Police and Crime Commissioner Warwickshire

Statement of Accounts

2013/14

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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, Telford and Wrekin, 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.

All of the financial transactions incurred during 2013/14 and the balances as at 31 March 2014 for policing Warwickshire have been recognised and recorded in this Statement of Accounts, which sets out the financial position of the Commissioner and Commissioner's Group. The term Group refers to the consolidated Accounts of the Commissioner and his subsidiary, the Chief Constable. Where the Group position is different to that of the Commissioner this is made clear in the financial statements and / or the accompanying Notes to the Accounts.

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 meet 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.

Note 12 to the Accounts sets out an explanation of the treatment of Property, Plant and Equipment including any changes since 2012/13.

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 Commissioner and Group Accounts, which should be read alongside the Chief Constable's Statement of 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 24 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 Commissioner 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 Warwickshire Police and Crime Commissioner

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 2014 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 Commissioner and the Treasurer for the Statement of Accounts.

4. The Accounting Statements consist of:

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Group, analysed into 'usable reserves' (monies, which can be applied to fund capital expenditure or reduce local taxation) and unusable reserves. Usable reserves are available for the Group to use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations. Unusable reserves cannot be used to provide services and exist through application of accounting standards under the Code, for example the pension reserve, which matches the pension liability.

The surplus or (deficit) on the provision of services line shows the true economic cost of providing the Commissioner's services, more details of which are shown in the Comprehensive Income and Expenditure Statement.

Comprehensive Income & Expenditure Statement

This statement shows the accounting cost in year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Commissioner raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

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 Group. The net assets (assets less liabilities) are matched by the useable and un-usable reserves.

An additional Balance Sheet has been included in the financial statements to identify the restatements made in respect of 2012/13.

Cash Flow Statement

The Cash Flow reflects the changes in cash and cash equivalents during the reporting period. It shows how money is generated and used by classifying cash flows as, operating, financing and investing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations are funded by way of taxation and grant income or from recipients of services provided by the Group Investing activities represent cash outflows made to contribute to future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (e.g. borrowing) to the Group.

5. Accounting Policies

These sets 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 Group's accounts present a 'true and fair view' of the financial position and transactions of the Group.

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.

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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 IAS 19.

The Movement in Reserves Statement and the 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 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. 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.

A further prior year re-statement of the accounts for 2012/13 has been undertaken to correct the erroneous classification of Capital Grants Unapplied as Capital Grants Received in Advance in the 2012/13 balance sheet.

FINANCIAL PERFORMANCE 2013/14

Revenue Outturn

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 PCSO 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 have not been held by the Government through the funding formula and have 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 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 a 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 Mcercia 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	70,275	25.0	4,083
PCSO pay	8,872	8,052	2.9	820
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 strategies whilst the new policing model beds in. This has 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 Surplus or Deficit

The Comprehensive Income and Expenditure Statement measures the Group and Commissioner's financial performance for the year in terms of resources consumed over the last twelve months and the funding provided to finance services.

The Group Comprehensive Income and Expenditure Statement shows a deficit on the provision of services of £49.0m, whilst the Commissioner's shows a surplus of £83.9m. The reason for this is that the cost of policing and the costs associated with pensions are shown in the Chief Constable's accounts. The deficit is arrived at after accounting for costs and income in line with the Commissioner'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 Commissioner needs to be viewed from the perspective of the movement in the Police fund, as set out in the Movement in Reserves Statement, which reconciles the Comprehensive Income and Expenditure Statement to the statutory basis for determining taxation. £1.5m was transferred from earmarked reserves, as described in the previous section.

Capital Outturn

In addition to the spending on day-to-day activities, the Commissioner incurs expenditure on buildings, information technology, vehicles and other major items of specialist equipment which have a long-term useful life.

The capital programme is gradually becoming a single programme across the alliance containing some joint works; it will eventually be aligned to the single Estates, ICT and Vehicle strategies. However, each Commissioner must determine how their share of capital expenditure is financed under statute, which is set out in the Capital Regulations. The arrangements for sharing the cost and the impact on the creation or enhancement of assets has been set out earlier in the Foreword to the Accounts.

The following table shows the share of capital expenditure attributable to the Commissioner, under the alliance, which is followed by a separate table setting out the funding determinations to meet his share of capital expenditure. The capital receipt generated from the sale of joint assets to the Police & Crime Commissioner for West Mercia is used in year to fund capital expenditure. This will be matched by a corresponding charge in the Police & Crime Commissioner for Warwickshire's capital programme for assets purchased under the cross charging arrangement and vice versa. The purchase and corresponding sale of assets complies with statute and the Code.

Programme Expenditure	Original Budget Plus 2012/13 Slippage £000	Actual £000	Alliance Cross Charge Purchases £000	Total Gross Expenditure £000	%	Actual Variance Against Budget £000
Estates	5,078	291	0	291	13.0	4,787
Estates – Joint	172	0	0	0	0.0	172
ICT Replacement	1,536	486	0	486	21.8	1,050
ICT Strategy	380	97	0	97	4.4	283
ICT Strategy - Joint	2,344	633	483	1,116	50.0	1,228
Vehicles	1,489	221	19	240	10.8	1,249
Equipment - Joint	31	0	0	0	0	31
Total	**11,030**	**1,728**	**502**	**2,230**	**100.0**	**8,800**

Capital expenditure is considerably less than the original budget. Whilst some of this will slip into 2014/15, the review of the Estates and ICT strategies, in light of the requirements of the new policing model, will lead to new projects being identified and old ones that were appropriate before the alliance being removed. The impact of the review of the strategies will be built into the capital programme mid way through 2014/15.

Significant expenditure in 2013/14 has been directed to delivering the new policing model under the alliance and joining up the ICT. The Commissioner for West Mercia has been successful in a bid for funding for a 60% contribution towards this work from the Government Innovation Fund, a scheme announced in late 2013. Some of the total £0.8m grant is to meet revenue costs and part of the grant is attributable to expenditure incurred by the Commissioner for Warwickshire. Further funding has been secured from the Innovation Fund for 2014/15, which will contribute to the creation of a joint Operational Command and Control Centre to serve the alliance, the business case for which is being developed. There is the potential to secure further funding from the Innovation Fund and options are being explored.

The Commissioner is carrying £1.9 of grants and contributions on the Balance Sheet to fund the capital programme in future years.

The following table shows how the Commissioner has determined that the 2013/14 capital expenditure will be funded,

Where the Money Came From	Original Budget £000	Funding Applied £000	Alliance Cross Charge Sales £000	Total Funding Applied £000	%	Total Resources Carried forward £000
Revenue Contribution	0	698	0	698	31.3	0
Specific Grants& Contributions	0	395	0	395	17.7	140
Home Office Grant	1,081	289	0	289	13.0	1,791
Capital Receipts	1,190	411	437	848	38.0	0
Borrowing (Internally Funded)	8,759	0	0	0	0	0
Total	**11,030**	**1,793**	**437**	**2,230**	**100.0**	**1,931**

External Debt

The Commissioner finances part of his Capital Programme by borrowing. At 31st March 2014 the total external borrowing stood at £17.7m, which is well within the authorised limit for external debt for 2013/14 of £60.0m as approved by the Authority on the 12 February 2013.

The Commissioner's Capital Financing Requirement at 31st March 2014 is £24.1m, which when compared to the actual outstanding debt figure of £17.7m means that £6.4m has been funded internally to help meet capital expenditure. The cash flow position and the market rates for borrowing are monitored to decide the appropriate time to borrow funds externally.

Investments

At the 31 March 2014 the Commissioner held £29.2m invested with various institutions. These investments have been placed in line with the Treasury Management and Investment Strategy, where the priority is the security of the capital sum over and above maximising investment returns. Returns on investment continue to be modest in light of the current record low interest rates, a trend which is likely to continue during 2014/15.

Assets

In total, the value of the assets held on the Balance Sheet is falling as buildings are revalued on an existing use basis rather than depreciated replacement cost to comply with generally accepted accounting practice. Steps are taken to ensure the carrying value of assets on the Balances Sheet is not materially different from their fair value.

Policing Performance

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

> This 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**

Reserves and Balances

The Commissioner holds earmarked reserves for specific purposes and they form an integral part of the Medium Term Financial Plan as referred to later in the explanatory foreword. Reserves are being used over a number of years to achieve a well managed reduction in recurring expenditure to match the resources available. Further in-year under spends, which would normally increase reserves, will be used to minimise the need to borrow for capital purposes.

In 2013/14 budget the Commissioner also set aside monies to support; the Community Safety Fund and increase the numbers of Police Community Support Officers and Special Constables. This was mainstreamed into the budget in 2014/15 for the Commissioner's term in office.

Monies are also set aside in reserves to fund projects that have the potential to drive out savings but require up front investment to meet the potential cost of an exceptional or major operational incident.

The Commissioner monitors the level of reserves, particularly during the budget setting cycle and the Treasurer to the Commissioner is required by the Local Government Act 2003 to comment on the adequacy of reserves and the robustness of the budget. By 2018/19 it is assumed that £16.6m is a prudent level of reserves to hold in light of the current assessment of the various risks set out later in this foreword under the section 'Future Prospects'
Further analysis of the movement in earmarked reserves can be found in Note 9 to the Statement of Accounts, which shows the position as at 31 March 2014.

Pension 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 pension reserve to match the estimated liability in relation to police officer, police staff and police community support officers' retirement benefits, which at 31 March 2013 was £862.1m. 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 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 statutory 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 31, and information about the Police Pensions Fund Account can be found at the end of the Statement of Accounts

ENVIRONMENTAL ISSUES

The Commissioner 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 Commissioner has a responsibility to reduce the organisation's detrimental impact on the local environment by promoting environmental best practice and to exceed aspirations. The Commissioner 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

The 2014/15 budget is the second budget set by the Commissioner. 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, raised through the 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, 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 the Safer Neighbourhood Team, 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'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 communities of 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 resource 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 Office of the Police and Crime Commissioner's Responsibilities
The Office of The Police and Crime Commissioner for Warwickshire Police (the Commissioner) is required:

- To make arrangements for the proper administration of the Commissioner's financial affairs and to ensure that one of his officers has the responsibility for the administration of those affairs. That officer is the Treasurer to the Commissioner.
- To manage the Commissioner's affairs to secure economic, efficient and effective use of resources and safeguard the Commissioner's assets, and
- To approve the Statement of Accounts.

Ron Ball

Signed: **Date:** 30/09/14
Ron Ball - The Police and Crime Commissioner for Warwickshire

The Treasurer to the Commissioner's Responsibilities
The Treasurer to the Commissioner is responsible for the preparation of the Commissioner'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 Treasurer to the Commissioner has:

- Selected suitable accounting policies and applied them consistently
- Made judgements and estimates that were reasonable and prudent
- Complied with the Code

The Treasurer has also:

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

The Statement of Accounts for The Office of The Police and Crime Commissioner for Warwickshire and Group is duly authorised for issue on 30 June 2014 by authority of the Treasurer to the Commissioner.

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.

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 Office of the Police and Crime Commissioner for Warwickshire at 31 March 2014 and the associated income and expenditure for the year then ended.

Signed: **Date:** 30/09/14

D. Clarke

David Clarke Treasurer to the Police and Crime

Warwickshire Police and Crime Commissioner
Annual Governance Statement 2013/14

1. Introduction

This Annual Governance Statement 2013/14 reviews the first full financial year for the Police and Crime Commissioner (PCC). The statement reflects the governance framework established and delivered by the Office of the Police and Crime Commissioner (OPCC).

2. Scope of Responsibility

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

In discharging this overall responsibility, the PCC is responsible for putting in place proper arrangements for the governance of his offices affairs and facilitating the exercise of its functions, which includes ensuring a sound system of internal control is maintained through the year and that arrangements are in place for the management of risk. In exercising this responsibility, the PCC places reliance on the Chief Constable to support the governance and risk management processes.

The OPCC reviews policies and procedures on a regular basis. All of the documents are consistent with the principles of the CIPFA/SOLACE Framework: *"Delivering Good Governance in Local Government. (Guidance Note for Police)"* and are available on our website *www.warwickshire-pcc.gov.uk* or can be obtained from the Office of the PCC at 3 Northgate Street, Warwick CV34 4SP.

This statement explains how the PCC has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit 2011(England) Regulations in relation to the publication of a statement on internal control.

In developing the PCC Annual Governance Statement reliance has been placed on the governance processes within Warwickshire Police (WP), as reflected in the WP Annual Governance Statement which is published alongside the accounts of the PCC.

3. The Purpose of the Governance Framework

The governance framework comprises the systems, processes, culture and values by which the OPCC is directed and controlled and its activities through which it accounts to and engages with the community. It enables the OPCC to monitor the achievement of its 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 to the achievement of the OPCC's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them effectively, efficiently and economically.

4. The Governance Framework

This statement sets out how the organisations are conducted, using the six good governance core principles[1] as the structure for setting out the statutory framework and local arrangements.

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

The PCC has issued *a* ***Police and Crime Plan***. It outlines the police and crime objectives (outcomes) and the strategic direction for the policing of the Force area.

Collaboration agreements set out those areas of business to be undertaken jointly with other Forces and Local Policing Bodies, whether to reduce cost, increase efficiency or increase capability to protect local people.

A ***Medium Term Financial Plan (MTFP)*** has been developed to support delivery of the Police and Crime Plan.

A ***grants framework*** has been developed by the PCC.

The **Corporate Governance Framework** sets out the principles behind how decisions will be taken by the PCC and Chief Constable and the standards to be adopted

4.2 Working together to achieve a common purpose with clearly defined functions and roles

The Act[2] sets out ***the functions of the PCC and Chief Constable*** and the protocol[3] sets out how these functions will be undertaken to achieve the outcomes of the Police and Crime Plan.

The Act requires the PCC to have ***a Chief Executive and Chief Finance Officer [4](the Treasurer)***. The Chief Executive will be the head of paid service and undertake the responsibilities of monitoring officer[5].

The Act requires the Chief Constable to appoint ***a Chief Finance Officer***[6] ***(the Director of Finance)***.

The ***Financial Management Code of Practice*** and ***statements of roles[7]*** set out the responsibilities of Chief Finance Officers for both the PCC and the Chief Constable, and of the Chief Executive.

The ***Scheme of Corporate Governance*** highlights the parameters for key roles in the organisations including delegations or consents from the PCC and Chief Constable, financial regulations and contracts.

An independent ***Joint Audit Committee*** will operate in line with Chartered Institute of Public Finance and Accountancy (CIPFA) guidance and within the guidance of the Financial Management Code of Practice[8].

4.3 Promoting the values of the Office of the PCC and Police Force and demonstrating the values of good governance through upholding high standards of conduct and behaviour

The Policing Protocol 2011 requires all parties to abide by the seven ***principles of public life***[9] and these will be central to the conduct and behaviour of all. Those principles are:

Selflessness Holders of public office should act solely in terms of the public interest.

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[1] Good Governance Standard For Public Services, 2005
[2] PRSRA11, s5 – 8,
[3] Policing Protocol Order 2011
[4] PRSR Act, sch 1, p6,
[5] Local Government and Housing Act, s5,
[6] PRSR Act 2011, sch 2 p4.
[7] Financial Management Code of Practice for the Police, s4, CIPFA Statement on the Role of Chief Finance Officers, APACE Statement on the Role of the Chief Executive
[8] Financial Management Code of Practice for the Police, s11.1.3
[9] Standards in Public Life, 2005 as amended by the 14th report of the Committee on Standards in Public Life

Integrity Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.
Objectivity Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.
Accountability Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.
Openness Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.
Honesty Holders of public office should be truthful.
Leadership Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.
The Protocol also highlights the expectation that the relationship between all parties will be based upon the principles of goodwill, professionalism, openness and trust.
Officers, police support staff and staff of the OPCC will operate within:

- Office of the PCC and Police Force policy and procedures,
- corporate governance framework,
- conduct regulations and codes of conduct.

The Financial Management Code of Practice requires the PCC and Chief Constable to ensure that the ***good governance principles*** are embedded in the way the organisations operate.

4.4 Taking informed and transparent decisions, which are subject to scrutiny and managing risk

The national decision model[10] is applied to spontaneous incidents or planned operations, by officers and staff within the Force as individuals or teams, and to both operational and non-operational situations.
The ***Scheme of Governance*** highlights the parameters for decision making, including the delegations, consents, financial limits for specific matters and for contracts.
The ***Risk Management Strategy*** establishes how risk is managed throughout the various elements of corporate governance of the organisations, whether operating solely or jointly.
The ***Community Engagement Strategy*** sets out how the PCC will ensure that local people are involved in decision making.
The ***publication scheme*** establishes the means by which information relating to decisions will be made available to local people, with those of greater public interest receiving the highest level of prominence, except where operational and legal constraints exist.

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

The organisations' ***training strategies*** set the climate for continued development of individuals. The respective performance development review processes will ensure that these strategies are turned into reality for officers and members of staff.

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

The protocol[11] highlights that the PCC is ***accountable to local people*** and draws on this mandate to set and shape the strategic objectives for the force area in consultation with the Chief Constable.

[10] Single National Decision Model (NDM) for the Police Service. ACPO July 2011
[11] Policing Protocol Order 2011, art14

The ***Police and Crime Plan*** sets out what the strategic direction and priorities are and how it will be delivered.
To complement this the ***Community Engagement Strategy*** sets out how local people will be involved with the PCC and the Chief Constable to ensure they are part of decision making, accountability and future direction.
The PCC and Chief Constable will develop arrangements for effective engagement with key ***stakeholders***, ensuring that where appropriate they remain closely involved in decision making, accountability and future direction.
The **annual report** sets out how the PCC has exercised his functions in each financial year and the progress which has been made in the financial year in meeting the objectives set out in the Police and Crime Plan

5. Review of effectiveness

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

- The system of internal audit
- The system of internal control

The governance framework within the OPCC is reviewed regularly and influenced by the internal and external audit reviews for its effectiveness by the PCC, Chief Executive and Chief Finance Officer. The roles and processes applied in maintaining and reviewing the effectiveness of the governance framework are outlined below: -

5.1. OPCC

The OPCC has overall responsibility for the discharge of all the powers and duties placed on it and has a statutory duty to ‘maintain an efficient and effective police force’. The review and maintenance of the governance framework is undertaken by the Joint Audit Committee who discuss governance issues, referring reports to the PCC when as necessary.

5.2. Warwickshire Police

The Chief Constable has responsibility for conducting a review of the effectiveness of the governance framework within the Force at least annually. This review is informed by the work of senior officers and managers, the Head of Internal Audit and the Risk and Assurance managers within the Force who have responsibility for the development and maintenance of the governance environment. In preparing the Annual Governance Statement the officers of the OPCC have placed reliance on this review and the Force’s resulting Annual Governance Statement.

5.3 Joint Audit Committee

The Joint Audit Committee receives regular reports on governance issues. This will include the review of the Annual Governance Statement for publication with the Annual Statement of Accounts and update reports on progress made in addressing significant governance issues included in it.

5.4 Head of Internal Audit

In maintaining and reviewing the governance framework, the PCC and Chief Finance Officer places reliance on the work undertaken by Internal Audit and in particular, the Head of Internal Audits independent opinion on the adequacy and effectiveness of the system of internal control. The Head of Internal Audit is of the opinion, taking into account all available evidence that the organisation’s control environment provides “substantial assurance” that the significant risks facing the organisation are being addressed. The internal audit service is compliant with all CIPFA and industry requirements and standards. The Audit Committee reviews (and will review) internal audit performance.

5.5 External Audit

External Audit are an essential element in ensuring public accountability and stewardship of public resources and the corporate governance of the PCC services, with their Annual Governance Report particularly providing comment on financial aspects of corporate governance, performance management, value for money and other reports.

In addition to the above other review/assurance mechanisms such as Her Majesty's Inspectorate of Constabulary who are charged with promoting the effectiveness and efficiency of policing, improving performance and sharing good practice nationally are relied upon.

6. Significant Governance Issues

We do not consider there to be "significant governance issues", according to the CIPFA definition. However, whilst much work was carried out in drawing up revised governance arrangements for the Office of the PCC, efforts will continue during 2014/15 in the following areas:

- Developing and supporting the role of the Joint audit committee.
- Developing risk management – Continual review and development of the risk management process ensuring it is relevant to the Office of the PCC.
- Refining governance structures – governance structures will be monitored and revised in the light of experience and need. This will involve implementation of the overarching Code of Corporate Governance which is then reviewed at least annually.
- Developing a Commissioning Strategy, including the development of the Victims commissioning process which the PCC is responsible for.
- The PCC and the Chief Constable will implement the Code of Ethics which will set and provide a framework for upholding high standards of conduct and behaviour.

We propose over the coming year to take steps to address the above matters to enhance our governance arrangements further.

Signed:

Ron Ball
The Police and Crime Commissioner

Neil Hewison
Chief Executive
Warwickshire OPCC

INDEPENDENT AUDITOR'S REPORT TO THE POLICE AND CRIME COMMISSIONER FOR WARWICKSHIRE

Opinion on the financial statements

We have audited the financial statements for the Police and Crime Commissioner for Warwickshire for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Group and Police and Crime Commissioner for Warwickshire's Movement in Reserves Statements, the Group and Police and Crime Commissioner for Warwickshire's Comprehensive Income and Expenditure Statements. The Group and Police and Crime Commissioner for Warwickshire's Balance Sheets, the Group and Police and Crime Commissioner for Warwickshire's Cash flow statements 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 Police and Crime Commissioner 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 Police and Crime Commissioner for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Treasurer and auditor

As explained more fully in the Statement of the Treasurer's Responsibilities, the Treasurer 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 Police and Crime Commissioner Single Entity and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Treasurer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword and the annual report 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 Police and Crime Commissioner for Warwickshire as at 31 March 2014 and of his expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group 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 and the content of the Annual Report 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 Police and Crime Commissioner 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 Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Police and Crime Commissioner and the auditor

The Police and Crime Commissioner 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 Police and Crime Commissioner 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 Police and Crime Commissioner 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 Police and Crime Commissioner’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 Police and Crime Commissioner 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 Police and Crime Commissioner 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 Police and Crime Commissioner 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 Police and Crime Commissioner 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
30 September 2014

MAIN FINANCIAL STATEMENTS

THE GROUP AND POLICE AND CRIME COMMISSIONER FOR WARWICKSHIRE'S MOVEMENT IN RESERVES STATEMENTS

These statements shows the movement in the year to 31 March 2014 on the useable and unusable reserves held by the Commissioner and the Group.

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 on the Comprehensive Income and Expenditure Statement shows the true economic cost of providing the Commissioner and Group 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. The 'Net (Increase)/Decrease before transfers to earmarked reserves' line shows the statutory Police Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Commissioner/ Group.

THE GROUP

2013/14	Notes	Police Fund Balance	Earmarked Police Fund Reserves	Capital Grants Unapplied Reserve	Total Usable Reserves	Unusable Reserves	Total Group Reserves
		£000	£000	£000	£000	£000	£000
Opening Balance at 1 April 2013		**(2,000)**	**(28,310)**	**(973)**	**(31,283)**	**791,528**	**760,245**
Movement in reserves during 2013/14							
(Surplus) or deficit on provision of services (accounting basis)	1	49,048	0	0	49,048	0	49,048
Other Comprehensive Income and Expenditure							
Surplus/Deficit on revaluation of PPE		0	0	0	0	823	823
Re-measurement of the Net Defined Benefit Liability	31	0	0	0	0	(42,538)	(42,538)
Total Comprehensive Income and Expenditure		**49,048**	0	**0**	**49,048**	**(41,715)**	**7,333**
Adjustments between accounting basis and funding basis under regulations	8	(51,902)	0	(818)	(52,720)	52,720	0
Net (Increase)/ Decrease before transfers to Earmarked Reserves		**(2,854)**	0	**(818)**	**(3,672)**	**11,005**	**7,333**
Transfers to/from Earmarked Reserves	9	(1,146)	1,146	0	0	0	0
(Increase)/Decrease in Year		**(4,000)**	**1,146**	**(818)**	**(3,672)**	**11,005**	**7,333**
Balance at 31 March 2014		**(6,000)**	**(27,164)**	**(1,791)**	**(34,955)**	**802,533**	**767,578**

2012/13 Re-stated	Notes	Police Fund Balance	Earmarked Police Fund Reserves	Capital Grants Unapplied Reserve	Total Usable Reserves	Unusable Reserves	Total Group Reserves
		£000	£000	£000	£000	£000	£000
Opening Balance at 1 April 2012		**(2,000)**	**(21,991)**	**(973)**	**(24,964)**	**650,594**	**625,630**
Movement in reserves during 2012/13							
(Surplus) or deficit on provision of services (accounting basis)	1	31,580	0	0	31,580	0	31,580
Other Comprehensive Income and Expenditure							
Surplus/Deficit on revaluation of PPE		0	0	0	0	308	308
Re-measurement of the Net Defined Benefit Liability	31	0	0	0	0	102,728	102,728
Total Comprehensive Income and Expenditure		**31,580**	**0**	**0**	**31,580**	**103,036**	**134,616**
Adjustments between accounting basis and funding basis under regulations	8	(37,899)	0	0	(37,899)	37,899	0
Net (Increase)/Decrease before transfers to Earmarked Reserves		**(6,319)**	**0**	**0**	**(6,319)**	**140,935**	**134,615**
Transfers to/from Earmarked Reserves	9	6,319	(6,319)	0	0	0	0
(Increase)/Decrease in Year		**0**	**(6,319)**	**(973)**	**(6,319)**	**140,935**	**134,615**
Balance at 31 March 2013		**(2,000)**	**(28,310)**	**(973)**	**(31,283)**	**791,529**	**760,245**

THE COMMISSIONER

2013/14	Notes	Police Fund Balance	Earmarked Police Fund Reserves	Capital Grants Unapplied Reserve	Total Usable Reserves	Unusable Reserves	Total Group Reserves
		£000	£000	£000	£000	£000	£000
Opening Balance at 1 April 2013		**(2,000)**	**(28,310)**	**(973)**	**(31,283)**	**(76,957)**	**(108,240)**
Movement in reserves during 2013/14							
(Surplus) or deficit on provision of services (accounting basis)	1	(83,970)	0	0	(83,970)	0	(83,970)
Other Comprehensive Income and Expenditure							
Surplus/Deficit on revaluation of PPE		0	0	0	0	823	823
Re-measurement of the Net Defined Benefit Liability		0	0	0	0	0	0
Total Comprehensive Income and Expenditure		**(83,970)**	0	**0**	**(83,970)**	**823**	**(83,147)**
Adjustments between accounting basis and funding basis under regulations	8	(13,692)	0	(818)	(14,510)	14,510	0
Commissioner's funding for Resources Consumed by the Chief Constable		94,808	0	0	94,808	0	94,808
Net (Increase)/ Decrease before transfers to Earmarked Reserves		**(2,854)**	0	**(818)**	**(3,672)**	**15,333**	**11,661**
Transfers to/from Earmarked Reserves	9	(1,146)	1,146	0	0	0	0
(Increase)/Decrease in Year		**(4,000)**	**1,146**	**(818)**	**(3,672)**	**15,333**	**11,661**
Balance at 31 March 2014		**(6,000)**	**(27,164)**	**(1,791)**	**(34,955)**	**(61,624)**	**(96,579)**

2012/13 Re-stated	Notes	Police Fund Balance	Earmarked Police Fund Reserves	Capital Grants Unapplied Reserve	Total Usable Reserves	Unusable Reserves	Total Group Reserves
		£000	£000	£000	£000	£000	£000
Opening Balance at 1 April 2012		(2,000)	(21,991)	(973)	(24,964)	(83,389)	(108,353)
Movement in reserves during 2012/13							
(Surplus) or deficit on provision of services (accounting basis)	1	(100,708)	0	0	(100,708)	0	(100,708)
Other Comprehensive Income and Expenditure							
Surplus/Deficit on revaluation of PPE		0	0	0	0	308	308
Re-measurement of the Net Defined Benefit Liability		0	0	0	0	0	0
Total Comprehensive Income and Expenditure		**(100,708)**	0		**(100,708)**	**308**	**(100,400)**
Adjustments between accounting basis and funding basis under regulations	8	(6,124)	0	0	(6,124)	6,124	0
Commissioner’s funding for Resources Consumed by the Chief Constable		100,513	0	0	100,513	0	100,513
Net (Increase)/ Decrease before transfers to Earmarked Reserves		**(6,319)**	0	**0**	**(6,319)**	**6,432**	**113**
Transfers to/from Earmarked Reserves	9	6,319	(6,319)	0	0	0	0
(Increase)/Decrease in Year		**0**	**(6,319)**	**0**	**(6,319)**	**6.432**	**113**
Balance at 31 March 2013		**(2,000)**	**(28,310)**	**(973)**	**(31,283)**	**(76,957)**	**(108,240)**

THE GROUP POLICE AND CRIME COMMISISONER FOR WARWICKSHIRE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This Statement shows the consolidated Group accounting cost and funding in the year of providing services presented in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Commissioner raises taxation to cover expenditure in accordance with regulations; this is different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement

.2012/13				Notes	2013/14		
Gross Expenditure	Gross Income	Net Expenditure Re-stated			Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000			£000	£000	£000
37,891	(4,533)	33,358	Local Policing		54,807	(1,342)	53,465
7,659	(244)	7,415	Dealing with the Public		6,539	(197)	6,342
7,856	(625)	7,231	Criminal Justice Arrangements		7,444	(783)	6,661
5,139	(1,028)	4,111	Road Policing		3,275	(849)	2,426
3,458	(648)	2,810	Specialist Operations		4,470	(306)	4,164
5,278	(389)	4,889	Intelligence		5,953	(225)	5,728
32,253	(2,400)	29,853	Investigations		31,366	(1,753)	29,613
2,901	(52)	2,849	Investigative Support		2,870	(181)	2,689
2,654	(1,733)	921	National Policing		1,619	(729)	890
1,105	(63)	1,042	Corporate and Democratic Core		1,018	(28)	990
164	0	164	Non Distributed Costs - other		153	0	153
106,358	**(11,715)**	**94,643**	**Net Cost of Policing Services**	**1**	**119,514**	**(6,393)**	**113,121**
		(928)	Other operating expenditure –(Gain)/ loss of disposal of non-current assets				35
		783	Other financing and investment income and expenditure	10			768
		38,308	Net interest on the net defined benefit liability	10			40,180
		(101,227)	Taxation and non-specific grant income	11			(105,056)
		31,579	**(Surplus) or Deficit on Provision of Services**				**49,048**
		308	(Surplus) or deficit on revaluation Property, Plant & Equipment Assets				823
		102,728	-Re-measurement of the net defined benefit liability	31			(42,538)
		103,036	**Other Comprehensive Income & Expenditure**				**(41,715)**
		134,615	**Total Comprehensive Income & Expenditure**				**7,333**

THE POLICE AND CRIME COMMISSIONER FOR WARWICKSHIRE'S COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

This Statement is prepared on the same accounting practices as the Group Comprehensive Income and Expenditure Statement on the previous page. The Commissioner's Comprehensive Income and Expenditure Statement shows gross income and expenditure of the Commissioner. The Commissioner's resources consumed at the request of the Chief Constable during 2013/14 are shown for comparative purposes.

2012/13					Notes	2013/14			
Chief Constable	The Commissioner					Chief Constable	The Commissioner		
Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure Re-stated			Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000	£000			£000	£000	£000	£000
37,891	0	(4,533)	(4,533)	Local Policing		74,000	8,659	(3,452)	5,207
7,659	0	(244)	(244)	Dealing with the Public		5,482	2,161	(689)	1,472
7,856	0	(625)	(625)	Criminal Justice Arrangements		7,261	1,860	(1,242)	618
5,139	0	(1,028)	(1,028)	Road Policing		3,717	718	(1,034)	(316)
3,458	0	(648)	(648)	Specialist Operations		4,283	457	(424)	33
5,278	0	(389)	(389)	Intelligence		5,951	946	(470)	476
32,253	0	(2,400)	(2,400)	Investigations		31,981	2,955	(2,517)	438
2,901	0	(52)	(52)	Investigative Support		2,844	503	(311)	192
2,654	0	(1,733)	(1,733)	National Policing		1,498	288	(804)	(516)
365	739	(63)	676	Corporate and Democratic Core		0	1,018	(28)	990
164	0	0	0	Non Distributed Costs - other		153	0	0	0
105,618	**739**	**(11,715)**	**(10,976)**	**Net Cost of Policing Services**	**1**	**137.170**	**19,565**	**(10,971)**	**8,594**
			(928)	Other operating expenditure-(Gain)/loss of disposal of non-current assets					35
			783	Financing and investment income and expenditure	10				768
			(89,587)	Taxation and non-specific grant income	11				(93,367)
			(100,708)	**(Surplus) or Deficit on Provision of Services**					**(83,970)**
			308	(Surplus) or deficit on revaluation Property, Plant & Equipment					823
			308	**Other Comprehensive Income & Expenditure**					**823**
			100,513	Funding to the Chief Constable for Resources Consumed	7				94,808
			113	**Total Comprehensive Income & Expenditure**					**11,661**

THE GROUP AND POLICE AND CRIME COMMISSIONER FOR WARWICKSHIRE'S BALANCE SHEETS

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Group and Commissioner. The net assets of the Group and Commissioner (assets less liabilities) are matched by the reserves held by the Group and Commissioner. Reserves are reported in two categories, as described in the Movement in Reserves Statement. The first category of reserves are usable reserves, i.e. those reserves that the Group and Commissioner may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example, the capital receipts reserve may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Group and Commissioner is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example, the revaluation reserve) where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

The balance sheet for the Group shown below includes a restatement for 2012/13 in respect of the reclassification of £973k from Capital Grants Receipts in Advance to the Capital Grants Unapplied Reserve. This has had the effect of reducing both the Net Assets and Total Reserves in the balance sheet by £973k.

The additional balance sheet for the Commissioner shown below provides re-stated figures for 2012/13 arising from the transfer of pensions and accumulated absences liabilities from the Commissioner's balance sheet to that of the Chief Constable as a result of a change in legislation together with the transfer of employment-related debtor and creditor balances at year end from the Commissioner to the Chief Constable.

THE GROUP

The Group as at 31 March 2013 £000		Notes	The Group as at 31 March2014 £000
97,051	Property, Plant & Equipment	12	78,683
1,977	Intangible Assets	13	2,224
9	Long Term Debtors		268
99,037	**Long Term Assets**		**81,175**
2,814	Assets Held for Sale	17	3,363
8,912	Short Term Debtors	15	7.404
24,667	Cash and Cash Equivalents	16	29.704
36,393	**Current Assets**		**40,471**
(1,482)	Short-term Borrowing	14	(1,378)
(7,900)	Short Term Creditors	18	(6,837)
(2,127)	Liability relating to Accumulated Absences	7	(2,106)
(11,509)	**Current Liabilities**		**(10,321)**
(17,665)	Long Term Borrowing	14	(16,712)
(866,358)	Liability Relating to Defined Benefit Pension Schemes	31	(862,051)
(143)	Capital Grants Receipts in Advance	27	(140)
(884,166)	**Long Term Liabilities**		**(878,903)**
(760,245)	**Net Assets**		**(767,578)**
(31,283)	Usable Reserves	9	(34,955)
791,528	Unusable Reserves	20	802,533
760,245	**Total Reserves**		**767,578**

THE COMMISSIONER

The Commissioner as at 31 March 2013 Original £000	The Commissioner as at 31 March 2013 Restated £000		Notes	The Commissioner as at 31 March 2014
97,051	97,051	Property, Plant & Equipment	12	78,683
1,977	1,977	Intangible Assets	13	2,224
9	9	Long Term Debtors		268
99,037	**99,037**	**Long Term Assets**		**81,175**
2,814	2,814	Assets Held for Sale	17	3,363
8,912	6,237	Short Term Debtors	15	5,043
24,667	24,667	Cash and Cash Equivalents	16	29,704
0	788	Cash Equivalent – Amount due from the Chief Constable to the Commissioner	16	645
36,393	**34,506**	**Current Assets**		**38,755**
(1,482)	(1,482)	Short-term Borrowing	14	(1,378)
(7,900)	(6,013)	Short Term Creditors	18	(5,121)
(2,127)	0	Financial Guarantee to the Chief Constable – Accumulated Absences	20	0
(11,509)	**(7,495)**	**Current Liabilities**		**(6,499)**
(17,665)	(17,665)	Long Term Borrowing	14	(16,712)
(866,358)	0	Financial Guarantee to the Chief Constable – Employment Liabilities	7	0
(143)	(143)	Capital Grants Receipts in Advance	27	(140)
(884,166)	**(17,808)**	**Long Term Liabilities**		**(16,852)**
(760,245)	**108,240**	**Net Assets**		**96,579**
(31,283)	(31,283)	Usable Reserves	9	(34,955)
791,528	(76,957)	Unusable Reserves	20	(61,624)
760,245	**(108,240)**	**Total Reserves**		**(96,579)**

THE GROUP AND POLICE AND CRIME COMMISSIONER FOR WARWICKSHIRE CASH FLOW STATEMENT

These statements shows the changes in cash and cash equivalents of the Commissioner and Group during the reporting period. The statement shows how the Commissioner 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 Commissioner are funded by way of taxation and grant income or from the recipients of services provided by the Commissioner and Chief Constable. Investing activities represent the extent to which cash outflows have been made for resources, which are intended to contribute to the Commissioner's and Chief Constable's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Commissioner.

THE GROUP

2012/13 £000		Notes	2013/14 £000
31,579	**Net (surplus) or deficit on the provision of services**	**1**	**49,048**
(39,901)	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	21	(56,056)
401	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	21	2,223
(7,921)	**Net cash flows from Operating Activities**		**(4,785)**
(244)	Investing Activities	22	(1,285)
681	Financing Activities	23	1,033
(7,484)	**Net (increase) or decrease in cash and cash equivalents**		**(5,037)**
(17,183)	Cash and cash equivalents at the beginning of the reporting period	16	(24,667)
(24,667)	**Cash and cash equivalents at the end of the reporting period**	**16**	**(29,704)**

THE COMMISSIONER

2012/13 £000		Notes	2013/14 £000
(100,708)	**Net (surplus) or deficit on the provision of services**	**1**	**(83,970)**
100,513	Commissioner's funding of resources consumed by the Chief Constable	**7**	94,808
(8,127)	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	21	(17,846)
401	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	21	2,223
(7,921)	**Net cash flows from Operating Activities**		**(4,785)**
(244)	Investing Activities	22	(1,285)
681	Financing Activities	23	1,033
(7,484)	**Net (increase) or decrease in cash and cash equivalents**		**(5,037)**
(17,183)	Cash and cash equivalents at the beginning of the reporting period	16	(24,667)
(24,667)	**Cash and cash equivalents at the end of the reporting period**	**16**	**(29,704)**

NOTES TO THE ACCOUNTS FOR THE GROUP AND POLICE AND CRIME COMMISSIONER FOR WARWICKSHIRE

The following notes contain information, which is in addition to that which is contained in the main financial statements and is intended a more 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 by service on the face of the Group Comprehensive Income and Expenditure Statement is specified by the Service Reporting Code of Practice (SerCOP). However, the Commissioner, on the basis of the budget report allocated across subjective headings, takes decisions about resource allocation, as explained in the Revenue Outturn in the Foreword to the Accounts This report is prepared on a different basis from the accounting polices 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 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.

THE GROUP

2012/13 £000		2013/14 £000	£000
	Group Reporting of Income and Expenditure		
46,492	Police officers pay	47,001	
23,540	Police staff pay	25,638	
1,456	Police pensions	1,039	
20,490	Other running costs	18,499	
2,724	Capital financing	2,968	
94,702	**Total Expenditure**		**95,145**
(127)	Interest earned		(99)
(11,715)	Other income		(7,697)
0	Adjustment to the Outturn Report		(33)
82,860	**Net Expenditure**		**87,316**
	Reconciliation of Group Reporting Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement		
82,860	**Net expenditure in the reporting analysis**		**87,316**
	Amounts in the Comprehensive Income and Expenditure Statement not reported to management		
3,718	Depreciation	3,923	
715	Amortisation of intangible assets	655	
4,841	Revaluation loss	14,092	
0	Reversal of previous Revaluation loss	(958)	
16,290	Current cost of pensions	20,045	
(121)	Accumulated absences	(21)	
164	Non distributed costs	153	
25,607			**37,889**
	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	Adjustment for Council Tax Freeze Grant	1,244	
(1,422)	Minimum revenue provision	(1,403)	
(391)	Revenue contributions to capital	(698)	
(910)	Interest payable	(867)	
127	Interest receivable	99	
(13,824)			**(12,084)**
94,643	**Cost of Services in Comprehensive Income and Expenditure Statement**		**113,121**

THE COMMISSIONER

2012/13 £000		2013/14 £000	£000
	Group Reporting of Income and Expenditure		
3,463	**Total Expenditure**	**1,152**	
(127)	Interest earned	(99)	
(11,715)	Other income	(7,697)	
0	Adjustment to the Outturn Report	0	
(8,379)	**Net Expenditure**		**(6,644)**
	Reconciliation of Group Reporting Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement		
(8,379)	**Net expenditure in the reporting analysis**		**(6,644)**
	Amounts in the Comprehensive Income and Expenditure Statement not reported to management		
0	Depreciation	3,923	
0	Amortisation of intangibles	655	
0	Revaluation loss	14,092	
0	Reversal of previous revaluation loss	(958)	
0	Corporate & Democratic Core (Treasury Management etc)	761	
0	Capital charge income from the Chief Constable	(4,578)	
0			**13,895**
	Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement		
0	Adjustment for Council Tax Freeze Grant	1,244	
(1,422)	Minimum revenue provision	0	
(391)	Revenue contributions to capital	0	
(910)	Interest payable	0	
127	Interest receivable	99	
(2,596)			**1,343**
(10,975)	**Cost of Services in Comprehensive Income and Expenditure Statement**		**8,594**

Reconciliation to Subjective Analysis

These reconciliations shows how the figures in the analysis reported for resource allocation decisions relate to the subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

THE GROUP

2013/14

2013/14	Group Analysis £000	Amounts not reported for decision making £000	Amounts not included in Income and Expenditure £000	Corporate Amounts £000	Total £000
Fees charges and other service income	(7,697)	1,244	0	0	(6,453)
Interest and investment income	(99)	0	0	0	(99)
Income from council tax	0	(33,366)	0	0	(33,366)
Government grants and contributions	0	(71,690)	0	0	(71,690)
Adjustment to the Outturn Report	(33)	0	0	0	(33)
Total Income	**(7,829)**	**(103,812)**	**0**	**0**	**(111,641)**
Police officers pay	47,001	0	0	0	47,001
Police staff pay	25,638	0	0	0	25,638
Police pensions	1,039	0	0	0	1,039
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)
Other service expenditure	18,498	0	0	0	18,498
Non distributed costs	0	0	0	153	153
Depreciation	0	3,923	0	0	3,923
Amortisation	0	655	0	0	655
Revaluation loss	0	14,092	0	0	14,092
Reversal of previous Revaluation Loss	0	(958)	0	0	(958)
Interest payments	867	0	0	0	867
Minimum revenue provision	1,403	0	(1,403)	0	0
Revenue contributions to capital	698	0	(698)	0	0
Net interest on the net defined benefit liability	0	40,180	0	0	40,180
Deferred capital receipts	0	(258)	0	0	(258)
Gain on disposal of fixed assets	0	293	0	0	293
Total Expenditure	**95,144**	**77,952**	**(12,560)**	**153**	**160,689**
Total	**87.315**	**(25,860)**	**(12,560)**	**153**	**49,048**
	Group reporting of income & expenditure				**Deficit on the provision of services**

2012/13

2012/13 Restated	Group Analysis £000	Amounts not reported for decision making £000	Amounts not included in Income and Expenditure £000	Corporate Amounts £000	Total £000
Fees charges and other service income	(11,715)	0	0	0	(11,715)
Interest and investment income	(127)	0	0	0	(127)
Income from council tax	0	(36,730)	0	0	(36,730)
Government grants and contributions	0	(64,497)	0	0	(64,497)
Total Income	**(11,842)**	**(101,227)**	**0**	**0**	**(113,069)**
Police officers pay	46,492	0	0	0	46,492
Police staff pay	23,540	0	0	0	23,540
Police pensions	1,456	0	0	0	1,456
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)
Other service expenditure	20,490	0	0	0	20,490
Non distributed costs	0	0	0	164	164
Depreciation	0	3,718	0	0	3,718
Amortisation	0	715	0	0	715
Revaluation loss	0	4,841	0	0	4,841
Interest payments	910	0	0	0	910
Minimum revenue provision	1,422	0	(1,422)	0	0
Revenue contributions to capital	391	0	(391)	0	0
Net interest on the net defined benefit liability	0	38,309	0	0	38,309
Gain on disposal of fixed assets	0	(928)	0	0	(928)
Total Expenditure	**94,701**	**62,824**	**(13,041)**	**164**	**144,648**
Total	**82,859**	**(38,403)**	**(13,041)**	**164**	**31,579**
	Group reporting of income & expenditure				**Deficit on the provision of services**

THE COMMISSIONER

2013/14

2013/14	Group Analysis £000	Amounts not reported for decision making £000	Amounts not included in Income and Expenditure £000	Total £000
Fees charges and other service income	(7,697)	1,244	0	(6,453)
Interest and investment income	(99)	0	0	(99)
Income from council tax	0	(33,366)	0	(33,366)
Government grants and contributions	0	(60,001)	0	(60,001)
Total Income	**(7,796)**	**(92,123)**	**0**	**(99,919)**
Running costs	1,152	0	0	1,152
Depreciation	0	3,923	0	3,923
Revaluation loss	0	14,092	0	14,092
Amortisation of intangible assets	0	655	0	655
Capital charge income from Chief Constables	0	0	(4,578)	(4,578)
Minimum Revenue Provision	0	0	867	867
Reversal of previous Revaluation Loss	0	(958)	0	(958)
Corporate & Democratic Core	0	761	0	761
Deferred capital receipts	0	(258)	0	(258)
Gain on disposal of fixed assets	0	293	0	293
Total Expenditure	**1,152**	**18,508**	**(3,711)**	**15,949**
Total	**(6,644)**	**(73,615)**	**(3,711)**	**(83,970)**
	Group reporting of income & expenditure			**Deficit on the provision of services**

2012/13

2012/13	Group Analysis £000	Amounts not reported for decision making £000	Amounts not included in Income and Expenditure £000	Corporate Amounts £000	Total £000
Fees charges and other service income	(11,715)	0	0	0	(11,715)
Interest and investment income	(127)	0	0	0	(127)
Income from council tax	0	(36,730)	0	0	(36,730)
Government grants and contributions	0	(64,497)	11,640	0	(52,857)
Total Income	**(11,842)**	**(101,227)**	**11,640**	**0**	**(101,429)**
Pooled expenditure	(1,271)	0	0	0	(1,271)
Non-pooled expenditure	(89,968)	0	0	0	(89,968)
Police officers pay	46,492	0	0	0	46,492
Police staff pay	23,540	0	0	0	23,540
Police pensions	1,456	0	0	0	1,456
Other service expenditure	20,490	0	0	0	20,490
Interest payments	910	0	0	0	910
Minimum revenue provision	1,422	0	(1,422)	0	0
Revenue contributions to capital	391	0	(391)	0	0
Gain on disposal of fixed assets	0	(928)	0	0	(928)
Total Expenditure	**3,462**	**(928)**	**(1,813)**	**0**	**721**
Total	**(8,380)**	**(102,155)**	**9,827**	**0**	**(100,708)**
	Group reporting of income & expenditure				**Deficit on the provision of services**

Note 2: ACCOUNTING POLICIES

1. General Principles

The Statement of Accounts summarises the Group'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 Group when preparing and presenting the financial statements. The Group 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.

A further prior year re-statement of the accounts for 2012/13 has been undertaken to correct the erroneous classification of Capital Grants Unapplied as Capital Grants Received in Advance in the 2012/13 balance sheet.

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 – The Group

Movement in Reserves Statement – Police Fund 2012/13		
	Movement	Restated
	£000	£000
Surplus/deficit on provision of services – previously stated		**28,556**
IAS19 change – return on plan assets reclassified	3,024	
Surplus/deficit on provision of services – restated		**31,580**
Total Comprehensive Income and Expenditure – previously stated		**28,556**
IAS19 change – return on plan assets reclassified	3,024	
Total Comprehensive Income and Expenditure – restated		**31,580**
Adjustments between accounting basis and funding basis under regulations – previously stated		**(34,875)**
IAS19 change – return on plan assets reclassified	(3,024)	
Adjustments between accounting basis and funding basis under regulations – restated		**(37,899)**
Movement in Reserves Statement – Capital Grants Unapplied Reserve 2012/13		
	Movement	**Restated**
	£000	**£000**
Closing balance 31st March 2013 – previously stated		**0**
Re-classification of capital grant received	(973)	
Closing balance 31st March 2013 – restated		**(973)**
Movement in Reserves Statement – Usable Reserves 2012/13		
	Movement	**Restated**
	£000	**£000**
Closing balance 31st March 2013 – previously stated		**(30,310)**
Re-classification of capital grant received	(973)	
Closing balance 31st March 2013 – restated		**(31,283)**
Movement in Reserves Statement – Unusable Reserves 2012/13		
	Movement	**Restated**
	£000	**£000**

Re-measurement of the net defined benefit liability – previously stated		**105,751**
IAS19 change – return on plan assets reclassified	(3,023)	
Re-measurement of the net defined benefit liability – restated		**102,728**
Total Comprehensive Income and Expenditure – previously stated		**106,059**
IAS19 change – return on plan assets reclassified	(3.023)	
Total Comprehensive Income and Expenditure – restated		**103,036**
Adjustments between accounting basis and funding basis under regulations – previously stated		**34,875**
IAS19 change – return on plan assets reclassified	3,024	
Adjustments between accounting basis and funding basis under regulations – restated		**37,899**

Comprehensive Income and Expenditure Statement 2012/13		
	Movement	Restated
	£000	£000
Financing and investment income and expenditure – previously stated		**36,069**
Re-analysed and amended	(36,069)	
Financing and investment income and expenditure – restated		**0**
Other Financing and Investment Income and Expenditure – previously stated		**0**
Re-analysis – excludes pensions interest	783	
Other Financing and Investment Income and Expenditure – restated		**783**
Net Interest on the Net Defined Benefit Liability previously stated		**0**
Re-analysis including return on plan assets adjustment	38,308	
Net Interest on the Net Defined Benefit Liability - restated		**38,308**
Surplus/deficit on provision of services – previously stated		**28,556**
IAS19 change – return on plan assets reclassified	3,023	
Surplus/deficit on provision of services – restated		**31,579**
Re-measurement of the net defined benefit liability – previously stated		**105,751**
IAS19 change – return on plan assets reclassified	(3,023)	
Re-measurement of the net defined benefit liability – restated		**102,728**
Total Comprehensive Income and Expenditure – previously stated		**106,059**
IAS19 change – return on plan assets reclassified	(3,023)	
Total Comprehensive Income and Expenditure – restated		**103,036**
Balance Sheet 2012/13		
	Movement	**Restated**
	£000	**£000**
Capital Grants Receipts in Advance – previously stated		**(1,116)**

Re-classification of capital grant received	973	
Capital Grants Receipts in Advance – restated		**(143)**
Long Term Liabilities – previously stated		**(885,139)**
Re-classification of capital grant received	973	
Long Term Liabilities – restated		**(884,166)**
Net Assets – previously stated		**(761,218)**
Re-classification of capital grant received	973	
Net Assets – restated		**(760,245)**
Usable Reserves – previously stated		**(30,310)**
Re-classification of capital grant received	(973)	
Usable Reserves – restated		**(31,283)**
Total Reserves – previously stated		**761,218**
Re-classification of capital grant received	(973)	
Total Reserves – restated		**760,245**

Restatements of the main financial statements for 2012/13 – The Commissioner

Movement in Reserves Statement – Police Fund 2012/13	Movement £000	Restated £000
Opening balance at 1 April 2012 – previously stated		**0**
Balance as per MIRS	(2,000)	
Opening balance at 1 April 2012 – restated		**(2,000)**
Surplus or deficit on the provision of services – previously stated		**0**
Balance as per MIRS	(100,708)	
Surplus or deficit on the provision of services – restated		**(100,708)**
Total Comprehensive Income and Expenditure – previously stated		**0**
Balance as per MIRS	(100,708)	
Total Comprehensive Income and Expenditure – restated		**(100,708)**
Adjustments between accounting basis and funding basis under regulations – previously stated		**0**
Balance as per MIRS	(6,124)	
Adjustments between accounting basis and funding basis under regulations – restated		**(6,124)**
Commissioner funding for Resources Consumed by the Chief Constable – previously stated		**0**
Balance as per MIRS	100,513	
Commissioner funding for Resources Consumed by the Chief Constable – restated		**100,513**
Net Increase/Decrease before transfers to Earmarked Reserves – previously stated		**0**
Balance as per MIRS	(6,319)	

Net Increase/Decrease before transfers to Earmarked Reserves – restated		**(6,319)**
Transfers to/from Earmarked Reserves – previously stated		**0**
Balance as per MIRS	6,319	
Transfers to/from Earmarked Reserves – restated		**6,319**
Movement in Reserves Statement – Earmarked Police Fund Reserves 2012/13		
	Movement	**Restated**
	£000	**£000**
Transfers to/from Earmarked Reserves – previously stated		**0**
Balance as per MIRS	(6,319(	
Transfers to/from Earmarked Reserves – restated		**(6,319)**
Movement in Reserves Statement – Capital Grants Unapplied Reserve 2012/13		
	Movement	**Restated**
	£000	**£000**
Opening balance at 1 April 2012 – previously stated		**0**
Balance as per MIRS	(973)	

Opening balance at 1 April 2012 – restated		**(973)**
Closing balance at 31 March 2013 – previously stated		**0**
Balance as per MIRS	(973)	
Closing balance at 31 March 2013 – restated		**(973)**
Movement in Reserves Statement – Unusable Reserves 2012/13		
	Movement	**Restated**
	£000	**£000**
Opening balance at 1 April 2012 – previously stated		**791,528**
Balance as per MIRS excludes pensions and absences reserves	(874,917)	
Opening balance at 1 April 2012 – restated		**(83,389)**
Re-measurement of the Net Defined Benefit Liability – previously stated		**105,751**
Transferred to Chief Constable	(105,751)	
Re-measurement of the Net Defined Benefit Liability – restated		**0**
Total Comprehensive Income and Expenditure – previously stated		**106,059**
As above	(105,751)	
Total Comprehensive Income and Expenditure – restated		**308**
Adjustments between accounting basis and funding basis under regulations – previously stated		**34,875**
Balance as per MIRS	(28,751)	
Adjustments between accounting basis and funding basis under regulations – restated		**6,124**
Net Increase/Decrease before transfers to Earmarked Reserves – previously stated		**140.934**
Total of the two adjusted figures above	(134,502)	
Net Increase/Decrease before transfers to Earmarked		**6,432**

Reserves – restated		
Increase/Decrease in Year – previously stated		**0**
Balance as per MIRS	6,432	
Increase/Decrease in Year – restated		**6,432**

Comprehensive Income and Expenditure Statement 2012/13		
	Movement	Restated
	£000	£000
Funding to the Chief Constable for Employment Liabilities – previously stated		**134,502**
Now part of the Chief Constable's accounts	(134,502)	
Funding to the Chief Constable for Employment Liabilities – restated		**0**
Total Comprehensive Income and Expenditure – previously stated		**134,615**
As above	(134,502)	
Total Comprehensive Income and Expenditure – restated		**113**

Balance Sheet 2012/13		
	Movement	Restated
	£000	£000
Short Term Debtors – previously stated		**8,912**
Transfer to the Chief Constable's balance sheet	(2,675)	
Short Term Debtors – restated		**6,237**
Cash Equivalent – Amount due from the Chief Constable to the Commissioner – previously stated		**0**
Balance of transferred debtors and creditors	788	
Cash Equivalent – Amount due from the Chief Constable to the Commissioner – restated		**788**
Current Assets – previously stated		**36,393**
Debtors and cash equivalents adjustments above	(1,887)	
Current Assets – restated		**34,506**
Short Term Creditors – previously stated		**(7,900)**
Transfer to the Chief Constable's balance sheet	1,887	
Short Term Creditors – restated		**(6,013)**
Financial Guarantee to the Chief Constable – Accumulated Absences – previously stated		**(2,127)**
Transfer to the Chief Constable's balance sheet	2,127	
Financial Guarantee to the Chief Constable – Accumulated Absences – restated		**0**
Current Liabilities – previously stated		**(11,509)**
Creditors and accumulated absences adjustments above	4,014	
Current Liabilities – restated		**(7,495)**
Financial Guarantee to the Chief Constable – Employment		**(866,358)**

Liabilities – previously stated		
Transferred to the Chief Constable's balance sheet	866,358	
Financial Guarantee to the Chief Constable – Employment Liabilities – restated		**0**
Long Term Liabilities – previously stated		**(884,166)**
Financial Guarantee not now required	866,358	
Long Term Liabilities – restated		**(17,808)**
Net Assets – previously stated		**(760,245)**
Net effect of the above balance sheet adjustments	868,485	
Net Assets – restated		**108,240**
Unusable Reserves – previously stated		**791,528**
Pensions and absences reserves transferred to the Chief Constable	(868,485)	
Unusable Reserves – restated		**(76,957)**
Total Reserves – previously stated		**760,245**
Pensions and absences reserves transferred to the Chief Constable	(868,485)	
Total Reserves – restated		**(108,240)**

Cash Flow Statement 2012/13		
	Movement	**Restated**
	£000	**£000**
Net surplus or deficit on the provision of services – previously stated		**0**
Figure per Comprehensive Income and Expenditure Statement	(112,348)	
Net surplus or deficit on the provision of services – restated		**(112,348)**
Commissioner's funding of resources consumed by the Chief Constable – previously stated		**0**
Non-cashable funding adjustment	100,513	
Commissioner's funding of resources consumed by the Chief Constable – restated		**100,513**
Adjustment to the net surplus or deficit on the provision of services for non-cash movements – previously stated		**0**
As per the cash flow statement	(8,127)	
Adjustment to the net surplus or deficit on the provision of services for non-cash movements – restated		**(8,127)**
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities – previously stated		**0**
Figure identical to the Group Cash Flow Statement	401	
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities – restated		**401**
Net cash flows from Operating Activities – previously stated		**0**

Total of the movements set out above	(7,921)	
Net cash flows from Operating Activities – restated		**(7,921)**
Investing Activities – previously stated		**0**
Figure identical to the Group Cash Flow Statement	(244)	
Investing Activities – restated		**(244)**
Financing Activities – previously stated		**0**
Figure identical to the Group Cash Flow Statement	681	
Financing Activities – restated		**681**
Net increase or decrease in cash and cash equivalents – previously stated		**0**
Total from operating, investing and financing activities above	(7,484)	
Net increase or decrease in cash and cash equivalents – restated		**(7,484)**

The appropriate adjustments have also been made in the following Notes to the Accounts:-
Note 1: Amounts reported for resource allocation decisions
Note 7: Intra-group arrangements between the Commissioner and Chief Constable
Note 8: Adjustments between accounting basis and funding basis under regulations
Note 10: Financing and investment income and expenditure
Note 18: Creditors
Note 20: Unusable reserves
Note 31: 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:

- Revenue from the sale of goods is recognised when the Group transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Group.
- Revenue from the provision of services is recognised when the Group can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Group.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by police officers, police staff and police community support officers) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

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.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

7. Charges to Revenue for Non-current Assets

Services are debited with the following amounts to record the cost of holding 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.

The Group is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Group in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the Police Fund Balance (Minimum Revenue Provision), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two. Further information can be found in the Treasury Management Strategy available on the Commissioner's website.

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 PCSOs), 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 PCSOs 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 can no longer withdraw the offer of those benefits or when the Commissioner recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the Police Fund Balance to be charged with the amount payable by the Group to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the 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 PCSOs 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 including 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 4.5% 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 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. Financial Instruments

9.1 Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Group becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For the straightforward borrowings that the Group has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

The Group has not entered into the repurchase or early settlement of borrowing.

9.2 Financial Assets

The Group holds loans and receivables, assets that have fixed or determinable payments but are not quoted in an active market; it does not hold available for sale assets.

Loans and receivables are recognised on the Balance Sheet when the Group becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Group has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

The Group has not impaired, or incurred gains or losses, on recognition of loans and receivables during the year.

10. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Group when there is reasonable assurance that:

- the Group will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Group are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, the grant conditions must be adhered to and specific outputs, or future economic benefits or service potential delivered, otherwise the grant sum, must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

11. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Group as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Group.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and intended to be completed (with adequate resources being available) and the Group will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised). Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Group's services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Group can be determined by reference to an active market. The depreciable amount of all intangible assets is amortised over their useful lives to the Cost of Services in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the Cost of Services in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

12. Jointly Controlled Operations and Jointly Controlled Assets

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

The alliance with West Mercia Police bodies is a jointly controlled operation, which lies at the heart of the policing model and governance of the 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. Assets created or developed as an integral part of the alliance are also shared.

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 24 to the Accounts ‘Pooled Budgets and Joint Ventures’ the latter also contains explanation of less significant joint arrangements, including the Justice Centres.

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.

13. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. The Group has reviewed its contracts register and has determined that has no finance leasing arrangements. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

13.1 The Group as Lessee (Operating Lease)

Rentals paid under operating leases are charged to the 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 from the commencement of the lease term over the life of the lease; even if this does not match the pattern of payments (e.g. there is a rent-free period at the inception of the lease).

13.2 The Group as Lessor (Operating Lease)

Where the Group grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis from the commencement of the lease term over the life of the lease, even if this does not match the pattern of payments (e.g., there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

14. 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.

15. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and expected to be used during more than one financial year are classified as Property, Plant and Equipment.

15.1 Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Group and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

15.2 Measurement

Assets are initially measured at cost, comprising:

- the purchase price

- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

The cost of assets acquired other than by purchase is deemed to be its fair value; the Group has not acquired any assets via an exchange. The Group does not have any donated assets.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Assets Under Construction – historical cost

- Operational property – fair value, determined as the amount that would be paid for the asset in its existing use (Existing Use Value – EUV).

- Where non-property assets that have short useful lives and/or low values, depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year end, but as a minimum every five years. Valuations are carried out by qualified valuers, Lambert, Smith Hampton, the most recent being carried out as at 31 March 2014. The bases of valuation used are set out below as recommended by the Chartered Institute of Public Finance and Accountancy and in line with the Statements of Asset Valuation Practice and guidance notes of the Royal Institute of Chartered Surveyors (RICS). Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to the Cost of Services.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the Cost of Services in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

15.3 Componentisation

Componentisation will only be applied to new buildings and significant refurbishments completed after 1 April 2010 and to revaluations undertaken after 1 April 2010.

Buildings are classed as material where the cost is above the Group's materiality threshold.

The value of each component is considered in relation to the value of the asset. As a rule significant expenditure amounting to greater than 25% of the total cost will be considered for componentisation.

Expenditure on Improvements amounting to less than £250k will not be considered for componentisation.

Components of buildings are:

- Land
- Buildings Sub Structure
- Buildings Superstructure
- Plant Mechanical and electrical

The useful economic lives of each component will be advised by the valuer at the appropriate time.

15.4 Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the Cost of Services in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the Cost of Services in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss and adjusted for depreciation that would have been charged if the loss had not been recognised.

15.5 Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. Exception is made for assets without a determinable finite useful life, i.e. freehold land and assets that are not yet available for use such as assets under construction.

Depreciation is calculated on the straight-line method over:

- Buildings – the useful life of the property as estimated by the valuer
- Plant, furniture and equipment – 5 years
- Vehicles – over 3 to 7 years
- ICT equipment – 5 years

No depreciation is charged for the financial year in which an asset is acquired. A full year's depreciation charge is made for the year of asset disposal.

Where an asset has major components and the cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

15.6 Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as Held for Sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

15.7 De Minimis

The Group has agreed a de minimis level of £10,000 for the acquisition, renewal or replacement of buildings, plant and machinery or other equipment to count as prescribed capital expenditure.

16. Provisions, Contingent Liabilities and Contingent Assets

The Group does not have any contingent liabilities or contingent assets.

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

Provisions are charged as an expense to the Cost of Services in the Comprehensive Income and Expenditure Statement in the year that the Group becomes aware of the obligation, and are measured at the best estimate as at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.
When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year and where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made); the provision is reversed and credited back to the Cost of Services.

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

17. Reserves

The Group sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the Police Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the Cost of Services in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the Police Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Group. These reserves are explained in the relevant disclosure notes to the accounts.

18. 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-subsidiary 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 (jointly controlled 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 accounting 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-subsidiary 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 nor Chief Constable hold

Note 4: CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The financial statements are prepared using the accounting policies set out in Note 2; 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 has 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 interpretations of the Code.

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

Property, Plant and Equipment

The carrying values of assets on the balance sheet is determined by independent qualified valuers who produce estimates and follow standards laid down by the Royal Institute of Chartered Surveys (RICS) that in turn meet the requirements of the Code. Land and buildings are revalued at a minimum every five years and steps are taken to ensure the carrying values of various categories of assets are correct in the intervening period.

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.

The National Police Air Service (NPAS)

NPAS was established in 2012/13; however the East Midlands Air Support Unit (EMAS), which Warwickshire Police was a member of, did not transfer into NPAS until 2 October 2013. All appropriate assets and liabilities were transferred to NPAS on this date, however, rather than paying a cash lump sum for the aircraft NPAS will make an annual payment over

the remaining useful life of the aircraft at the date of transfer. However, since the Commissioner no longer owns or controls the asset we have treated this annual payment as a deferred capital receipt in line with the Code. The discount rate applied to future cash flows is based on Treasury rates contained in the Green Book and is a key judgment in this context.

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:

Property, Plant and Equipment

The basis of estimating the value of assets is referred to in the previous section. Assets are depreciated over their Useful Economic Lives (UEL), which is also determined by our valuers, based on judgements, which include assumptions about the level of repairs and maintenance that will be incurred on individual assets. These estimates are important for example, if the UEL is reduced, depreciation charged to the Comprehensive Income and Expenditure Statement would increase and the carrying value of the asset would fall.

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 EXPENSE

The actuarial gain for 2013/14 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 pension liability, which is held on the Balance Sheet, of £862.1m at the 31 March 2014.

The reason for the actuarial gain on liabilities is changes in actuarial assumptions between the start and end of year. In line with the relevant accounting guidance, the assumptions adopted are based on bond yields at the accounting date, and the movement in these yields over the year has increased the value placed on the liabilities. In practice, fairly small changes in the actuarial assumptions used can have quite large effects on the value placed on the liabilities. 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.
Gains and losses on actuarial valuations are not chargeable against tax under legislation.

The Comprehensive Income and Expenditure Statement, Cost of Services contains a £0.7m contribution to capital expenditure, which is a one-off transaction made possible through the revenue under spend and the requirement to fund capital expenditure.

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

The treatment of transactions and balances within the Group Accounts is set out in the Foreword to the Accounts.

The Intra Group funding Arrangement is eliminated on consolidation of the Group Accounts, a treatment adopted for any transactions between the Commissioner and Chief Constable.

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

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 Group in the year in accordance with proper accounting practice to resources that are specified by statutory provisions as being available to the Group to meet future capital and revenue expenditure.

The adjustments are made against the Police Fund Balance, as set out in the following table, 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 his services or on capital investment.

Adjustments are transferred from the Police Fund Balance to Unusable Reserves held on the Balance sheet; the Usable Reserves are described at Note 9 to the Accounts
.

Adjustments between Accounting Basis and Funding Basis under Regulations 2013/14

	Police Fund Balance	Capital Grants Unapplied	Capital Receipts Reserve	Unusable Reserves
	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement				
Charges for depreciation and impairment of non-current assets	(3,923)	0	0	3,923
Revaluation losses on Property, Plant & Equipment	(13,133)	0	0	13,133
Amortisation of intangible assets	(655)	0	0	655
Capital grants and contributions applied	558	0	0	(558)
Amounts of non-current assets written off on disposal or sale as part of the gain/ loss on disposal to the Comprehensive Income & Expenditure Statement	(1,266)	0	0	1,266
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement				
Statutory provision for the financing of capital investment	1,403	0	0	(1,403)
Capital expenditure charge against the General Fund	698	0	0	(698)
Adjustments primarily involving the Deferred Capital Receipts Reserve				
Reversal of deferred capital receipts credited to the CIES	258	0	0	(258)
Adjustments primarily involving the Capital Grants Unapplied Account				
Reversal of capital grants and contributions credited to the CIES	818	(818)	0	0
Adjustments primarily involving the Capital Receipts Reserve				
Transfer of cash proceeds credited to the CIES as part of the gain/loss on disposal of non-current assets to the Capital Receipts Reserve	973	0	(973)	0
Application of Capital Receipts Reserve to finance new capital expenditure	0	0	973	(973)
Adjustments primarily involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the CIES	(60,379)	0	0	60,379

Adjustments Between Accounting Basis and Funding Basis Under Regulations 2013/14 Continued……..	Police Fund Balance	Capital Grants Unapplied	Capital Receipts Reserve	Unusable Reserves
	£000	£000	£000	£000
Employers pension contributions and direct payments to pensioners payable in the year	22,148	0	0	(22,148)
Adjustments primarily involving the Collection Fund Account				
Amount by which council tax income credited to the Comprehensive Income & Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	577	0	0	(577)
Adjustments primarily involving the Accumulated Absences Account				
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	21	0	0	(21)
Total Adjustments	**(51,902)**	**(818)**	**0**	**52,720**

The following table adjusts the closing figure in the preceding table to arrive at a reconciliation of the adjustments between the accounting basis and funding basis under regulations for the Commissioner.

	Police Fund Balance	Capital Grants Unapplied	Capital Receipts Reserve	Unusable Reserves
	£000	£000	£000	£000
Total Adjustments (from the previous table)	(51,902)	(818)	0	52,720
Adjustments primarily involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the CIES	60,379	0	0	(60,379)
Employers pension contributions and direct payments to pensioners payable in the year	(22,148)	0	0	22,148
Adjustments primarily involving the Accumulated Absences Account				
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(21)	0	0	21
Total Adjustments – The Commissioner	**(13,693)**	**(818)**	**0**	**13,693**

Adjustments between Accounting Basis and Funding Basis under Regulations 2012/13

	Police Fund Balance	Unusable Reserves
	£000	£000
Adjustments primarily involving the Capital Adjustment Account		
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement		
Charges for depreciation and impairment of non-current assets	(3,718)	3,718
Revaluation losses on Property, Plant & Equipment	(4,841)	4,841
Amortisation of intangible assets	(715)	715
Capital grants and contributions applied	401	(401)
Amounts of non-current assets written off on disposal or sale as part of the gain/ loss on disposal to the Comprehensive Income & Expenditure Statement	928	(928)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement		
Statutory provision for the financing of capital investment	1,422	(1,422)
Capital expenditure charge against the General Fund	391	(391)
Adjustments primarily involving the Pensions Reserve		
Reversal of items relating to retirement benefits debited or credited to the CIES	(54,763)	54,763
Employers pension contributions and direct payments to pensioners payable in the year	22,868	(22,868)
Adjustments primarily involving the Collection Fund Account		
Amount by which council tax income credited to the Comprehensive Income & Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	7	(7)
Adjustments primarily involving the Accumulated Absences Account		
Amount by which officer remuneration charged to the CIES on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	121	(121)
Total Adjustments	**(37,899)**	**37,899**

The following table adjusts the closing figure in the preceding table to arrive at a reconciliation of the adjustments between the accounting basis and funding basis under regulations for the Commissioner.

	Police Fund Balance	Unusable Reserves
	£000	£000
Total Adjustments (from the previous table)	(37,899)	52,720
Adjustments primarily involving the Pensions Reserve		
Reversal of items relating to retirement benefits debited or credited to the CIES	54,763	(54,763)
Employers pension 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 Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(121)	121
Total Adjustments – The Commissioner	**(6,124)**	**6,124**

Note 9: TRANSFERS TO/FROM EARMARKED RESERVES

The Commissioner holds all of the Group's usable reserves. This note sets out the amounts set aside from the Police Fund Balances into earmarked reserves to provide financing for future expenditure plans and the amounts posted from earmarked reserves to meet Police Fund expenditure in 2013/14. The use of these reserves is explained in the Foreword to the Statement of Accounts. Note the reserves held on behalf of the Justice Centres are omitted from this table because they are not part of the Group and Commissioner's Accounts. The Commissioner's contribution, as a partner to the Justice Centre arrangement, forms part of the expenditure in the Comprehensive Income and Expenditure Statement and contributes to the surplus or deficit carried to the budget reserve.

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
Budget Reserve	**(17,878)**	1,644	0	**(16,234)**	13,567	(6,697)	**(9,364)**
PCC Priorities	**0**	0	0	**0**		(2,500)	**(2,500)**
Body Armour	**(113)**	14	0	**(99)**	99		**0**
Invest to Save	**(126)**	126	(1,000)	**(1,000)**	311	(2,411)	**(3,100)**
Carry Forward	**(1,105)**	1,105	0	**0**	0	0	**0**
Learning Development Centre Dilapidations	**(351)**	351	0	**0**	0	0	**0**
Insurance	**(780)**	0	0	**(780)**	780	0	**0**
Police Community Support Officers	**(909)**	0	(1,671)	**(2,580)**	2,580	0	**0**
Repair & Maintenance	**(729)**	300	0	**(429)**	429	0	**0**
Operation x	**0**	0	(4,631)	**(4,631)**	2,931	0	**(1,700)**
Operational	**0**	0	0	**0**	0	(10,500)	**(10,500)**
Development Commitments	**0**	0	(2,000)	**(2,000)**	2,000	0	**0**
National Initiatives	**0**	0	(81)	**(81)**	81	0	**0**
Capital	**0**	0	**(477)**	**(477)**	477	**0**	**0**
EARMARKED RESERVES	**(21,991)**	**3,540**	**(9,860)**	**(28,311)**	**23,255**	**(22,108)**	**(27,164)**
GENERAL RESERVES	**(2,000)**	**0**	**0**	**(2,000)**	**0**	**(4,000)**	**(6,000)**
TOTAL	**(23,991)**	**3,540**	**(9,860)**	**(30,311)**	**23,255**	**(26,108)**	**(33,164)**

The purpose for which these reserves are held is as follows:

- **Budget Reserve** will enable a contribution to be made to absorbing the planned shortfall between income and expenditure in the budget up to 31 March 2017.

- **PCC Investment Priorities Reserve** has been created to support initiatives tackling rural, business and cyber crime.

- **Body Armour Reserve** is money set aside to support the cyclical replacement of body armour.

- **Invest to Save Reserve is** to meet the cost of delivering the alliance with West Mercia Police

- **Insurance Reserve** is held primarily as a contingency against the possibility of exceptional uninsured claims, based on likely commitments. This form of self-insurance helps to minimise premiums.

- **Police Community Support Officers Reserve** holds the remaining balance of funding received from the Home Office to help sustain the number of police community support officers in the future. The Home Office has confirmed that there will be no conditional claw back of the grant already paid.

- **Repair & Maintenance Reserve is** to maintain the estate in a watertight and sound condition.

- **Operation X Reserve** is a special reserve created to address a particular issue

- **Operational Reserve is** the balance of funding identified in 2012/13 to invest in protecting the community through targeted resources on priority areas.

- **Development Commitments Reserve is** to invest in innovative community initiatives including Community Ambassadors.

- **National initiative Reserve** holds the balance of monies recovered for senior police officers activities on behalf of the Association of Chief Police Officers or where the officer is the national lead on a particular area of policing. The reserve will be used to meet future costs of similar activities where it might not be possible to recover the costs.

- **Capital Reserve** is held to support delivery of the Capital Programme.

In addition to the above earmarked reserves, the Commissioner and Group hold a Capital Grants Unapplied Reserve of £1,791k at 31st March 2014 (31st March 2013 £972k) as shown in the Movement in Reserves Statement. This is not classed as an earmarked reserve but forms part of the overall reserves available to the Group.

Note 10: FINANCING AND INVESTMENT INCOME AND EXPENDITURE

The Commissioner 2012/13 £000	The Group 2012/13 £000		The Commissioner 2013/14 £000	The Group 2013/14 £000
910	910	Interest payable	867	867
0	38,309	Net interest on the net defined benefit liability	0	40,180
(127)	(127)	Interest receivable	(99)	(99)
783	**39,092**		**768**	**40,948**

The net interest on the defined pension liability is charged to a specific line for Net Interest on the Defined Pension Liability in the Comprehensive Income and Expenditure Statement. The other items in the above table are charged to Other Financing and Investment Income in the Comprehensive Income and Expenditure Statement.

Note 11: TAXATION AND NON-SPECIFIC GRANT INCOME

2012/13 £000		2013/14 £000
(36,729)	Council tax income	(33,366)
(19,779)	National Non-domestic rates and Revenue Support Grant	(19,001)
(32,678)	Police Grant	(35,727)
(11,640)	Home Office grant towards the cost of retirement benefits	(11,689)
0	Local Council Tax Support Grant	(3,897)
(401)	Capital grants and contributions	(1,376)
(101,227)	The Group Taxation and Non-specific grant income	**(105,056)**
11,640	Less Home Office grant towards the cost of retirement benefits	**11,689**
(89,587)	The Commissioner Taxation and Non-specific grant income	**(93,367)**

Note 12: PROPERTY, PLANT AND EQUIPMENT

The Commissioner holds all the Group's property, plant and equipment. Assets are strategic in nature and are controlled by the Commissioner to achieve strategic outcomes. Assets created under the alliance with the Police and Crime Commissioner for West Mercia are jointly controlled and only the Commissioner's share is held in the Balance Sheet.

Movements in 2013/14	Land & Buildings £000	Vehicles £000	Helicopter £000	Plant, Furniture & Equipment £000	Assets Under Construction £000	Total Property, Plant & Equipment £000
Cost or valuation						
At 1 April 2013	**93,022**	**5,741**	**1,459**	**19,850**	**445**	**120,517**
Additions	264	240	0	678	372	1,554
Transfer from Assets under Construction	0	0	0	50	(603)	(553)
Revaluation increases / (decreases) recognised in the Revaluation Reserve	19	0	0	0	0	19
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	(13,134)	0	0	0	0	(13,134)
De-recognition – disposals	0	(829)	(1,459)	(109)	0	(2,397)
Assets reclassified (to)/from Held for Sale	(1,157)	0	0	0	(14)	(1,171)
At 31 March 2014	**79,014**	**5,152**	**0**	**20,469**	**200**	**104,835**
Accumulated Depreciation and Impairment						
At 1 April 2013	**(2,728)**	**(3,366)**	**(875)**	**(16,497)**	**0**	**(23,466)**
Depreciation charge						
Depreciation written out to the Revaluation Reserve	(161)	0	0	0	0	(161)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(1,446)	(982)	(146)	(1,188)	0	(3,762)
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(890)	0	0	0	0	(890)
Assets reclassified (to)/from Held for Sale	297	0	0	0	0	297
De-recognition – disposals	0	810	1,021	0	0	1,831
At 31 March 2014	**(4,928)**	**(3,538)**	**0**	**(17,685)**	**0**	**(26,151)**
Net book value at 31 March 2014	**74,086**	**1,614**	**0**	**2,784**	**200**	**78,684**
At 31 March 2013	**90,294**	**2.375**	**584**	**3,353**	**445**	**97,051**

Movements in 2012/13	Land & Buildings £000	Vehicles £000	Helicopter £000	Plant, Furniture & Equipment £000	Assets Under Construction £000	Total Property, Plant & Equipment £000
Cost or valuation						
At 1 April 2012	**101,175**	**5,228**	**1,459**	**18,409**	**1,415**	**127,686**
Additions	0	990	0	1,441	2,115	4,546
Transfer from Assets under Construction	1,111	26	0	0	(3,023)	(1,886)
Revaluation increases / (decreases) recognised in the Revaluation Reserve	1,032	0	0	0	0	1,032
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	(4,841)	0	0	0	0	(4,841)
De-recognition – disposals	(1,191)	(503)	0	0	0	(1,694)
De-recognition – other	0	0	0	0	0	0
Assets reclassified (to)/from Held for Sale	(4,264)	0	0	0	0	(4,264)
Transfer to Comprehensive Income & Expenditure Statement (CIES)	0	0	0	0	(62)	(62)
At 31 March 2013	**93,022**	**5,741**	**1,459**	**19,850**	**445**	**120,517**
Accumulated Depreciation and Impairment						
At 1 April 2012	**(1,358)**	**(2,981)**	**(729)**	**(15,577)**	**0**	**(20,645)**
Depreciation charge						
Depreciation written out to the Revaluation Reserve	(188)	0	0	0	0	(188)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(1,580)	(886)	(146)	(920)	0	(3,532)
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(1,340)	0	0	0	0	(1,340)
Assets reclassified (to)/from Held for Sale	1,703	0	0	0	0	1,703
De-recognition – disposals	35	501	0	0	0	536
At 31 March 2013	**(2,728)**	**(3,366)**	**(875)**	**(16,497)**	**0**	**(23,466)**
Net book value at 31 March 2013	**90,294**	**2.375**	**584**	**3,353**	**445**	**97,051**
At 31 March 2012	**99,817**	**2,247**	**730**	**2,832**	**1,415**	**107,041**

Capital Commitments

As at 31st March 2014, the Group has no significant capital commitments.

Revaluations

.
Fair value valuations at 31st March 2014 are shown in the following table:-

2012/13		Land and Buildings	Vehicles, Plant, Furniture and Equipment	Total 2013/14
£000		**£000**	**£000**	**£000**
6,757	Carried at historical cost	200	4,398	4,598
588	Carried at fair value at 31st March 2014	19,090	0	19,090
7,852	Carried at fair value at 31st March 2013	270	0	270
67,519	Carried at fair value at 31st March 2012	7,432	0	7,432
14,335	Carried at fair value at 31st March 2011	47,294	0	47,294
97,051	**Total valuation cost**	**74,286**	**4,398**	**78,684**

The Land and Buildings figure in the table above includes Assets under Construction valued at £0.2m.

The carrying value of Land and Buildings assets that would have been recognised if those assets had been carried under the cost model is estimated to be £66.821m. This represents the original cost less cumulative depreciation at 31st March 2014.

Impairments

There were no impairment losses on non-current assets in 2012/13 and 2013/14.

Note 13: INTANGIBLE ASSETS

Software is accounted for as intangible assets, to the extent that the software is not an integral part of a particular ICT system and accounted for as part of the hardware item in Property, Plant and Equipment. All software is given a finite useful life of 5 years.

The carrying amount of software assets is amortised on a straight-line basis. The amortisation charge to revenue expenditure is absorbed as an overhead across all divisions of service. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading. Amortisation costs are charged to the Net Cost of Services in the Comprehensive Income and Expenditure Statement.

Intangible assets created under the alliance with the Police and Crime Commissioner for West Mercia Police are jointly controlled and only the Commissioner's share is held in the Balance Sheet.

The movement of Intangible Assets during the year is as follows:

Software Total 2012/13 £000		Software Total 2013/14 £000
	Balance at start of year	
4,703	▪ Gross carrying amounts	5,148
(2,456)	▪ Accumulated amortisation	(3,171)
2,247	**Net carrying amount at start of year**	**1,977**
	Additions: In Year	676
445	Additions: transferred from Assets Under Construction	553
0	Other disposals	(327)
(715)	Amortisation for the period	(655)
1,977	**Net carrying amount at end of year**	**2,224**
	Comprising:	
5,148	▪ Gross carrying amount	6,050
(3,171)	▪ Accumulated amortisation	(3,826)
1,977		**2,224**

Note 14: FINANCIAL INSTRUMENTS

Categories of Financial Instruments

The Commissioner holds simple financial instruments (investments and borrowings), which is reflected in the scope of this Note to the Accounts. The following categories of financial instruments are carried in the Balance Sheet.

	Long Term		Current	
	31 March 2014 £000	31 March 2013 £000	31 March 2014 £000	31 March 2013 £000
Investments: Loans and receivables	0	0	31,408	24,444
Debtors and cash	0	0	1,013	1,440
Borrowings: Financial liabilities at amortised cost	16,712	17,665	1,378	1,482
Creditors	0	0	4,849	5,570

The value of borrowings includes interest due but not paid at the end of the year.

Income, Expense, Gains and Losses

The interest received on Financial Assets Loans and Receivables (investments) and interest paid on Financial Liabilities Measured at Amortised Cost (borrowings) are as follows:

	Financial Liabilities – Measured at Amortised Cost £000	Financial Assets – Loans and Receivables £000	Total £000
2013/14			
Interest Expense Payable and Similar Charges	867	0	867
Interest Income	0	(99)	(99)
2012/13			
Interest Expense Payable and Similar Charges	910	0	910
Interest Income	0	(127)	(127)

The Commissioner receives a £0.4m contribution from the Southern Justice Centre partnership to meet the cost of the principal and interest on total outstanding loans of £5.8m loan towards the cost of the complex; the figures in the table above are gross of the contribution.

Fair Value of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- estimated interest rates at 31 March 2014 of 2.52% for loans from the PWLB
- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months the carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	31 March 2014		31 March 2013	
	Carrying amount £000	Fair Value £000	Carrying amount £000	Fair Value £000
Financial Liabilities	18,090	20,631	18,698	23,769

The fair value of the liabilities is higher than the carrying amount because the Group's portfolio of loans includes only fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2014) arising from a commitment to pay interest to lenders at a different rate from current market rates. The calculation of fair value amount is supplied by the PWLB.

Note 15: DEBTORS

This note shows money owed to the Commissioner for funding and services provided on or before the 31 March 2014 where the money has not been received by this date.

31 March 2013 £000		31 March 2014 £000
4,438	Central government bodies	3,179
2,330	Other local authorities	2,249
927	Council taxpayers	963
1,217	Other entities and individuals	1,013
8,912	**Group Debtors**	**7,404**
(2,658)	**Less** Chief Constable Debtors; Central Government bodies	(2,336)
(17)	**Less** Chief Constable Debtors: Other entities and individuals	(25)
6,237	**Commissioner Debtors**	**5,043**

Note 16: CASH AND CASH EQUIVALENTS

The balance of Commissioner's cash and cash equivalents is made up of the following elements:

31 March 2013 £000		31 March 2014 £000
30	Cash held by the Group	30
324	Bank current accounts	415
24,313	Short term deposits	29,259
24,667	**Total**	**29,704**

Note 17: ASSETS HELD FOR SALE

Through the Asset Rationalisation Programme the Commissioner is actively reducing the extent of land and buildings held for operational purposes. Where the characteristics of an asset matches those set of for asset held for sale in the Code, it is necessary to show assets held for sale separately and ensure the carrying value is estimated in accordance with accounting policy.

2012/13 £000		2013/14 £000
479	**Balance outstanding at start of year**	**2,814**
	Assets newly classified as held for sale:-	
2,561	Property, Plant and Equipment	874
0	Revaluation losses	0
0	Revaluation gains	49
(226)	Assets sold	(374)
2,814	**Total**	**3,363**

Note 18: CREDITORS

This note shows money owed by the Commissioner for goods and services purchased and received on or before the 31 March 2014 where the money has not been paid by this date.

The Commissioner 2013 £000	The Group 31 March 2013 £000		The Commissioner 2014 £000	The Group 31 March 2014 £000
(1,504)	(1,504)	Central government bodies	(1,444)	(1,444)
(2,008)	(2,008)	Other local authorities	(2,246	(2,246)
(945)	(945)	Council taxpayers	(404)	(404)
(1,556)	(5,570)	Other entities and individuals	(1,027)	(4,849)
(6,013)	**(10,027)**	**Total**	**(5,121)**	**(8,943)**

Note 19: PROVISIONS

There are no provisions in the accounts at 31st March 2013 and 31st March 2014.

Note 20: 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 unusable reserves can be summarised as follows:

31 March 2013 £000		31 March 2014 £000
	The Commissioner	
(8,672)	Revaluation Reserve	(7,565)
(68,303)	Capital Adjustment Account	(53,242)
0	Deferred Capital Receipts Reserve	(258)
18	Collection Fund Adjustment Account	(559)
(76,957)	**Total: Commissioner**	(61,624)
	The Chief Constable	
866,358	Pensions Reserve	862,051
2,127	Accumulated Absences Account	2,106
868,485	**Total: Chief Constable**	864,157
791,528	**Total: The Group**	**802,533**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Group arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2012/13 £000		2013/14 £000	£000
(9,493)	**Balance at 1 April**		**(8,672)**
(155)	Upward revaluation of assets	(461)	
463	Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	1,283	
308	**Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**		**822**
188	Difference between fair value depreciation and historical cost depreciation	161	
325	Accumulated gains on assets sold or scrapped	124	
513	**Amount written off to the Capital Adjustment Account**		**285**
(8,672)	**Balance at 31 March**		**(7,565)**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Commissioner as finance for the costs of acquisition, construction and enhancement.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 8 (Adjustments between accounting basis and funding basis under regulations) provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2012/13 £000		2013/14 £000	 £000
(73,921)	**Balance at 1 April**		**(68,303)**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
3,718	Charges for depreciation and impairment of non-current assets	3,923	
4,841	Revaluation losses on Property, Plant and Equipment	13,134	
714	Amortisation of intangible assets	655	
1,060	Amounts of non-current assets written off on disposal as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,142	
10,333			**18,854**
(188)	Adjusting amounts written out of the Revaluation Reserve		(161)
10,145	**Net written out amount of the cost of non-current assets consumed in the year**		**18,693**
	Capital financing applied in the year:		
(2,313)	Use of the Capital Receipts Reserve to finance new capital expenditure	(973)	
(401)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(558)	
(1,422)	Statutory provision for the financing of capital investment charged against the General Fund	(1,403)	
(391)	Capital expenditure charged against the General Fund	(698)	
(4,527)			**(3,632)**
(68,303)	**Balance at 31 March**		**(53,242)**

Pensions Reserve

Payments for the cost of post employment benefits and the associated liability are shown in the Chief Constable's Accounts. The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Chief Constable Accounts for post employment benefits in the 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 he is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Chief Constable has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits are due to be paid and that the Commissioner 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**
102,728	Re-measurement of the net defined benefit liability	(42,538)
54,763	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	60,379
(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**

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the Police Fund from the Collection Fund.

2012/13 £000		2013/14 £000
25	**Balance at 1 April**	**18**
(7)	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(577)
18	**Balance at 31 March**	**(559)**

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**

Deferred Capital Receipts Reserve

The deferred capital receipts reserve relates to the disposal of the Warwickshire police share of the East Midlands Air Support Unit helicopter in the sum of £258,000

Note 21: CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:-

2012/13 £000		2013/14 £000
(127)	Interest received	(99)
910	Interest paid	867
783		**768**

The deficit on the provision of services has been adjusted for the following non-cash movements:

2012/13 £000		2013/14 £000
(3,718)	Depreciation	(3,923)
(4,841)	Downward valuations	(13,134)
(715)	Amortisation of intangible assets	(655)
1,086	Increase/decrease in revenue creditors	1,748
(235)	Increase/decrease in revenue debtors	(813)
(62)	Capital written back to revenue from prior years	0
(449)	Interest on loan accrued to the carrying value of long-term borrowing	0
(28,872)	Movement in pension liability	(38,231)
928	Carrying amount of non-current assets sold	(1,009)
0	Other minor adjustments	(39)
(36,878)		**(56,056)**

The deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

2012/13 £000		2013/14 £000
0	Proceeds from the sale of property, plant and equipment	(847)
401	Capital Grants	(1,376)
401		**(2,223)**

Note 22: CASH FLOW STATEMENT – INVESTING ACTIVITIES

2012/13 £000		2013/14 £000
3,201	Purchase of property, plant and equipment and intangible assets	1,064
(2,313)	Proceeds from the sale of property, plant and equipment	(973)
(1,132)	Other receipts from investing activities	(1,376)
(244)		**(1,285)**

Note 23: CASH FLOW STATEMENT – FINANCING ACTIVITIES

2012/13 £000		2013/14 £000
985	Repayment of long term borrowing	1,033
(304)	New loans	0
681		**1,033**

Note 24: POOLED BUDGETS AND JOINT VENTURES

Strategic Alliance with West Mercia Police

On 28 June 2011 Warwickshire Police Authority and the Chief Constable of Warwickshire agreed to enter into a 'strategic alliance' with West Mercia Police Authority the Chief Constable of West Mercia. The Commissioner's of both Warwickshire and West Mercia support this decision. The alliance provides an opportunity for the two neighbouring forces to work closely together and to share resources and assets. Each 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 set out comprehensively and 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, as set out in the following table. Costs are matched by the contributions from the counterparties to the agreement so as to ensure costs are shared across the entities in line with the cost sharing arrangements, Warwickshire 31%, West Mercia 69%.

2012/13 £000		2013/14 £000
	Funding provided to the Strategic 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	24,371
3,959	**Total Expenditure**	**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, Northamptonshire and Leicestershire, the latter providing the financial administration service for this joint unit. The three Police and Crime Commissioners jointly owned the helicopter showing a 1/3rd of the value in heir respective balance sheets. Whilst the operational costs of the joint arrangement for air support are shown in the Chief Constable's Comprehensive Income and Expenditure Statement.

The Comprehensive Income and Expenditure Statement includes the contribution of £180k. The joint arrangement for the Unit, set out in the following table, covers all operating costs except for officers attached to the Unit for the period 1 April 2013 to 1 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 1 April 2013 to 2 October 2013 only.

A new National Police Air Service (NPAS) was set up by the Home Office with effect from 2 October 2012 with administration of the service being provided by the Chief Constable of West Yorkshire. The Leicestershire, Northamptonshire and Warwickshire forces helicopter was formally transferred to the new national service provider on 3 October 2013. NPAS does not constitute a jointly controlled operation and so the PCC only accounts for the expense of payments to NPAS 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 EMASU.

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 £0.126m and a long term debtor of £0.258m, representing the discounted value of future expected cash flows in 2014/15 and subsequent years. Future payments from NPAS will be offset against these debtors and an annual interest amount credited to the 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 partner's 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 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, including the sinking funds, for the Justice Centres do not form part of the Group and Commissioner'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 25: OFFICER'S 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 (eg car allowance) £	Other Payments (Police Officers only) £	Exit Packages £	Pension Contribution £	Total £
Chief Constable – Mr Andrew Parker	**2013/14**	136,411	0	2,150	3,592	0	0	7,868	150,021
	2012/13	135,656	0	2,150	4,828	0	0	31,471	174,105
Deputy Chief Constable	**2013/14**	118,854	0	0	3,357	0	0	26,501	148,712
	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 agreement the costs of two Assistant Chief Officers from West Mercia Police and the costs of two Assistant Chief Officers from Warwickshire are pooled and the expenditure is shared between the two Police Authorities on the basis of Warwickshire 31% and West Mercia 69%.

Senior Officer Emoluments (Police & Crime Commissioner):

		Salary, Fees & Allowances £	Expenses Allowances £	Benefits in Kind (e.g. car allowance) £	Pension Contribution £	Total £
Police & Crime Commissioner (Commissioner)	**2013/14**	65,000	0	0	8,840	73,840
	2012/13	23,292	0	0	726	24,018
Deputy Police & Crime Commissioner (DPCC)	**2013/14**	45,263	0	0	6,156	51,419
	2012/13	14,637	0	0	1,961	16,598
Chief Executive to the Commissioner Note 1	**2013/14**	56,078	0	0	7,513	63,591
	2012/13	60,845	0	0	8,153	68,998
Chief Executive to the Commissioner Note 2	**2013/14**	28,983	0	0	3,946	32,929
	2012/13	19,181	0	0	2,570	21,751
Treasurer to the Commissioner Note 3	**2013/14**	46,295	0	0	3,166	49,461
	2012/13	46,036	0	0	0	46,036

Notes:	
1	The Chief Executive left on 28th February 2014 having reduced to part-time working during October 2013. The annualised salary is £76,728 (£32,544 for the part-time duration.
2	The replacement Chief Executive started on 28th October 2013. The annualised salary is £60,984.
3	The cost of the Treasurer to the Commissioner is shared 50/50 between the Warwickshire and West Mercia Police and Crime Commissioners. The figure in the table above is the whole salary for this post..

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:

umber of Employees	Remuneration Band	Number of Employees
2012/13		2013/14
46	£50,000 - £54,999	41
35	£55,000 - £59,999	27
7	£60,000 - £64,999	12
5	£65,000 - £69,999	4
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 - £135,999	0
1	£140,000 - £144,999	1
0	£145,000 - £149,999	0
108	**Total**	**98**

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.

Exit packages include charges by the Local Government Pension Fund in respect of benefits paid before normal retirement age. There are no compromise agreements covering the 2012/13 and 2013/14 exit packages. The number of exit packages resulting from redundant posts with total cost per band is set out in the table below and includes payment to two employees from the Office of the PCC.

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	30	42	403
£40,001 - £60,000	0	1	0	47
Total	**2**	**31**	**42**	**450**

The total cost of £450k (2012/13 £42k) was met from the Comprehensive Income and Expenditure Statement. There were no compulsory redundancies. Exit packages exclude 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.

Note 26: EXTERNAL AUDIT COSTS

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

2012/13 £000		2013/14 £000
63	Fees payable to Grant Thornton with regard to external audit services Carried out by the appointed auditor for the year	61
0	Rebate of Fees from the Audit Commission	(4)
14	Fees payable to Grant Thornton in respect of other services provided by them during the year	0
77	**Total**	**57**

The audit fee payable for the year totalled £61,380 for the Group; the proportion relating to the Commissioner is £41,380.

Note 27: GRANT INCOME

The Commissioner credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement 2013/14:

2012/13 £000		2013/14 £000
	Credited to Taxation and Non Specific Grant Income	
(32,678)	Police Principal Grant	(34,483)
(19,403)	Non Domestic Rates	(19,001)
(11,640)	Home Office Grant towards the cost of retirement benefits	(11,689)
0	Local Council Tax Support Grant	(3,897)
(877)	Council Tax Freeze Grant	(1,244)
(376)	Revenue Support Grant	0
(1,090)	Police Capital Grant	(981)
(66,064	**Total**	**(71,295)**
	Credited to Services	
0	Community Safety Grant	(473)
0	Innovation Fund	(204)
(3,253)	Neighbourhood Policing Fund	0
(354)	National Security Grant	(123)
(112)	Debt Charges Grant	(107)
(113)	Counter Terrorism Grant: Prevent	(112)
(102)	Proceeds of Crime Contributions	(170)
0	Victim Support	(82)
0	Camera Vehicle	(76)
0	G8	(68)
0	Localisation of Council Tax Support Implementation Support	(59)
(26)	Special Constabulary	0
(27)	Implementation Grant	0
(50)	Force Medical Examiner Project Grant	(50)
0	Focus 112	(44)
0	Automatic Number Plate Recognition (ANPR)	(34)
0	Radio Frequency Grant	(22)
0	Banning Orders	(10)
0	Specials	(4)
0	Police Procurement HUB	(3)
(35)	Reduction Violent Crime	0
(12)	Olympic Planning Grant	0
(37)	Youth Offending Grant	0
(4,121)	**Total**	**(1,641)**

The Group has received capital grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies to be returned to the giver if the conditions are not met.

The balances at the year end are as follows:

	31 March 2014 £000
Police Capital Grant	(1,791)
Warwickshire Camera Safety Unit Partnership	(46)
Mobile Data Network Equipment	(34)
Stratford District Council (Section 106)	(15)
Warwick District Council (Section 106)	(33)
NPIA NSPIS Equipment	(12)
Total	**(1,931)**

Note 28: 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 Group (The Commissioner and Chief Constable) is required to disclose material transactions with related parties; bodies or individuals that have the potential to control or influence the Group or to be controlled or influenced by the Group. Disclosure of these transactions allows readers to assess the extent to which the Group might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain or deal freely with the Group.

Central government has significant influence over the general operations of the Group. It is responsible for providing the statutory framework within which the Group operates, provides the majority of it funding in the form of grants and prescribes the terms of many of the transactions that the Group has with other parties (e.g. council tax bills). Grants received from government departments are set out in Note 27 to the Accounts.

The Commissioner has direct control over the Group's finances, including making crime and disorder reduction grants and is responsible for setting the Police and Crime Plan. The Chief Constable retains operational independence and operates within the budget set by the Commissioner, to deliver the aims and objectives set out in the Police and Crime Plan. Section 28 of the Police Reform and Social Responsibility Act 2011 requires that the local authorities covered by the police area must establish a Police and Crime Panel (PCP) for that area. The PCP scrutinises the decisions of the Commissioner, reviews the Police and Crime Plan and has a right of veto over the precept.

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 Commissioner and Chief Constable participate in various partnerships with a range of public bodies, the most significant of which is the Strategic Alliance under a Section 23 agreement with West Mercia Police. Details of the transactions with other public bodies participating in joint arrangements are set out in Note 24 to the Accounts.

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

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

	Expenditure £000	Income £000
West Mercia Police Strategic Alliance S23 Agreement cross-charges	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)**

There are no related party transactions for the Commissioner and Chief Constable, other than those set out above, which require adjustment of or disclosure in the financial statements or the accompanying notes. All contracts have been entered into in compliance with the 'Scheme of Delegation and Consent, Financial and Contract Regulations 2012/13'. The following table shows the seven suppliers with which the Group incurred the greatest expenditure in 2013/14.

	Expenditure £000
West Mercia Police Strategic Alliance S23 Agreement cross-charge expenditure	34,982
West Mercia Police and Crime Commissioner	3,123
Serco Shared Services	1,281
Reed Specialist Recruitment	2,704
KCOM Group PLC	1,219
Warwick District Council	1.101
Specialist Computer Centres PLC	944
Total	**45.354**

Note 29: CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below together with the resources used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Group, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Group that has yet to be financed.

2012/13 £000		2013/14 £000
28,123	**Opening Capital Financing Requirement**	**25,970**
	Capital investment:	
3,105	Property, plant and equipment	1,001
0	Intangible assets	1,229
	Sources of finance:	
(2,313)	Capital receipts	(973)
(1,132)	Government grants and other contributions	(559)
	Sums set aside from revenue:	
(391)	Direct revenue contributions	(698)
(1,422)	Minimum revenue provision	(1,403)
25,970	**Closing Capital Financing Requirement**	**24,567**
	Explanation of movements in the year	
486	Increase in underlying need to borrow (supported by government financial assistance)	0
(2,639)	Decrease in underlying need to borrow (unsupported by government financial assistance)	(1,403)
(2,153)	**Increase/(Decrease) in Capital Financing Requirement**	**(1,403)**

Note 30: LEASES

The cost of operating leases is shown in the Chief Constable's Accounts to reflect the day-to-day direction and control the Chief Constable exercise over the resources acquired. However the Commissioner holds ultimate responsibility for entering into lease arrangements.

The Group as Lessee

The Commissioner occupies 6 premises on an operating lease basis. The future lease payments due in future years are:

31 March 2013 £000		31 March 2014 £000
83	Not later than one year	74
179	Later than one year and not later than five years	152
174	Later than five years	75
436		**301**

The amount paid in 2013/14 was £0.08m (£0.06m in 2012/13).

The Group has a contract for hire of Photocopiers and Franking Machines. As at 31st March 2014, outstanding commitments in respect of Equipment leases were:

31 March 2013 £000		31 March 2014 £000
19	Not later than one year	8
9	Later than one year and not later than five years	0
28		**8**

In 2013/14 £0.03m was spent on rental payments (£0.02m in 2012/13).

The Group as Lessor

The Commissioner acts as a lessor for 3 properties where the arrangement is accounted for as an operating lease.

The value of assets held for use in operating leases was £6.1m broken down as follows:

Rugby Police Station	£1.9m
Bedworth Police Station	£4.1m
Illmington Radio Mast	£0.1m

The rent received in 2013/14 was £0.1m (2012/13 £0.9)

It should be noted that none of the above sites are rented out in full and that rental agreements are in place for site sharing or rental of part of the site.

The future lease payments receivable in future years are:

31 March 2013 £000		31 March 2014 £000
(91)	Not later than one year	(107)
(73)	Later than one year and not later than five years	(73)
(109)	Later than five years	(93)
(273)		**(273)**

Note 31: DEFINED BENEFIT PENSION SCHEMES

The costs and liabilities associated with retirement benefits are primarily recorded in the Chief Constable's Accounts. These are funded by the Commissioner through an intra-group adjustment and negative pensions reserve on the Group's Balance Sheet.

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-retirement 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 Group Comprehensive Income and Expenditure Statement and the Police Fund via the Movement in Reserves Statement during the year:

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 pension 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 Reserve Statement					
- reversal of net charges made to the Surplus or Deficit on the Provision of Service 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 and gain/loss from settlements	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	(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 amount included in the Balance Sheet arising from the Group's obligation in respect of its 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)
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)
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 the 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 Group have in the long run to pay post employment retirement benefits. However, statutory arrangements for funding the deficit mean that the financial position of the Commissioner 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, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31st December 2013. The liabilities for the Police Pension Scheme have been assessed by the Government Actuary's Department.

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%	100%

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

The 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 £000	Split of Assets between Investment categories %	Total as at 31 March 2014 £000	Split of Assets between Investment categories %
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 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 increase in salaries (increase by 0.5%)	4,163	
Rate of increase in pensions (increase by 0.5%)	7,062	
Rate for discounting scheme liabilities (decrease by 0.5%)		11,429

Note 32: NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Group's activities expose it to a variety of financial risks, principally:

- **Credit risk:** The possibility that other parties might fail to pay amounts due to the Group
- **Liquidity risk:** The possibility that the Group not have funds available to meet our commitments to make payments
- **Market risk:** The possibility that financial loss might arise for us as a result of changes in such measures as interest rates and stock market movements. (The group does not hold any share equity).

The Group has adopted the Chartered Institute of Public finance and Accountancy's (CIPFA) Treasury Management in Public Services Code of Practice and set treasury management indicators to control financial instrument risks in accordance with CIPFA's Prudential Code. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund police services. Risk management is carried out by a Treasury Management team, under policies approved by the Commissioner in the annual Treasury Management Strategy. The Commissioner provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash. The Treasury Management Strategy can be found on the Commissioner's website.

Credit Risk

The overriding aim of the Group is to maintain the security of its capital and liquidity of its investments over the requirement for an investment return. The Group will also aim to achieve the optimum return on its investments, commensurate with proper levels of security and liquidity. The risk appetite of the Group is extremely low in order to give overriding and absolute priority to the security of its investments. The borrowing of monies purely to invest or lend on and make a return is unlawful and the Group does not engage in such activity.

The principal risks are minimised by the Annual Investment Strategy, which forms part of the overall Treasury Management Strategy. In setting the Annual Investment Strategy the Group will have regard to the Department for Communities and Local Government's Guidance on Local Government Investments ("the Guidance"). The following provides a summary of the approach used when selecting where to place short-term investments.

The Group has stipulated the minimum acceptable credit quality of counterparties for inclusion on the counterparty or lending list. The 'creditworthiness methodology' used to create the counterparty list takes account of the ratings and observations published by three ratings agencies, Fitch, Moodys and Standard and Poors. However, the Group will not use the approach suggested by CIPFA of using the lowest rating from all three rating agencies to determine creditworthy counterparties as Moodys are currently very much more aggressive in giving low ratings than the other two agencies. This would therefore be unworkable and leave the Group with few banks on its approved lending list.

It is recognised that ratings should not be the sole determinant of the quality of an institution and that it is important to continually assess and monitor the financial sector and economic and political environments in which the institutions operate. The assessment will also take account of information that reflects the opinion of the markets and overlay that information on top of the credit ratings. Other information sources used will include the financial press and share price in order to establish the most robust scrutiny process on the suitability of potential investment counterparties. The aim of the strategy is to generate a list of highly creditworthy counterparties, which will allow investments to spread rather than concentrated with a limited range of institutions.

The creditworthiness of institutions is monitored on an on-going basis. Should an institution no longer meet the minimum criteria and be deemed no longer appropriate to invest with then investments will be moved immediately.

At 31 March 2014 the short- term cash balances were as follows:

2012/13 £000		2013/14 £000
15,344	- Repayable in 1 month (fixed rates)	20,300
9,100	- Repayable in 2 months (fixed rates)	8,600
0	- Repayable in 3 months (fixed rates)	2,500
24,444		**31,400**

It is not unheard of for local authorities and public bodies to hold investments that subsequently the financial institution fails to repay. However, there has been no experience of default on investment of these cash balances and there is no reason to suspect that there will be in the future.

Where it is appropriate to do so customers are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Group. However, the vast majority of transactions do not justify this approach.

Receipts from customers, for example for sales of services and recovery of costs from other public bodies, are a relatively small part of the Groups income, approximately £2.5m. No significant debts have been written off in 2013/14.

The Group does generally allow a 30 day standard credit term for customers such that £0.5m of the £1.8m balance outstanding from customers at 31 March 2014 was past the point of 30 days from the date of invoice. This past due amount can be analysed as follows:

31 March 2013 £000		31 March 2014 £000
163	Less than 3 months	183
49	3 to 6 months	28
93	6 to 12 months	17
178	Over 12 months	268
483		**496**

The following table summarises the potential maximum exposure at the year-end to credit risks other than treasury investments and cash-equivalent investments.

	%	£000

Balance of debtors ledger at 31 March 2014 (sales fess and charges)		1,754
Historical experience of default	Less than 5%	
Historical experience adjusted for market conditions at 31 March 2013	Less than 5%	
Estimated maximum exposure to default and at 31 March 2014		242
Estimated maximum exposure to default and at 31 March 2013		242

Liquidity Risk

The Group has a cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen the Group has ready access to borrowings from the Public Works Loan Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. There is a degree of risk that borrowing will need to be undertaken at a time of unfavourable interest rates, therefore, the position is monitored closely.

Borrowing limits for the Group are set in the Prudential Indicators prepared as a requirement of the CIPFA Prudential Code. Maximum borrowing limits for 2013/14 were set at £60.0m; the Prudential Indicators also set an even profile for the profile of debt repayment, with no more than 5% of the outstanding debt maturing in a twelve month period. The Group maturity analysis of its financial liabilities is:

31 March 2013 £000		31 March 2014 £000
1,033	Less than one year – Short-term Borrowing	1,378
953	Between one and two years	874
2,683	Between two and five years	2,745
14,029	Between five and twenty years	13,093
18,698		**18,090**

The balance in the table above is the outstanding principal and ignores the interest due at 31 March 2014 but not paid, which is included in the carrying amount on the balance sheet. All trade and other payables are due to be paid in less than one year.

Market Risk

The Group holds fixed rate short-term investments. Over time, in line with changes to interest rates generally, there has been a significant reduction in interest rates and therefore a fall in overall investment returns. A reduction in interest rates has the following effect on investments:

- Investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services (Comprehensive Income and Expenditure Statement) will fall
- Investments at fixed rates – the fair value of assets will rise.

An increase in interest rates will have the opposite effect. Generally the nature of short-term investments indicates that any difference between the actual value and fair value of the investment would be marginal.

The Group holds fixed rate loans, which eliminates the risk of interest rate movement on borrowing. Borrowings are not carried at fair value, so nominal gains or losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure.

The approach to borrowing for capital projects is to delay borrowing and to temporarily use working capital balances. The present relative rates of interest for borrowing and lending mean that it is advantageous to delay long-term borrowing whilst the overall cash flow is positive.

Capital expenditure temporarily funded from working capital up to 31 March 2014 was £7.9m. In 2013/14 this was a £0.4m reduction in funding this way.

It is probable that this expenditure will eventually require external borrowing. There is a risk that rates may be adverse when and if this borrowing takes place. Monitoring medium and long-term borrowing costs versus the opportunity costs of not investing working capital mitigates this risk. The Treasury Management team has an active strategy for assessing interest rates exposure that feeds into setting the Medium Term Financial Plan and annual budget, which is used to update the budget quarterly during the year.

It is calculated that if interest rates had been 1% higher for 2013/14 with all other variables held constant, the financial effect would be:

	£000
Increase in interest receivable payable on fixed rate borrowings	177
Increase in interest receivable on fixed rate short term investments	(301)
Impact on Surplus or Deficit on then Provision of Services	(124)

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Note 33: TRUST FUNDS

Warwickshire against Crime is a registered charity (and therefore a separate entity with its own Trustees) established on 8th June 2004 by the Authority and Warwickshire Police (Force). The overriding objective is to provide financial assistance for the benefit of the communities of Warwickshire for the promotion of public safety and prevention of crime.

The balance on the fund's accounts at the 31st March 2014 was £1,670

Note 34: PROCEEDS OF CRIME

The Act gives powers to the Police and Customs to seize cash derived from, or intended for, use in crime, and to secure its forfeiture in civil magistrates' courts proceedings. The Commissioner is currently holding cash totalling £0.148m

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 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)	
(3,786)	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.

4. The amount due from the Home Office in respect of the shortfall on the Account is the responsibility of the Commissioner and has therefore been included in the Commissioner's Balance Sheet.

5. This Account does not take account of long-term liabilities to pay future pension benefits after the year end, details of the Commissioner's pension liability can be found in Note 31 to the Accounts.

6. Employers' contributions, which are set by the Home Office subject to the Government Actuary's Department triennial valuation, are calculated at 24.2% of police officer pensionable pay.

7. Police officer contributions are deducted from officer salaries. The contribution rates were increased on 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 pensions 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.

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

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

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

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

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

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

Asset – An item owned by the 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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Corporate and Democratic Core – Activities which the 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.

Creditors – Individuals or organisations to which the Police and Crime Commissioner owes money at the end of the financial year.

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

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

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

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

Debtors – Individuals or organisations who owe the Police and Crime Commissioner money at the end of the financial year.

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

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

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

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

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

Exit Packages – Payments such as redundancy payments, either voluntary or compulsory, or early retirement payments made to employees leaving the Group before their due 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 Instruments – The borrowings and investments disclosed in the Balance Sheet, consisting of loans and investments.

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

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

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

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

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

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

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

Group Accounts – The financial statements that combine the accounts for the Police and Crime Commissioner and the Chief Constable, which shows 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.

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

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

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

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

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

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

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

Jointly Controlled Operations – Activities undertaken by the Chief Constable and/or Commissioner 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

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

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

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

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

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

Non-Current Assets (Fixed Assets) – These are tangible assets that have long-term benefits over a period of more than one year.

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

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

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

Outturn – The actual amount spent in the financial year.

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

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

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

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

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

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

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

Police and Crime Plan - The Police Reform and Social Responsibility Act 2011 introduces a duty on the 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 Principal Grant – This is part of the total specific government grant support for police services. The amount is determined annually by the Home Office on a formula basis.

Police Reform and Social Responsibility Act 2011 (The Act) – this is an Act of the Parliament of the United Kingdom. It transfers the control of police forces from Police

Authorities to elected Police and Crime Commissioners. The first Police and Crime 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.

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

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

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

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

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

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.

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

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

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

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

Scheme of Delegation and Consent, Financial and Contract Regulations 2012/13 – The Scheme of Delegation and Consent details the key roles of the Police and Crime Commissioner and those functions that they designate 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 providing clarity about the financial accountability of groups or individuals. They apply to every member and officer of the service and anyone acting on their behalf.

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

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

Stage 1 Transfer – upon the Police and Crime Commissioner commencing in their role, all police officers and police staff automatically transfer to them under a Stage 1 Transfer, and become employees of the Commissioner. It is anticipated that in the future a discussion will take place between the Commissioner and the Chief Constable to agree which, if any, employees will be transferred fully to the control of the Chief Constable, under a Stage 2 Transfer.

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

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

Tangible Fixed Assets – Physical fixed assets, e.g. land, buildings, vehicles and equipment held for a period of over one year.

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

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