alliance between the Commissioners and Chief Constables of Warwickshire and West Mercia, which delivers policing jointly across Herefordshire, Shropshire, Warwickshire and Worcestershire, is fundamental to meeting the challenges presented by the constraints and reductions in funding and spending pressures set out here. As stated in the introduction to the foreword the alliance has delivered £30m of savings through development of joint working arrangements and a new policing model. It is estimated that by the end of 31 March 2018 a further £29m will be required to be saved, of which £4.8m are already planned into the Warwickshire budget for 2014/15 and 2015/16.

Precisely what the various issues set out in this section means for the Commissioner and Warwickshire Police will be monitored closely as more information becomes available and the Commissioner's Medium Term Financial Plan will be refreshed at the appropriate time. At this time the Medium Term Financial Plan and the savings required to balance the plan is based on the policies of the current coalition government and known issues.

In recent years significant savings have been made whilst improving performance and delivering value for money. The Commissioner is confident that the savings identified in the Medium Term Financial Plan can be delivered. The Commissioner intends to start to address the future savings requirement by making provision to use reserves to fund capital expenditure and revenue expenditure on an 'invest to save' basis, for example in areas such as the use of the combined estate. Across the alliance £10m will be set aside for these purposes, the Warwickshire share being £3.1m. The Commissioner will also seek to maximise potential bids to the recently announced Home Office Innovation Fund for similar purposes to add to the already successful bid that secured £0.8m in 2013/14 and £16m in 2014/15 across the alliance.

In recognition of the uncertainty around future resources levels and the need to have this clarity before fully implementing plans to achieve the savings significant levels of reserves are being used to support the general budget as well as specific initiatives, especially in the earlier years of the Medium Term Financial Plan. It is anticipated that just over £9m of reserves will be required to support the budget between 2014/15 and 2018/19 with £0.5m being used in 2014/15. The Commissioner 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 Commissioner's Medium Term Financial Plan is available on the Commissioner's website.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Chief Constable's Responsibilities

The Chief Constable of Warwickshire Police 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. That officer is the Director of Finance to the Chief Constable.
- To manage the Chief Constable's affairs to secure economic, efficient and effective use of resources and safeguard the Commissioner's assets
- To approve the Statement of Accounts.

Signed:

Date:



Andy Parker the Chief Constable of Warwickshire Police

The Director of Finance's Responsibilities

The Director of Finance to the Chief Constable is responsible for the preparation of the 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 2013/14 (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 Office of The Chief Constable of Warwickshire is duly authorised for issue on 30 June 2014 by authority of the Director of Finance to the Chief Constable.

The Home Office Financial Management Code of Practice for the Police Service of England and Wales 2012 sets out that the Chief Financial Officer of the Commissioner will be responsible for ensuring the production of the Group and Commissioner's Statement of Accounts, including the Chief Constable's Accounts.

I certify that the Statement of Accounts for the year ended 31 March 2014 as required by the Accounts and Audit Regulations 2011 are set out on the following pages. I further certify that the Statement of Accounts represents a true and fair view of the financial position of The Chief Constable of Warwickshire at 31 March 2014 and the associated income and expenditure for the year then ended.

Signed:

Date

Nicola Roth Acting Chief Finance Officer to the Chief Constable of Warwickshire

ANNUAL GOVERNANCE STATEMENT

CHIEF CONSTABLE OF WARWICKSHIRE POLICE

1. Introduction

Since 22 November 2012 the Chief Constable has been accountable to the Office of the Police and Crime Commissioner (OPCC) for the delivery of efficient and effective policing and management of resources and expenditure by the police.

This Annual Governance Statement (AGS) explains this position and how the Chief Constable governs the police Force through a system of internal control and the plans for improvement during the financial year 2014/15.

2. Scope of Responsibility

The Chief Constable is responsible for ensuring that the Warwickshire Police (the 'Force') conducts its business in accordance with the law and proper standards, that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Chief Constable also has a duty to make arrangements to secure continuous improvement in the way in which its functions are exercised having regard to a combination of economy, efficiency and effectiveness.

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

The Chief Constable is responsible for maintaining the Queen's peace and the direction and control of the Force's police officers, police staff and police community support officers (PCSOs). In discharging their functions the Chief Constable has regard to the Police and Crime Plan which sets the overarching objectives for the Force. The Police and Crime Plan is issued by the OPCC and developed in consultation with the Chief Constable and other stakeholders. The OPCC has also made specific delegations to the Chief Constable and his officers and put in place, on election, overarching policies that govern the operation of the Chief Constable. These include:

- Scheme of delegation
- Financial Regulations
- Contract Standing Orders

Copies of the above documents are available on the OPCC website

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

Or can be obtained from the Office of the PCC at 3 Northgate Street, Warwick CV34 4SP.

The arrangements described in this AGS are consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives (SOLACE) Framework: *'Delivering Good Governance in Local Government (Guidance Note for Police).'*

3. The Purpose of the Governance Framework

The governance framework comprises the systems and processes, the culture and values by which the Chief Constable directs and controls the activities for which they are accountable including engagement with communities. It enables the Chief Constable to monitor the achievement of their strategic objectives and to consider whether these objectives have led to the delivery of appropriate, cost effective services including achieving value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable and foreseeable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an on-going process designed to identify and prioritise the risks that may hinder or prevent the achievement of the Chief Constable's aims, objectives and policies, to evaluate the likelihood of those risks being realised, the impact should they be realised and to manage them effectively, efficiently and economically.

4. The Governance Framework

The role of the OPCC was described in the introduction to the AGS. The following describes the framework of internal control that has been in place in the Force during 2013/14 to ensure the Chief Constable meets his statutory duties and the objectives of the OPCC.

At a high level the OPCC has stated that Warwickshire Police has the primary role in the county for the reduction of crime and disorder, the protection of communities from harm and the delivery of an effective and efficient policing service. Consequently it will be against these three principles that the performance of Warwickshire Police and the Chief Constable will be primarily measured. For 2014/15 the OPCC has agreed with the Chief Constable that there will be no specific performance objectives other than to reduce total recorded crime.

Further to this Warwickshire Police and West Mercia Police entered into an 'alliance' where the majority of the two Forces' activity is undertaken jointly to deliver policing across Herefordshire, Shropshire, Worcestershire and Warwickshire. The framework which governs the alliance is underpinned by the 'Section 23' and 'Section 24' agreements (Police Act 1996).

- The 'Section 23' agreement sets out how joint Force finances will be managed on day-to-day basis including the financial arrangements for cost sharing
- The 'Section 24' agreement allows either Force to conduct policing on the other's geographical area.

The governance framework of the Chief Constable includes arrangements for ensuring that day-to-day policing, undertaken within the alliance, is properly managed and risks identified and where possible mitigated.

The Good Governance standard for public services set out the six good governance core principles. The key elements of the systems and processes that comprise the governance

arrangements that have been put in place for the Force and how they adhere to these six principles are set out below:-

i. Focusing upon the purpose of the Chief Constable, on the outcomes for local people and creating a vision for the local area

The OPCC sets the strategic direction for the Chief Constable and the Force through the objectives contained in the Police and Crime Plan. For 2014/15 the OPCC has agreed that there will be no specific objectives other than to reduce overall crime. This has been developed in consultation with the Chief Constable and other stakeholders and is scrutinised by the Police and Crime Panel.

In order to focus policing activity the Force prepare the Strategic Assessment which gives an overview of the current and medium term issues that affect, or are likely to affect, Warwickshire Police and West Mercia Police during 2013/14. The Strategic Assessment identifies the key risks and threats to the communities across Warwickshire and West Mercia. This informs where strategic focus and resource commitment can be targeted to reduce harm. The Strategic Assessment is commissioned and agreed by the Executive Board and is refreshed annually.

In response to the findings of the Strategic Assessment a Control Strategy is produced which provides senior managers within the forces with a decision-making framework for focusing activity and resource allocation when faced with competing demands. The Control Strategy is communicated to senior managers and available to them on the Force intranet.

To underpin the objectives contained in the Police and Crime Plan the OPCC has set an objective of reducing overall crime. The OPCC holds the Chief Constable to account for delivery against this objective. To ensure this objective is achieved ongoing performance is monitored and published through the Force performance framework which provides daily information to all members of the Force via the 'performance dashboard' on the Force intranet.

The OPCC and Chief Constable meet on a weekly basis to monitor and scrutinise performance. The OPCC is also invited to attend the bi-monthly forces' Performance Management Group. This meeting is informed by a performance report relating to the key performance measure set out in the Police and Crime Plan

The OPCC is invited to the monthly Design Authority Group (as an 'influencer') and the Change Management Board meetings. These meetings inform the governance and assurance role of the OPCC and keeps them updated with change activity.

The OPCC holds bi-monthly public meetings that include a discussion of performance. This meeting is informed by a performance report relating to the key performance measures set out in the Police & Crime Plan.

ii. Working together to achieve a common purpose with clearly defined functions and role

The OPCC sets out the objectives for the Force in the Police and Crime Plan, which is developed in consultation with the Chief Constable and other stakeholders, as described earlier in the AGS.

To enable effective accountability the day-to-day relationship between the OPCC and the Chief Constable is governed by the Scheme of Delegation, Financial Regulations and Contract Regulations which have been developed in accordance with the Financial Management Code of Practice.

The OPCC meets with the Chief Constable informally on a regular basis. Every two months the OPCC and Chief Constable will have a formal meeting in public. The agenda will be published on the OPCC website seven days in advance of the meeting and the minutes of the meeting within ten working days.

Members of the public may attend and may submit questions in advance in writing for the OPCC and Chief Constable. A response will, if possible, be given at the meeting. In some circumstances a reply will be given in writing.

iii. Promoting the values of the Chief Constable and demonstrating the values of good governance by upholding high standards of conduct and behaviour

The framework of governance established through the Scheme of Delegation, Financial Standing Order etc act seeks to establish high standards of conduct in specific areas of business and also seeks to reduce the likelihood of errors and prevent fraud. Specific officers will have responsibility for policing the implementation of these policies and reporting irregularities.

The Force also sets policies and standards for gifts, hospitality and sponsorship issues and maintains an electronic register to ensure proper governance and transparency. Police officers are required to seek the express permission of the Chief Constable before taking up a second job or pursuing separate business interests, details of which are held on a register of business interests.

In addition the Force participates in the National Fraud Initiative which attempts to identify fraud by sharing and comparing employee data across the public sector.

Within the Force there are two formal codes of conduct; one for police officers and one for police staff. Both codes define the standards of personal behaviour expected. The codes stress the importance of honesty, integrity, fairness, impartiality, politeness and tolerance. The officer code also sets out requirements in terms of use of force, performance, execution of duties and other general conduct expectations. Certain staff, e.g. qualified accountants or solicitors, will have professional codes of conduct to which they are held to account. In addition all staff are security vetted the level of vetting depending on the role undertaken.

The Force subscribes to the police service's Statement of Common Purpose and Values which includes the requirement to act fairly with integrity, common sense and sound judgment. The Force operates a whistle-blowing policy. Where the highest standards of ethical and professional behaviour have not been met officers are encouraged to report these through the Anonymous Integrity Reporting Line.

The Professional Standards Department (PSD) is responsible for the investigation and resolution of complaints and alleged breaches of the Standards of Professional Behaviour. Part of this process is to identify any learning, both organisational and individual, which can improve the service provided by both Warwickshire Police and West Mercia Police.

iv. Taking informed and transparent decisions which are subject to scrutiny and managing risk

The changing structure of the organisation provided an opportunity to review core meetings and assurance arrangements. Warwickshire Police and West Mercia Police now share the same formal meeting structure that delivers the core decisions of the Forces and comprises the following elements:

Strategic Decision Making:

- Executive Board (weekly)
- Alliance Governance Group (monthly)
- Change Management Board (monthly)
- Design Authority Group (monthly)
- Workforce Management (monthly)
- Joint Negotiating and Consultation Committee (bi-monthly)
- Equality Diversity and Human Rights Board or Strategic Diversity Group (quarterly)

Operational Decision Making:

- Daily Management Meeting
- Directorate Management Meeting (monthly)
- Tactical Tasking & Co-ordinating (monthly)
- Performance Management Group (bi-monthly)
- Strategic Tasking & Co-ordinating (annual with six monthly review)
- Directorate Sub-Groups and Business Area meetings
- Programme/project board meetings (as necessary)

Assurance Team

Under the alliance programme Warwickshire Police and West Mercia Police have introduced a single Assurance Team. A combined audit and inspections programme has been introduced based upon sound risk management principles. The programme of work is agreed annually with the Deputy Chief Constables (DCCs).

The main purpose of the Assurance Team is to carry out independent assurance audits based upon the principles defined in the ACPO manual of guidance (part II audit). This activity is separate from the County Council internal audits which reports to the Office of the Police and Crime Commissioner (OPCC - see below). Following the completion of the assurance audits, key recommendations and corrective actions will be agreed with the business lead for the area audited. The business lead is then required to produce a management response for each audit recommendation with an agreed owner and a target completion date. Progress made on the combined programme of Assurance Team audits, County Council internal audits and HMIC Inspections is reported to the Change Management Board.

The Assurance Team is responsible for liaising with the County Council auditors who conduct a separate programme of internal audits. The recommendations arising from the County Council internal audits are managed in the same way as the assurance audit recommendations.

The Assurance Team also helps to facilitate the inspections conducted by Her Majesty's Inspectorate of Constabulary (HMIC) under the direction of the Warwickshire Police and West Mercia Police combined HMIC Liaison Officer.

The Assurance Team track the progress of all recommendations by requesting quarterly updates from the business owners. A quarterly report is then prepared detailing progress on the implementation of all the combined audit and inspection recommendations for the Joint Audit Committee which is chaired by a representative of the OPCC.

Risk Management

The joint Force Strategic Risk Manager reports into Directorate meetings, chaired by the Directorate Chief Officer. At this meeting existing and emerging risks are scrutinised and allocated. Actions required to manage these risks are endorsed. The Risk Register is brought to the Executive Board on a quarterly basis.

A single Strategic Risk Register and reporting mechanism has been developed and Risk Management acts as a 'critical friend' across all Directorates to aid the decision-making process.

Whilst the PCC does not attend Directorate Management meetings they are updated on Force risk matters via regular planned meetings and through exception reporting, for example, at the Change Management Board.

The Risk Management role is also the Forces' lead for Organisational Learning.

v. Developing the capacity and capability of all to be effective in their roles

The Force is committed to reviewing individual performance and development in a structured way. This is done through the Performance Review (PR) process.

All police officers and police staff, other than those in their probationary periods, have an annual PR where they are given feedback on their performance for the previous year and set objectives for the next year. This process includes planning their development needs.

vi. Engaging with local people and other stakeholders to ensure robust public accountability

The Force consults with the aim of involving all communities across the county. The approach involves public meetings including Community Forums and telephone surveys. There is also active involvement with the full range of media, such as press, TV, social media and the Force website to ensure the communication of a wide range of topics.

The Safer Neighbourhood approach is central to policing in Warwickshire. There are 33 Safer Neighbourhood Teams (SNTs) in the county. Police Officers, Community Support Officers, Special Constables and other volunteers work with partners to keep communities safe and improve the quality of life for local people while tackling Force and local priorities. Each SNT holds meetings at which problems and issues identified by the local community are discussed. Each SNT has a website where updates on action to tackle local priorities are posted together with details of local events, surgeries and other useful information. Members of the local community can access local crime information and provide feedback to teams or contact them directly.

5. Review of effectiveness

The Chief Constable has responsibility for an annual review of the effectiveness of the governance framework. The governance framework has been reviewed and continues to

be reviewed for its effectiveness by the Chief Constable, the Deputy Chief Constable and the joint Chief Officer Team. The work of the internal and external auditors, Her Majesty's Inspector of Constabulary (HMIC) and the Force Risk Manager and Assurance Lead Officer (who both have responsibility for the development and maintenance of the governance environment) inform the review of effectiveness. A significant input is taken from priorities identified in the annual planning cycle.

The HMIC, through the annual value for money inspection and the external auditors through the annual audit of the statement of accounts assess whether the Force is on target to achieve savings targets that have been set out in the Medium Term Financial Plan.

The work of the internal and external audit and inspection agencies will continue to inform the development of the governance framework as the Alliance arrangements continue to develop during the coming year.

6. Significant governance issues

The Chief Officers of Warwickshire and West Mercia have identified that the two greatest risks to the two Forces at this time are:

- The possibility that the savings required in this or any future Medium Term Financial Plan might not be delivered.
- The risk of a fall in morale and motivation amongst police officers and police staff undergoing significant change

Both of these risks have the potential to impinge on our ability to deliver effective policing. I am satisfied that focus on these areas will ensure that the savings required are delivered and police officers and police staff will remain effective in the new policing model.

The two risks are being mitigated as follows;
Medium Term Financial Plan

- Monthly reports are provided by the Director of Finance to the Executive Board. The report outlines the current financial position and will provide an early warning should any substantive risks be identified.

Morale and motivation

- A report derived from contact with groups representing Officers and Staff from both Forces was prepared for the Head of People Services in April 2013 by the Risk Manager.
- The Head of People Services presented a Strategic Risk Response to Management Group in July 2013. Further reports are given as appropriate.
- The Executive Board agreed in October 2013 to the implementation of a cultural change programme from spring 2014 in order to achieve a shared culture for the Alliance.
- The Executive Board agreed, in October 2013, to a series of recommendations to manage the health and well-being of our staff

- HR is ensuring the Management of Change policy and practice is applied consistently and fairly across the Alliance.
- The Risk Manager is ensuring that the Alliance reviews its compliance to the Management of Stress Policy and a report will be made in April 2014 to the Head of People Services who, in turn, will bring the report to the Executive Board.
- The Head of People Services is liaising with key stakeholders to assess the status of the current training programme delivered via NCALT and to ensure that Occupational Health themes are clearly identified. A report will be available in April 2015.

Signed:

A handwritten signature in black ink, appearing to read 'Andrew Parker', with a large loop at the end.

Andrew Parker Chief Constable of Warwickshire Police

INDEPENDENT AUDITOR'S REPORT TO THE CHIEF CONSTABLE FOR WARWICKSHIRE

Opinion on the financial statements

We have audited the financial statements of the Chief Constable for Warwickshire for the year ended 31 March 2014 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 include the police pension fund financial statements comprising the Fund Account and the 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 2013/14.

This report is made solely to the Chief Constable for Warwickshire in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Chief Constable 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 the Director of Finance's 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, 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 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 2014 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 2013/14 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 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;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any 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 his 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 his 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.

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 his use of resources. We are not required to consider, nor have we considered, whether all aspects of the Chief Constable's arrangements for securing economy, efficiency and effectiveness in his 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 audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Chief Constable has proper arrangements for:

- securing financial resilience; and
- challenging how he 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 his use of resources for the year ended 31 March 2014.

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 his 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 2013, 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 his use of resources for the year ended 31 March 2014.

Certificate

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Police and Crime Commissioner's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion

John Gregory

Director

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

Colmore Plaza
20 Colmore Circus
Birmingham
B4 6AT

THE CHIEF CONSTABLE FOR WARWICKSHIRE POLICE'S MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year to 31 March 2014 on the useable and unusable reserves held by the Chief Constable.

Usable reserves can be applied to fund expenditure or reduce local taxation, whereas unusable reserves cannot. Unusable reserves are required to hold accounting transactions necessary to ensure the Accounts comply with the Code. The (surplus) or deficit on the Comprehensive Income and Expenditure Statement shows the true economic cost of providing the Chief Constable'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 Police Fund Balance for Council Tax setting purposes in accordance with legislation.

2013/14				
	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				
(Surplus) or deficit on provision of services (accounting basis)	1	133,018	0	133,018
Other Comprehensive Income and Expenditure				
Re-measurement of the Net Defined Benefit Liability	15	0	(42,538)	(42,538)
Total Comprehensive Income and Expenditure		133,018	(42,538)	90,480
Adjustments between accounting basis and funding basis under regulations	8	(38,210)	38,210	0
Net (Increase)/ Decrease before transfers to Earmarked Reserves		94,808	(4,328)	90,480
Commissioner's funding of resources consumed	7	(94,808)	0	(94,808)
(Increase)/Decrease in Year		0	(4,328)	(4,328)
Balance at 31 March 2014		0	864,157	864,157

2012/13				
	Notes	Police Fund Balance	Unusable Reserves	Total Chief Constable Reserves
		£000	£000	£000
Opening Balance at 1 April 2012		0	733,983	733,983
Movement in reserves during 2012/13				
(Surplus) or deficit on provision of services (accounting basis)	1	132,287	0	132,287
Other Comprehensive Income and Expenditure				
Re-measurement of the Net Defined Benefit Liability	15	0	102,728	102,728
Total Comprehensive Income and Expenditure		132,287	102,728	235,015
Adjustments between accounting basis and funding basis under regulations	8	(31,774)	31,774	0
Net (Increase)/ Decrease before transfers to Earmarked Reserves		100,513	134,502	235,015
Commissioner's funding of resources consumed	7	(100,513)	0	(100,513)
(Increase)/Decrease in Year		0	134,502	134,502
Balance at 31 March 2013		0	868,485	868,485

THE CHIEF CONSTABLE OF WARWICKSHIRE POLICE'S COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement recognises the financial resources belonging to the Commissioner 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 Comprehensive Income and Expenditure Statement includes the intra-group transfer, whereby the Commissioner's provides resources to meet the cost of day to day policing provided by the Chief Constable.

2012/13			2013/14
Gross Expenditure Re-stated		Notes	Gross Expenditure
£000			£000
37,891	Local Policing		48,258
7,659	Dealing with the Public		4,870
7,856	Criminal Justice Arrangements		6,044
5,139	Road Policing		2,743
3,458	Specialist Operations		4,131
5,278	Intelligence		5,252
32,253	Investigations		29,174
2,901	Investigative Support		2,497
2,654	National Policing		1,405
365	Corporate Costs		0
164	Non Distributed Costs		153
105,618	Cost of Services	1	104,527
38,309	Financing and Investment Income and Expenditure - Net interest on the net defined benefit liability	15	40,180
(11,640)	Home Office Grant towards the Cost of Retirement		(11,689)
132,287	Surplus/Deficit on Provision of Services		133,018
102,728	Other Comprehensive Income and Expenditure - Re-measurement of the net defined benefit liability	15	(42,538)
235,015	Total Financial Resources of the Commissioner Consumed at the Request of the Chief Constable		90,480
(100,513)	Commissioner's Funding For Resources Consumed	7	(94,808)
134,502	Total Comprehensive Income and Expenditure		(4,328)

THE CHIEF CONSTABLE OF WARWICKSHIRE POLICE'S 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 Comprehensive Income and Expenditure Statement. The net liabilities are matched by an unusable reserve held at the bottom of the balance sheet..

31 March 2013 £000	31 March 2013 Restated £000		Notes	31 March 2014 £000
866,358	0	Financial Guarantee From the Commissioner		0
866,358	0	Long Term Assets		0
2,127	0	Financial Guarantee From the Commissioner		0
0	2,675	Short term debtors – Amounts owed by PCC to CC – Share of external debtors	10	2,361
2,127	2,675	Current Assets		2,361
(2,127)	(2,127)	Short Term Creditors: Amounts due to employees for Accumulated Absences	10	(2,106)
0	(1,887)	Short term creditors – Amounts owed by CC to PCC – Share of external creditors	10	(1,716)
0	(788)	Cash equivalent – Funding balance owed by the CC to the PCC	16	(645)
(2,127)	(4,802)	Current Liabilities		(4,467)
(866,358)	(866,358)	Liability Relating to Defined Benefit Pension Schemes	15	(862,051)
(866,358)	(866,358)	Long Term Liabilities		
0	(868,485)	Total Liabilities		864,157
0	868,485	Unusable Reserves	9	864,157
0	868,485	Total Reserves		864,157

THE CHIEF CONSTABLE OF WARWICKSHIRE POLICE'S 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 Commissioner.

2012/13 £000		Notes	2013/14 £000
235,015	Total Financial Resources of the Commissioner consumed at the Request of the Chief constable		90,480
(100,513)	Commissioner's Funding For Resources Consumed	7	(94,808)
788	Adjustment for movements in debtors and creditors	10	(143)
(134,502)	Adjustment for non-cash movements – Employment liabilities	15	(4,328)
(788)	Adjustment for non-cash movements – Funding balance owed by the Chief Constable to the Commissioner	16	143
0	Movement in cash for the year		0

NOTES TO THE ACCOUNTS FOR THE CHIEF CONSTABLE OF WARWICKSHIRE POLICE

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

Note 1: AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure is by service on the face of the Comprehensive Income and Expenditure Statement and this follows best practice set out in the Service Reporting Code of Practice (SerCOP). However, the Chief Constable, on the basis of the budget report, takes decisions about resource allocation, as explained in the Foreword to the Accounts. This report is prepared on a different basis from the accounting policies used in the financial statements. The following tables reconcile the figures used for budget reporting to those contained in the Comprehensive Income and Expenditure Statement. The necessary adjustments include:

- no charges are made in relation to capital charges whereas depreciation, revaluation and impairment losses and amortisation are charged to services, in the form of a charge for the consumption of assets, in the Comprehensive Income and Expenditure Statement
- 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.

2012/13 £000		2013/14	
		£000	£000
	Group Reporting of Income and Expenditure		
1,271	Pooled Expenditure	77,058	
89,968	Non-pooled Expenditure (excluding OPCC	16,935	
0	Adjustment to the Outturn Report	(33)	
91,239	Total Expenditure		93,960
	Reconciliation of Group Reporting Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement		
91,239	Net expenditure in the reporting analysis		93,960
	Amounts in the Comprehensive Income and Expenditure Statement not reported to management		
4,433	Capital Charges	4,577	
4,841	Revaluation Loss	0	
0	Corporate & Democratic Core – Commissioner	(761)	
16,290	Current cost of pensions	20,046	
(121)	Accumulated absences	(21)	
164	Non-distributed costs	153	
25,607			23,994
	Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement		
(11,228)	Cost of pensions based on cash flows (employers contributions)	(10,459)	
0	Minimum Revenue Provision	(1,403)	
0	Revenue contributions to capital	(698)	
0	Interest payable	(867)	
			(13,427)
105,618	Cost of Services in Comprehensive Income and Expenditure Statement		104,527

Reconciliation to the Subjective Analysis.

2013/14	Group Analysis	Amounts not reported for decision making	Amounts not included in Income and Expenditure	Corporate Amounts	Total
	£000	£000	£000	£000	£000
Government grants and contributions	0	0	(11,689)	0	(11,689)
Total Income	0	0	(11,689)	0	(11,689)
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 - Commissioner	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	63,154	(24,249)	153	133,018
	Group reporting of income & expenditure				Deficit on the provision of services

2012/13 Restated	Group Analysis	Amounts not reported for decision making	Amounts not included in Income and Expenditure	Corporate Amounts	Total
	£000	£000	£000	£000	£000
Government grants and contributions	0	0	(11,640)	0	(11,640)
Total Income	0	0	(11,640)	0	(11,640)
Pooled Expenditure	1,271	0	0	0	1,271
Non-pooled Expenditure	89,968	0	0	0	89,968
Adjustment to the Outturn Report	0	0	0	0	0
Pensions current cost of service	0	16,290	0	0	16,290
Cost of pensions based on cash flows	0	0	11,228	0	(11,228)
Accumulated absences	0	(121)	0	0	(121)
Cross Charge Adjustment	0	0	0	0	0
Non distributed costs	0	0	0	164	164
Capital charge	0	9,274	0	0	9,274
Overheads charged to the Commissioner	0	0	0	0	0
Council Tax Freeze Grant Adjustment	0	0	0	0	0
Income Adjustment	0	0	0	0	0
Minimum revenue provision	0	0	0	0	0
Revenue contributions to capital	0	0	0	0	0
Net interest on the net defined benefit liability	0	38,309	0	0	38,309
Total Expenditure	91,239	63,752	(11,228)	164	143,927
Total	91,239	63,732	(22,868)	164	132,287
	Group reporting of income & expenditure				Deficit on the provision of services

Note 2: ACCOUNTING POLICIES

1. General Principles

The Statement of Accounts summarises the Chief Constable's transactions for the 2013/14 financial year and the position at the year-end of 31 March 2014. 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 2013/14 and the Service Reporting Code of Practice 2013/14 supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

2. 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.

As referred to in the Foreword to the Accounts the status of the Chief Constable has changed under the Police Reform and Social Responsibility Act 2011 (Transitional Provision) Order 2013 (Order) which permits the Chief Constable to apply Sections 21 and 22 of the Local Government Act 2003 (accounts) to their transactions as they would appear in relation to a local authority. The 2012/13 Statement of Accounts for the Chief Constable and the Group and Police and Crime Commissioner's (Commissioner) Statement of Accounts (Accounts) were prepared on the basis that this statutory provision was not in place. The effect of the Order is that the pension liability is treated in accordance with accepted practices in the Chief Constable's Accounts. The legislation is retrospective and the 2012/13 transactions have been restated on this basis.

3. 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 Group'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.

Following the adoption of the 2011 amendments to IAS 19 'Employee Benefits' by the CIPFA Code, there is a change of accounting policy arising from the implementation of revised classes of components of defined benefits costs to be recognised in the financial statements. The new classes are 'Net Interest on the Net Defined Benefit Liability' and 'Re-measurement of the Net Defined Benefit Liability'. The changes require a transfer of expenditure between these lines in the Comprehensive Income and Expenditure Statement.

The change in accounting policy is effective from 1st April 2013 and the financial statements, and appropriate notes, have been re-stated for 2012/13. The following table includes the reporting lines in the main financial statements that have been re-stated.

Restatements of the main financial statements for 2012/13

Movement in Reserves Statement – Police Fund 2012/13		
	Movement	Restated
	£000	£000
Surplus/deficit on provision of services – previously stated		0
Comprehensive Income and Expenditure deficit	132,287	
Surplus/deficit on provision of services – restated		132,287
Total Comprehensive Income and Expenditure – previously stated		0
Comprehensive Income and Expenditure deficit	132,287	
Total Comprehensive Income and Expenditure – restated		132,287
Adjustments between accounting basis and funding basis under regulations – previously stated		0
IAS19 pensions and accumulated absences	(31,774)	
Adjustments between accounting basis and funding basis under regulations – restated		(31,774)
Net increase/decrease before transfer to earmarked reserves – previously stated		0
CIES deficit and pensions/absences	100,513	
Net increase/decrease before transfer to earmarked reserves – restated		100,513
Commissioner’s funding of resources consumed – previously stated		0
Commissioner’s funding of the net increase	(100,513)	
Commissioner’s funding of resources consumed – restated		(100,513)
Movement in Reserves Statement – Unusable Reserves 2012/13		
Opening balance at 1st April – previously stated		0
Reserve transferred from the Commissioner	733,983	
Opening balance at 1st April – restated		733,983
Re-measurement of the net defined benefit liability – previously stated		0
Transfer from the Commissioner	102,728	
Re-measurement of the net defined benefit liability – restated		102,728
Adjustments between accounting basis and funding basis under regulations – previously stated		0
IAS19 pensions and accumulated absences	31,774	
Adjustments between accounting basis and funding basis under regulations – restated		31,774
Net increase/decrease before transfer to earmarked reserves – previously stated		0
Transfers and adjustments referred to above	134,502	
Net increase/decrease before transfer to earmarked reserves – restated		134,502
Balance at 31st March – previously stated		0
Sum of above adjustments (733,983 + 102,728 + 31,774)	868,485	
Balance at 31st March – restated		868,485

Comprehensive Income and Expenditure Statement 2012/13		
	Movement	Restated
	£000	£000
Financing and investment income and expenditure – previously stated		35,286
IAS19 change – accounting for return on plan assets	3,023	
Financing and investment income and expenditure – restated		38,309
Home Office Grant towards the cost of retirement – previously stated		0
Grant for 2012/13	(11,640)	
Home Office Grant towards the cost of retirement – restated		(11,640)
Surplus/Deficit on the Provision of Services – previously stated		140,904
Adjusted in respect of the above amendments	(8,617)	
Surplus/Deficit on the Provision of Services – restated		132,287
Other Comprehensive Income and Expenditure – previously stated		105,751
IAS19 change – accounting for return on plan assets	(3,023)	
Other Comprehensive Income and Expenditure – previously stated		102,728
Total Financial Resources of the Commissioner Consumed at the Request of the Chief Constable – previously stated		246,655
Adjusted for Home Office grant	(11,640)	
Total Financial Resources of the Commissioner Consumed at the Request of the Chief Constable – restated		235,015
Commissioner’s funding for resources consumed – previously stated		(112,153)
Adjusted for Home Office grant	11,640	
Commissioner’s funding for resources consumed – restated		(100,513)
Commissioner’s funding for employment liabilities – previously stated		(134,502)
Liability now remains in Chief Constable’s accounts	134,502	
Commissioner’s funding for employment liabilities – restated		0
Total Comprehensive Income and Expenditure – previously stated		0
Liability now remains in Chief Constable’s accounts	134,502	
Total Comprehensive Income and Expenditure – restated		134,502

Balance Sheet 2012/13		
	Movement	Restated
	£000	£000
Financial guarantees from the Commissioner – previously stated		866,358
Guarantee replaced by pensions reserve	(866,358)	
Financial guarantees from the Commissioner – restated		0
Long Term Assets – previously stated		866,358
Guarantee replaced by pensions reserve	(866,358)	
Long Term Assets – restated		0
Financial guarantees from the Commissioner – previously stated		2,127
Guarantee replaced by pensions reserve	(2,127)	
Financial guarantees from the Commissioner – restated		0
Short term debtors – Amounts owed by the Chief Constable to the Commissioner – previously stated		0
Employment debtors transferred from the Commissioner	2,675	
Short term debtors – Amounts owed by the Chief Constable to the Commissioner – restated		2,675
Current Assets – previously stated		2,127
Employment debtors transferred from the Commissioner	548	
Current Assets – restated		2,675
Short term creditors – Amounts owed by the Chief Constable to the Commissioner – previously stated		0
Employment creditors transferred from the Commissioner	(1,887)	
Short term debtors – Amounts owed by the Chief Constable to the Commissioner – restated		(1,887)
Cash Equivalents – Amounts owed by the Commissioner to the Chief Constable – previously stated		0
Difference between debtor and creditor balances transferred to the Chief Constable	(788)	
Cash Equivalents – Amounts owed by the Commissioner to the Chief Constable – restated		(788)
Current Liabilities – previously stated		(2,127)
Short term creditors and cash equivalents added to balance sheet	(2,675)	
Current Liabilities – restated		(4,802)
Unusable reserves – previously stated		0
Reserve to replace previous guarantees	868,485	
Unusable reserves – restated		868,485

Cash Flow Statement 2012/13		
	Movement	Restated
	£000	£000
Total resources of the Commissioner consumed at the request of the Chief Constable – previously stated		0
Required as part of statutory override	235,015	
Total resources of the Commissioner consumed at the request of the Chief Constable – restated		235,015
Commissioner’s funding for resources consumed – previously stated		0
Required as part of statutory override	(100,513)	
Commissioner’s funding for resources consumed – restated		(100,513)
Adjustment for non-cash movement in debtors and creditors – previously stated		0
Transferred from the Commissioner’s balance sheet	788	
Adjustment for non-cash movement in creditors – restated		788
Adjustment for non-cash movement in employee liabilities – previously stated		0
Required as part of statutory override	(134,502)	
Adjustment for non-cash movement in employment liabilities – restated		(134,502)
Adjustment for non-cash movement – Funding balance owed by the Chief Constable to the Commissioner - previously stated		0
Movement in debtors and creditors	(788)	
Adjustment for non-cash movement – Funding balance owed by the Chief Constable to the Commissioner - restated		(788)

The appropriate adjustments have also been made in the following Notes to the Accounts:-

Note 7: Intra-Group funding arrangements between the Commissioner and Chief Constable.

Note 8: Adjustments between accounting basis and funding basis under regulations.

Note 9: Unusable reserves

Note 16: Defined benefit pension schemes

4. Income and Cost Recognition and Intra-group Adjustment

The Commissioner 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 Comprehensive Income and Expenditure Statement includes 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 Commissioner. 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 Commissioner to the Chief Constable. This treatment forms the basis of the intra-group adjustment between the Accounts of the Commissioner and Chief Constable. However, because the Chief Constable does not have a bank account there is no actual transfer of cash between the Commissioner and Chief Constable.

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. These costs are adjusted for through the statutory override referred to in the Foreword to the Accounts and as liabilities on the Chief Constable's Balance Sheet, which are covered by unusable reserves.

5. 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.
- Expenses in relation to services received (including services provided by police officers, police staff and police community support officers) are recorded as expenditure when the services are received rather than when payments are made.

Notional transactions between the Commissioner and the Chief Constable are assumed to be settled immediately. The affect 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 Commissioner 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 police staff and pensions under the control of the Chief Constable are reflected in the Chief Constable's Accounts.

6. 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 Commissioner's cash and cash equivalents to balance with corresponding items held on the balance sheet.

7. Charges to Revenue for Non-current Assets

Services under the direction and control of the Chief Constable are debited with a capital charge equal to the following amounts to record the cost of using fixed assets during the year:

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

8. Employee Benefits

8.1 Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end whilst long-term employee benefits are those where the expected date of settlement is more than 12 months from 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, (police officers, police staff and police community support officers), and are recognised as an expense for services in the year in which employees render service to the Group. An accrual (salary plus employers National Insurance), 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, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement 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 matched by an unusable reserve.

8.2 Termination Benefits

This policy applies to members of police staff, including police community support officers, only.

Termination benefits are amounts payable as a result of a decision by the Commissioner to terminate officers 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 Comprehensive Income and Expenditure Statement when the Commissioner is demonstrably committed to the termination of the employment of an employee or group of employees or making an offer to encourage voluntary redundancy.

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 Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

8.3. Post-Employment Benefits

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

- Police Pension Scheme for Police Officers.
- Local Government Pensions Scheme for Police Staff and PCSOs 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 Group and determined by the individuals pensionable pay and pensionable service.

The Local Government Scheme and the Police Pension Scheme are accounted for as defined benefits, final salary schemes, as follows:

- the liabilities of the pension fund attributable to the Group 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 police pensions liabilities are discounted using the nominal discount rate based on government bond yield of appropriate duration plus an additional margin. Based on this methodology, the nominal discount rate at 31 March 2014 is assumed to be 4.4% a year, compared to 4.3% a year at 31 March 2013.
- the police staff liabilities are discounted to their value at current prices, using a discount rate of 4.3 % based on corporate bond yields, compared to 4.4% a year at 31 March 2013.
- the pension increase assumption as at 31 March 2014 is based on the Consumer Price Index (CPI) expectation of inflation rather than the Retail Price Index (RPI).
- the assets of the Local Government Pension fund attributable to the Group 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 2013/14 Code includes revisions as a result of the June 2011 amendments to IAS 19. These provide updated terminology and recognition requirements in respect of pension notes to the accounts including the prior year.

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 Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- **Past service cost** – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period 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 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 Group to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the 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 Police Pension Scheme 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 Police Pension Fund Regulations 2007 sets out the specific requirements for dealing with a shortfall in funding between the amounts receivable by the pensions fund for the year and the amounts payable, which are explained in the notes to the Police Pension Fund Account at the end of these Accounts.

Note that the Chief Constable, on behalf of the Commissioner and Group, 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 defined pensions benefit liability is held on the Chief Constable’s Balance sheet and is matched by an unusable reserve.

9. Jointly Controlled Operations

Jointly controlled operations are activities undertaken by a member or members of the Group, in conjunction with other organisations, where no separate entity has been created. 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 Commissioners 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.

A full explanation of the treatment of transactions and balances under the alliance has been explained fully in the Foreword to the Accounts and Note 11 to the Accounts 'Pooled Budgets and Joint Ventures'

The Commissioner is a partner in a multi-agency jointly controlled operation for the provision of two justice centres in Warwickshire. Only the Commissioner's share of the justice centres' expenditure and income is included in the financial statements. The land and buildings assets for the two justice centres are recorded in the Commissioner and Group Balance Sheets representing the Commissioner's control over these assets.

A full explanation of the transactions and balances for the justice centres is provided at Note 11 to the Accounts.

10. Leases

Rentals paid under operating leases are charged to the Chief Constable's Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis 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 commencement of the lease).

11. 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 2013/14 (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 Commissioner'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 Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Cost of Services.

12. Reserves

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

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 or the Group. These reserves are explained in the relevant disclosure notes to the accounts.

13. VAT

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.

Note 3: 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 2014 but not yet adopted by the Code.

There are a group of changes to accounting standards that affect joint ventures and group arrangement where a parent-subsidary relationship exists. The changes, when viewed collectively, seek to ensure that controlling interests are properly recognised and disclosed in the reporting entities accounts to provide investors and those with an interest in the accounts with appropriate information to aid their decision making. The changes have been considered in light of the Commissioner and Chief Constable Group arrangement where, the latter is a subsidiary of the former as well as the alliance between the two Commissioners and two Chief Constables of Warwickshire and West Mercia, which is a joint venture for shared operations, no separate legal entity has been created for the purpose of the alliance. Having evaluated these arrangements against the changes in the accounting standards it is not thought that they will have a material impact on the accounting treatments and disclosures that are already in place. Neither FRS (Financial Reporting Standard) 12 or IAS (International Accounting Standard) 28 apply because there are no investment entities as such within the Group or the alliance arrangements in place, however FRS 12 and IAS 28 are listed as part of the suite of accountings standards affecting joint arrangements:

IFRS 10 Consolidated Financial Arrangements (May 2011)

The May 2011 changes to IFRS 10 introduced new requirements on assessing the control exerted by one entity on another, in other words, where a parent-subsidary relationship exists. The control assessment determines which entities are consolidated in a parent's financial statements. This requirement does not apply to the alliance. The Commissioner and Chief Constable have been assessed and the control exercised by the Commissioner as the parent is fully disclosed in the Accounts.

IFRS 11 Joint Arrangements (May 2011)

IFRS 11 defines joint arrangements and distinguishes between those where a separate vehicle is established, referred to as a joint venture, and those where there is no separate vehicle, referred to as a joint operation. Equity accounting is required for joint ventures. This requirement does not apply to the Commissioner and Chief Constable. The alliance is already recognised as a joint venture for shared services, because there has been no separate legal entity created equity accounting is not required, the treatment and appropriate disclosures comply with the requirements of this accounting standard.

IFRS 12 Disclosures of Interest in Other Entities (May 2011)

IFRS 12 amendments define an investment entity and provide detailed application guidance on the definition. Entities that meet the definition are required to measure investments that are controlling interests in another entity, i.e. a subsidiary.

IAS 28 Investments in Associates and Joint Ventures (as amended in May 2011)

IAS 28 applies to all entities that are investors with joint control of, or significant influence over, an investee.

IAS 27 Separate Financial Statements (as amended in May 2011)

IAS 27 Sets out the requirements for preparing and presenting separate financial statements in respect of joint ventures and associates and should be considered in conjunction with IFRS 10 and IFRS 12 referred to above.

It is considered that the current treatments and disclosures in the Accounts comply with the requirements of IAS 27.

Other changes to the accounting standards that might impact on the Commissioner and Chief Constable Accounts are as follows:

IFRS 13 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.

There are also changes to:

IAS 1 Presentation of Financial Statements – (as amended in May 2011)

IAS 32 Financial Instruments Presentation – Offsetting Financial Assets and Financial Liabilities (as amended in December 2011)

It has been concluded that these accounting standards will not impact on the Accounts of the Commissioner and Chief Constable. The former deals with re-classifying 'Other Comprehensive Income' to profit or loss, which is more applicable in the private sector. The latter deals with the treatment of complex financial instruments, which neither the Commissioner or Chief Constable hold

Note 4: CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The financial statements are prepared using the accounting policies set out in Note 1; however the Commissioner 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:

Commissioner and Chief Constable Group Relationship

The allocation of transactions and balances between the Commissioner and the Chief Constable affects the values reported in the two entities' Accounts. The reader is directed to the Foreword to the Accounts, where the Group treatment has been fully explained. 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

Commissioner and Chief Constable of Warwickshire, and the alliance which also includes the Commissioner and Chief Constable for West Mercia have to be considered jointly.

Strategic Alliance (alliance)

The allocation of transactions and balances between partners within the alliance also affects the values reported in the two entities respective Accounts. The reader is directed to the Foreword to the Accounts, where the treatment under the alliance has been fully explained.

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 (Commissioner and Chief Constable) 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 determining the treatment of transactions and balances in the Group Accounts in line with accounting policies and interpretation 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 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 Commissioner and 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, 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 Service Reporting Code of Practice (SerCOP) requires income and expenditure to be categorised into nine service areas in the 'Cost of Services' section of the Comprehensive Income and Expenditure Statement. 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.

Funding

As explained in the Foreword to the Accounts, in the section dealing with the future prospects, there is a high degree of uncertainty around future funding from the government received through the funding formula. This has been accommodated in the Medium Term Financial Plan 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 Commissioner, 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.

Note 5: ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION AND UNCERTAINTY

The Accounts contain estimated figures for transactions and balances that are based on judgements and assumptions made by the Commissioner and 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 judgements, estimates and assumptions that could carry a significant risk of causing a material adjustment in the carrying amounts of assets and liabilities held in the balance sheet within the next 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 Commissioner 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 Commissioner and Chief Constable with advice and illustrations of the potential impact of the changes in assumptions.

Note 6: MATERIAL ITEMS OF INCOME AND EXPENDITURE

The actuarial gain in the Other Comprehensive Income and Expenditure section of The Comprehensive Income and Expenditure Statement is £42.5m. This is mainly responsible for the reduction in the Pensions Liability, which is held on the Balance Sheet of £862.1m at 31st March 2014.

Movements in the assets and liabilities caused by actuarial gains and losses can be both large and potentially volatile, changing from one year to the next. The reason for the actuarial loss on liabilities is changes in actuarial assumptions between the start and end of the year.

In line with relevant accounting guidance, the assumptions adopted are based on bond yields at the accounting date, and the movement in those yields over the year has increased the value placed on the liabilities. The actuarial loss on liabilities has been increased by further improvements in life expectancy. In practice, fairly small changes in the actuarial assumptions used can have quite large effects on the value placed on the liabilities. Gains and losses on actuarial valuations are not chargeable against tax under legislation.

Note 7: INTRA-GROUP FUNDING ARRANGEMENT BETWEEN THE COMMISSIONER AND CHIEF CONSTABLE

The background and principles that underpin the accounting arrangements and create the need for an intra-group adjustment have been set out in the foreword to the Accounts.

The guarantee from the Commissioner in respect of the resources consumed by the Chief Constable in 2013/14 amounts to £94.8m (2012/13 £100.5m).

Note 8: 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 Chief Constable to meet future revenue expenditure.

The Police Fund Balance is the statutory fund into which all the receipts of the Commissioner are required to be paid and out of which all liabilities of the Commissioner 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, 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 services or on capital investment.

The adjustments are made ultimately against the Police Fund Balance held by the Commissioner, however, it is appropriate to show the transactions, that the Chief Constable is in control of, within his Accounts and also show the associated adjustments between the accounting basis and funding basis in the same statement. These will be consolidated with the Commissioner's transactions in the Group and Commissioner's Accounts to provide the full picture.

Adjustments are transferred to the unusable reserves held on the Balance Sheet and which are explained at Note 9 to the Accounts.

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 primarily involving the Accumulated Absences Account		
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	21	(21)
Total Adjustments	(38,210)	38,210

2012/13	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	(54,762)	54,762
Employer's pensions contributions and direct payments to pensioners payable in the year	22,868	(22,868)
Adjustments primarily involving the Accumulated Absences Account		
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	121	(121)
Total Adjustments	(31,773)	31,773

Note 9: UNUSABLE RESERVES

The Pensions Reserve and Accumulated Absences Reserves are held by the Chief Constable and all other unusable reserves are held by the Commissioner, unusable reserves are consolidated in the Group Accounts.

The Chief Constable's unusable reserves can be summarised as follows:

31 March 2013 £000		31 March 2014 £000
866,358	Pensions Reserve	862,051
2,127	Accumulated Absences Account	2,106
868,485	Total	864,157

Pensions Reserve

Payments for the cost of retirement benefits and the associated liability are shown in the Chief Constable's Accounts. The Pensions Reserve, held by the Chief Constable 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 Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Chief Constable makes employers contributions to pension funds or eventually pays any pensions for which it is directly responsible. The Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources 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 Group can continue to meet the liability in the Chief Constable's Accounts, which is made up as follows:

2012/13 £000		2013/14 £000
731,735	Balance at 1 April	866,358
105,751	Actuarial gains or losses on pensions assets and liabilities	(39,634)
51,740	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	57,475
(11,228)	Employer's pensions contributions and direct payments to pensioners payable in the year	(10,459)
(11,640)	Employer's contribution – Pension Top-Up Grant	(11,689)
866,358	Balance at 31 March	862,051

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. toil 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.

2012/13 £000		2013/14 £000
2,248	Balance at 1 April	2,127
(121)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(21)
2,127	Balance at 31 March	2,106

Note 10: DEBTORS AND CREDITORS

Short term debtors are included in the balance sheet in respect of sums owing to the Chief Constable by the Commissioner at the financial year end.

Similarly Short term creditors are included in the balance sheet in respect of sums owing to the Commissioner and to employees by the Chief Constable at the financial year end.

Note 11: POOLED BUDGETS AND JOINT VENTURES

Alliance with Warwickshire Police

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

The governance arrangements and resulting treatment of transactions and balances has been comprehensively explained up front in the Foreword to the Accounts and this note should be read in conjunction with the Foreword.

The new policing model across Herefordshire, Shropshire, Warwickshire and Worcestershire was implemented on 1 October 2013, resulting in over 90% of all costs being pooled under the alliance, which is analysed in the table below. Costs are matched by the contributions from the counterparty so as to ensure costs are shared across the entities in line with the cost sharing arrangements, Warwickshire 31%, West Mercia 69%.

2012/13 £000		2013/14 £000
	Funding provided to the Alliance	
(1,271)	Contribution from Warwickshire	(77,058)
(2,688)	Contribution from West Mercia	(171,361)
(3,959)	Total Funding	248,419
	Expenditure	
3,702	Pay and allowances	216,117
17	Transport costs	7,162
240	Supplies and Services & Third Party Payments	24,371
3,959	Total Expenditure (pooled)	247,650
0	Other inter Force Charges for Supplies and Services	769
3,959	Total Expenditure (pooled)	248,419

East Midlands Air Support Unit and National Police Air Service

The East Midlands Air Support Unit (EMASU) was a joint operation by the Chief Constable's of Warwickshire, Staffordshire and Leicestershire, the latter providing the financial administration service for this joint unit, the three Police and Crime Commissioner's jointly owned the helicopter. Whilst the operational costs of the joint arrangement for air support are shown in the Chief Constable's Comprehensive Income and Expenditure Statement the Commissioner and Group Balance Sheet included at the 31 March 2013 within fixed assets £0.6m as the value of the Commissioner's 1/3rd share of the helicopter.

The Comprehensive Income and Expenditure Statement includes a contribution of £180,000 to the joint arrangement, which is set out in the following table. The unit includes all operating costs except for officers attached to the Unit for the period 1st April 2013 to 2nd October 2013.

2012/13 £000		2013/14* £000
	Income	
(353)	Contribution from Leicestershire	(49)
(353)	Contribution from Northamptonshire	(44)
(353)	Contribution from Warwickshire	(43)
0	Fees and Charges	(29)
(1,059)	Total Income	(165)
	Expenditure	
382	Pay and Allowances	158
48	Premises	25
742	Transport	338
36	Supplies & Services	19
0	Third Party Payments	0
1,208	Total Expenditure	540
149	Net Expenditure – (Met from EMASU Reserves)	375

* For 1st April 2013 to 2nd October 2013 only.

A new National Police Air Service (NPAS) was set up by the Home Office with effect from 1st October 2012 with administration of the service being provided by the Chief Constable of West Yorkshire. The Leicestershire, Northamptonshire and Warwickshire forces helicopter asset was formally transferred to the new national service provider on 3rd October 2013. NPAS does not constitute a jointly controlled operation and so the PCC only accounts for the expense of payments to NPAS and not for a share of the assets or liabilities. The 2013/14 accounts have therefore been adjusted to remove the Warwickshire share of year end balances relating to the East Midlands Air Support Unit.

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 short term debtor of £0.1m and a long term debtor of £0.3m, 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 Comprehensive Income and Expenditure Statement.

In 2013/14 Warwickshire paid contributions totalling £180k in respect of the period up to 1st October 2013 and subsequently received a reimbursement of £137k as its share of EMASU reserves at 1st October 2013. A reserves balance of £49k has been retained to finance the cost of works to the aircraft hanger to the satisfaction of NPAS.

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 Commissioner for Warwickshire is not the sole beneficiary or controlling partner.

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 partners' contributions. A surplus or deficit on the Justice Centre 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 Commissioner and Group Accounts.

The assets of the two Justice Centres (land and buildings) are recorded in the Commissioner and Group Balance Sheet representing the Commissioner's control over these assets. Only the Commissioner's share of the Justice Centres' total expenditure and income shown in the following table is included in the Commissioner and Group financial statements. The Commissioner provides financial administration support to the Warwickshire Justice Centres Board in the accounting system. The entire income and expenditure associated with operating the Warwickshire Justice Centres is set out in the following tables:

Northern Justice Centre

2012/13 £000		2013/14 £000
	Income	
(1,499)	Contribution from partners	(1,458)
(4)	Interest	(5)
0	Other income	(4)
(1,503)	Total Income	(1,467)
	Expenditure	
6	Pay and Allowances	36
1,467	Premises	1,344
0	Transport	1
52	Supplies & Services	50
0	Third Party Payments	2
1,525	Total Expenditure	1,433
22	Net Expenditure	(34)

Southern Justice Centre

2012/13 £000		2013/14 £000
	Income	
(2,551)	Contribution from partners	(2,744)
(1)	Interest	(2)
0	Other income	(5)
(2,552)	Total Income	(2,751)
	Expenditure	
138	Pay and Allowances	108
2,205	Premises	2,099
1	Transport	1
88	Supplies & Services	75
3	Third Party Payments	1
403	Capital Charges – loan repayment	439
2,838	Total Expenditure	2,723
286	Net Expenditure	(28)

The reserves for the Justice Centres, including the sinking fund, 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 Commissioner and Chief Constable is involved in:

RESERVE	Balance at 1 April 2012 £000	Transfers out 2012/13 £000	Transfers in 2012/13 £000	Balance at 31 March 2013 £000	Transfers out 2013/14 £000	Transfers in 2013/14 £000	Balance at 31 March 2014 £000
Sinking fund	(1,194)	373	(574)	(1,395)	31	(684)	(2,048)
General Reserve	(161)	270	(200)	(91)	0	(10)	(101)
TOTAL	(1,355)	643	(774)	(1,486)	31	(694)	(2,149)

Note 12: 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 Officers and Relevant Police Officers Emoluments:

		Salary, Fees & Allowances	Bonuses	Expenses Allowances	Benefits in Kind (e.g. car allowance)	Other Payments (Police Officers only)	Exit Packages	Pension Contribution	Total
		£	£	£	£	£	£	£	£
Chief	2013/14	136,411	0	2,150	3,592	0	0	7,868	150,021
Constable – Mr Andrew Parker	2012/13	135,656	0	2,150	4,828	0	0	31,471	174,105
Deputy Chief	2013/14	118,854	0	0	3,357	0	0	26,501	148,712
Constable	2012/13	118,110	0	0	4,026	0	0	26,347	148,483
Assistant Chief Constable Note 1	2013/14	115,907	0	0	2,564	0	0	25,694	144,165
	2012/13	0	0	0	0	0	0	0	0
Assistant Chief Constable Note 2	2013/14	105,040	0	0	24,486	0	0	22,821	152,347
	2012/13	80,801	0	0	10,548	0	0	18,592	109,941
Director of Enabling Services	2013/14	103,428	0	0	2,218	0	0	14,066	119,712
	2012/13	99,547	0	0	2,075	0	0	13,339	114,961

Notes:	
1	The ACC is occupying a temporary post.
2	Benefits in kind include relocation expenses.
-	Under the Strategic Alliance the costs of two Assistant Chief Officers from West Mercia Police and the costs of two Assistant Chief Officers from Warwickshire Police are pooled and the expenditure is shared between the two forces on the basis of Warwickshire 31% and West Mercia 69%.

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
2012/13		2013/14
46	£50,000 - £54,999	41
35	£55,000 - £59,999	26
6	£60,000 - £64,999	12
5	£65,000 - £69,999	3
2	£70,000 - £74,999	2
4	£75,000 - £79,999	5
4	£80,000 - £84,999	1
0	£85,000 - £89,999	1
2	£90,000 - £94,999	0
0	£95,000 - £99,999	0
1	£100,000 - £104,999	0
0	£105,000 - £109,999	1
0	£110,000 - £114,999	0
0	£115,000 - £119,999	1
1	£120,000 - £124,999	1
0	£125,000 - £129,999	1
0	£130,000 - £134,999	0
0	£135,000 - £139,999	0
1	£140,000 - £144,999	1
0	£145,000 - £149,000	0
107	Total	96

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

Exit Package cost band (including special payments)	Number of Exit Packages		Total cost of Exit Packages in each band	
	2012/13	2013/14	2012/13	2013/14
			£000	£000
£0 - £40,000	2	28	42	376
£40,001 - £60,000	0	1	0	47
Total	2	29	42	423

The total cost of £423k (2012/13 £42k) was met from the Comprehensive Income and Expenditure Statement. There were no compulsory redundancies. Exit packages include

charges by the Local Government Pension Fund in respect of benefits paid before normal retirement, which have been taken into account in future actuary valuations of the Local Government Pension Scheme used to determine the employers contribution rate and deficit recovery period. There are no compromise agreements covering the 2013/14 exit packages.

Note 13: EXTERNAL AUDIT COSTS

The fees payable to Grant Thornton with regard to the provision of external audit services in relation to the statutory audit of the Chief Constable's Statement of Accounts is £20,000 (2012/13 £33,000). The total fee for the statutory audit of the Group's Statement of Accounts payable to Grant Thornton is £61,380 (2012/13 £77,000). In 2013/14 a rebate of £4k was received from the Audit Commission with respect to audit costs.

Note 14: RELATED PARTIES

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

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 Commissioner has direct control over the Groups 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 Commissioner to deliver the aims and objectives set out in the Police and Crime Plan.

Warwickshire County Council administer the Local Government Pension Scheme and provide Treasury Management, Legal Services and Internal Audit services to the Group, West Midlands Police administer the police pension schemes and provide payroll services. 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	34,892	(30,581)
Local Authorities in the Policing Area	4,663	(1,095)
Other Local Authorities	1,930	0
Seconded Police Officers	0	(2,898)
Other Police Forces	4,839	(5,649)
Total	46,324	(40,223)

The Commissioner and Chief Constable participate in various partnerships with a range of public bodies, the most significant of which is the alliance with West Mercia Police. Details of the transactions with other public bodies participating in joint arrangements are set out in Note 11 to the Accounts.

Note 15: 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 police community support officers, administered locally by Warwickshire County Council. This is a funded defined benefit final salary scheme, meaning that the Commissioner and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- 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 pensions scheme and how it is 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 pensions schemes, on the Accounts. Details of how the police pensions schemes operate can be found on the Home Office website and details of how the LGPS operates can be found on the Warwickshire County Council website.

Discretionary post-employment benefits on early retirement are an unfunded defined 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 police community support officers, 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 Movement in Reserves Statement. The following transactions

have been made in the Chief Constable's Comprehensive Income and Expenditure Statement and are reversed out to the balance sheet through the Movement in Reserves Statement

2013/14	Local Government Pension Scheme £000	Police Pension Scheme 1987 £000	Police Injury Awards £000	Police Pension Scheme 2006 £000	Total £000
Comprehensive Income and Expenditure Statement					
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 on the net defined benefit liability	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 Comprehensive Income and Expenditure Statement					
- 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 Comprehensive Income and Expenditure Statement	2,305	14,950	40	546	17,841
Movement in Reserves Statement					
- Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(7,859)	(49,040)	(1,630)	(1,850)	(60,379)
Actual amount charged against the General 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

2012/13	Local Government Pension Scheme £000	Police Pension Scheme 1987 £000	Police Injury Awards £000	Police Pension Scheme 2006 £000	Total £000
Comprehensive Income and Expenditure Statement					
Cost of Services:					
- current service costs	2,860	12,230	230	970	16,290
- past service costs	54	0	110	0	164
Financing and Investment Income and Expenditure					
net interest on the net defined benefit liability	3,669	32,920	1,320	400	38,309
Total Post Employment Benefit charged to the surplus or deficit on the Provision of Service	6,583	45,150	1,660	1,370	54,763
Post-Employment Benefits charged to the Comprehensive Income and Expenditure Statement					
Re-measurement of the net defined benefit liability and return on plan assets	3,468	92,312	3,980	2,968	102,728
Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement	10,051	137,462	5,640	4,338	157,491
Movement in Reserves Statement					
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code for retirement benefits in accordance with IAS19	(6,583)	(45,150)	(1,660)	(1,370)	(54,763)
Actual amount charged against the General Fund Balance for pensions in the year					
- employers' contributions payable to the scheme	2,108	19,312	0	628	22,048
- benefits paid direct to beneficiaries	0	0	820	0	820

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amounts included in the Balance Sheet arising from the obligation in respect of defined benefit plans is as follows:-

2013/14	Local Government Pension Scheme £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)

2012/13	Local Government Pension Scheme £000	Police Pension Scheme 1987 £000	Police Injury Awards £000	Police Pension Scheme 2006 £000	Total £000
Present value of the defined benefit obligation	(92,917)	(793,990)	(32,070)	(11,290)	(930,267)
Fair Value of plan assets	63,909	0	0	0	63,909
Net liabilities arising from the defined benefit obligation	(29,008)	(793,990)	(32,070)	(11,290)	(866,358)

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation):

2013/14	Local Government Pension Scheme £000	Police Pension Scheme 1987 £000	Police Injury Awards £000	Police Pension Scheme 2006 £000	Total £000
Opening balance at 1st 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)
Curtailments	0	0	0	0	0
Closing balance 31st March	(94,053)	(789,420)	(31,380)	(12,140)	(926,993)

2012/13	Local Government Pension Scheme £000	Police Pension Scheme 1987 £000	Police Injury Awards £000	Police Pension Scheme 2006 £000	Total £000
Opening balance at 1st April	(75,277)	(675,840)	(27,250)	(7,580)	(785,947)
Current service cost	(2,860)	(12,230)	(230)	(970)	(16,290)
Interest cost	(3,669)	(32,920)	(1,320)	(400)	(38,309)
Contributions by scheme participants	(1,031)	(3,500)	0	(270)	(4,801)
Re-measurement of liabilities	(11,623)	(93,210)	(3,980)	(2,070)	(110,883)
Benefits paid	1,597	23,710	820	0	26,127
Past service costs	(54)	0	(110)	0	(164)
Curtailments					
Closing balance 31st March	(92,917)	(793,990)	(32,070)	(11,290)	(930,267)

Reconciliation of the Movements in the Fair Value of the Scheme (Plan) Assets

Reconciliation of fair value of the scheme assets	2012/13 £000	2013/14 £000
Opening balance at 1st April	54,212	63,909
Re-measurement gain/loss: The return on plan assets, excluding the amount included in net interest expense	8,155	(325)
Contributions by employer	2,108	2,202
Contributions from employees into the scheme	1,031	1,001
Benefits paid	(1,597)	(1,845)
Closing balance 31st March	63,909	64,942

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 liabilities show the underlying commitments that the Chief Constable and the Group have in the long run to pay post employment retirement benefits. However the statutory arrangements for funding the deficit mean that the financial position of the Chief Constable and the Group remains healthy:

- the deficit on the local government scheme 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 Local Government Pension Scheme by the Chief Constable in the year to 31 March 2015 is £1.8m. Expected contributions for the Police Pension Scheme by the Group in the year to 31 March 2015 are £7.1m.

Reconciliation of the Re-measurement of the Net Defined Benefit Liabilities

The analysis of the re-measurement of the net defined benefit liabilities for 2013/14 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.

2013/14	Local Government Pension Scheme £000	Police Pension Scheme 1987 £000	Police Injury Awards £000	Police Pension Scheme 2006 £000	Total £000
Changes in financial assumptions	2,222	0	0	0	2,222
Changes in demographic assumptions	(942)	0	0	0	(942)
Changes in assumptions (combined)	0	(23,740)	(620)	(930)	(25,290)
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)

2012/13	Local Government Pension Scheme £000	Police Pension Scheme 1987 £000	Police Injury Awards £000	Police Pension Scheme 2006 £000	Total £000
Changes in financial assumptions	11,686	0	0	0	11,686
Changes in demographic assumptions	0	0	0	0	0
Changes in assumptions (combined)	0	112,130	3,160	2,030	117,320
Return on plan assets	(8,155)	0	0	0	(8,155)
Experience gains and losses	(63)	(18,920)	820	40	(18,123)
Total re-measurement	3,468	93,210	3,980	2,070	102,728

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.

The assets and liabilities of the Local Government Pension Scheme, which is administered by Warwickshire County Council (County Council Fund), have been assessed by Hymans Robertson, an independent firm of actuaries. The Government Actuary's Department has assessed the liabilities for the Police Pension Scheme.

The principal assumptions used by the actuaries have been:

Local Government Pension Scheme	Police Pension Schemes		Local Government Pension Schemes	Police Pension Schemes
2012/13	2012/13		2013/14	2013/14
		Mortality assumptions		
		Longevity at 65 for current pensioners:		
21.9 years	23.4 years	Men	22.4 years	23.4 years
23.6 years	25.8 years	Women	24.4 years	25.9 years
		Longevity at 65 for future pensioners:		
22.8 years	25.7 years	Men	24.3 years	25.6 years
25.9 years	27.9 years	Women	26.6 years	28.0 years
2.80%	2.50%	Rate of CPI inflation	2.8%	2.5%
5.10%	4.75%	Rate of increase in salaries	4.6%	4.5%
2.80%	2.50%	Rate of increase in pensions	2.8%	2.5%
4.50%	4.30%	Rate for discounting scheme liabilities	4.3%	4.4%
50.00%	100.00%	Take-up of option to convert annual pension into retirement lump sum	50.00%	100.00%

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 Police Pension Scheme has no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	Total as at 31 March 2013	Split of Assets between Investment categories	Total as at 31 March 2014	Split of Assets between Investment categories
	'000	%	£'000	%
Equities	46,653	73	48,609	75
Government Bonds	11,504	18	10,158	16
Property	5,752	9	6,175	9
Total Assets	63,909	100	64,942	100

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table below. 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 of 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)	2,822	
Rate of inflation (increase or decrease by 1%)	4,163	
Rate of increase in salaries (increase or decrease by 1%)	7,062	
Rate of increase in pensions (increase or decrease by 1%)		11,429

NOTE 16: CASH FLOW STATEMENT – NON-CASH MOVEMENTS

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 and the employment liability due to employees and the pension accounts.

POLICE PENSION FUND ACCOUNT

The Chief Constable administers the Police Pension Fund Account (the Account); 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 that the Police Pension Scheme is a funded scheme, 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.

2012/13		2013/14	
£000		£000	£000
	Contributions Receivable		
	From employer		
(7,511)	- Normal	(7,125)	
(162)	- Other – Pre 74 Contributions (West Midlands)	(142)	
(610)	- Ill Health Capital Sum Income	(309)	
(3786)	From members (serving police officers)	(3,917)	
(12,069)			(11,493)
(6)	Individual Transfers In from other schemes		(73)
	Benefits Payable		
19,004	Pensions	19,947	
4,548	Commutations and Lump Sum retirement benefits	3,308	
0	Lump sum death benefits	0	
23,552			23,255
	Payments to and on account of leavers		
163	Individual transfers out to other schemes		0
11,640	Sub-total for the year before transfer from the Group of amount equal to the deficit		11,689
(11,640)	Additional funding payable by Group to meet deficit for the year		(11,689)
0	Net Amount Payable-Receivable for the year		0

NOTES TO THE POLICE PENSION FUND ACCOUNT

The principles contained in the Police and Pension Fund 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. The Pensions top-Up Grant is charged to the Chief Constable.
4. At this time the Commissioner receives all income and the amount due from the Home Office in respect of the shortfall in the Account is the responsibility of the Commissioner and has therefore been included in the Commissioner's Balance Sheet. The Commissioner directly reimburses the Police Pension Fund Account.
5. This Account does not take account of long-term liabilities to pay future pension benefits after the year end, details of the Commissioner's pension liability can be found in Group and Commissioner's 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 1st 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. The police pension schemes are administered by West Midlands Police on behalf of the Chief Constable.
9. There are no other 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.

Accumulated Absences – The 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 (Basis) – 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.

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

Budget – A statement of the Chief Constable's 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 Police and Crime Commissioner before the start of each financial year.

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

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).

Corporate and Democratic Core – Activities which the Police and Crime Commissioner 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-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.

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.

Exit Packages - Payments such as redundancy payments, either voluntary or compulsory, or early retirement payments made to employees leaving the organisation 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.

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

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

Fixed Assets – Tangible assets, such as buildings and equipment are assets

that yield benefits for a period of more than one year. Intangible fixed assets have no physical substance but provide a benefit for more than one year, e.g. computer software.

General Reserve (Reserve) – Funds set aside to be used in the future.

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

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.

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

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.

Jointly Controlled Operations – Activities undertaken by the Chief

Constable 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 Commissioner in the future, which includes Current Liabilities and Long Term Liabilities.

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.

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

Outturn – The actual amount spent in the financial year.

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

Police Authority - The Police Authority was an independent body made up of local people, which together with the Home Secretary and chief police officers were responsible for the management of policing in England and Wales. The Police Authority was abolished on 22 November 2012 following The Police and Crime Commissioner taking up their office.

Police and Crime Commissioner (The Commissioner) – 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. Commissioners 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 Police and Crime Commissioners), and set out the relationship between the Home Secretary and the English and Welsh territorial police forces.

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

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

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 Police and Crime Commissioners. The first police commissioner elections were held in November 2012, and will be held every four years thereafter.

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

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

Reserves – Monies set aside by the Authority 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.

Scheme of Delegation and, Financial and Contract Regulations 2012/13 – The Scheme of Delegation details the key roles of the Police and Crime Commissioner and those functions that are designated to the Chief Executive, Treasurer, the Chief Constable and, if appointed, the Deputy Police and Crime Commissioner. 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 Police and Crime Commissioner, the Chief Constable and their officers provide 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.

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.

Transfer Value (in or out) – 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.

