Warwickshire

OFFICE OF THE
POLICE AND CRIME COMMISSIONER

Statement of Accounts

2012/13

CONTENTS

EXPLANATORY FOREWORD TO THE STATEMENT OF ACCOUNTS

INTRODUCTION

2012/13 was a landmark year in policing. On the 15 September 2011 the Police Reform and Social Responsibility Act 2011 (the Act) received Royal Assent in Parliament, representing a significant shift in the way the police in England and Wales are governed and held accountable. One of the key changes was to replace Police Authorities with elected Police and Crime Commissioners (PCCs).

Mr Ron Ball was elected to the Office of the Police and Crime Commissioner for Warwickshire (here after referred to as the Commissioner) on the 15 November 2012 and took up office on the 22 November 2012, at which time the Warwickshire Police Authority (the Authority) ceased to exist. 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 the exercise of operational police duties under the Police Act 1996.

The purpose of this foreword is to provide an insight into the most significant aspects of the Commissioner's performance and financial position. However, a large part of the foreword is taken up with explaining the significance of the change from the Authority to the Commissioner, the relationship between the Commissioner and the Chief Constable and the impact that this has on the Group and Commissioner's Statement of Accounts, which follow and the separate Chief Constable's Statement of Accounts (the Accounts) 2012/13.

CHANGE TO THE COMMISSIONER

Under the Act, from the 22 November 2012, PCCs and Chief Constables are deemed to be separate entities (corporation sole bodies); further to this the two entities have been established as Schedule 2 (Accounts Subject to Audit) bodies under the Audit Commission Act 1998.

The Accounts and Audit (England) Regulations 2011 require authorities to follow 'proper practices in relation to accounts' when preparing the accounts. The Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (the Code), which is based on International Financial Reporting Standards (IFRS), constitutes a '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 (as the Act) and will therefore follow the Code.

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 has not been achieved with the Code this is explained and further referred to in the accompanying notes to the Accounts.

The legal and accounting framework set out above indicates that the Commissioner and Chief Constable are required to produce separate audited Statements of Accounts, which are consolidated into the Commissioner and Group Accounts (here after referred to as the Group) and that these should comply with the Code's requirements. The following sections set out the implications of doing this.

ACCOUNTING FOR THE TRANSFER OF FUNCTIONS TO THE NEW BODIES

These are the first statutory Accounts to be prepared under the new arrangements. The explanation set out in this foreword combined with the presentation of the financial statements, the accompanying notes to the Accounts and the accounting policies, when taken together set out the nature, timing and circumstances of the transfer from the Authority to the Commissioner and Chief Constable and any material adjustments required to the current year or comparative prior year figures.

The Code sets out that a transfer of functions in full from the responsibility of one authority (or other public sector body) to another, in this case from the Authority to the Commissioner and the Chief Constable, is required to be accounted for using the principles that apply to group reorganisations. Paragraph 9.1.1.8 of the Code also sets out that:

“the accounting for business combinations (i.e. subsidiaries and associates) covered by this section [Chapter Nine] of the Code does not apply to … the transfer of functions from the responsibility of one part of the public sector to another. Merger accounting should be applied where the entity in which the interest has been acquired was 100% in public sector ownership both before and after acquisition by the local authority.”

The principle established in section 2.5 of the Code is such that local authorities (including Police Authorities) are deemed to be under common control. Therefore, overall government control of the body is unchanged.

Taking these provisions in to consideration it is appropriate to follow the treatment set out under merger accounting on transfer. However, there are two possible approaches to the application of merger accounting set out in the Code and the Financial Reporting Standard 6 ‘Acquisition and Mergers’, the most appropriate approach depends on the individual circumstances of the bodies transferring. The two approaches are summarised below for completeness.

Approach A

Approach A requires restating the results; financial performance, position and cash flows of the Commissioner and Chief Constable as if the police service had always been provided by these bodies. The results of the Authority will be brought into the Commissioner’s and Chief Constable’s Accounts from the 1 April 2012. Assets and liabilities are required by the Code to be transferred, at their carrying amount, to the Commissioner.

The application of merger accounting to the financial statements from 1 April 2012 and not accounting for the Commissioner and Chief Constable as new bodies means that this accounting treatment presents results for the Commissioner and Chief Constable as if it they had always existed. Therefore, following this approach makes it necessary to provide comparative figures from the previous year 31 March 2012. This approach will mean that there will be one set of financial statements for the Commissioner for the full year ending 31 March 2013. It would also mean that no financial statements would be produced for the Authority for the financial year 2012/13.

Approach B

Approach B requires that the financial statements of the abolished Authority reflect their results up to the date of transfer whilst the Accounts of the Commissioner and Chief Constable report their results from the date of inception, (22 November 2012). The assets and liabilities would be transferred at their carrying amounts to the Commissioner.

This approach will mean that there will be one set of financial statements for the Commissioner for the full year ending 31 March 2013, no comparative figures for the previous year would be required. The Authority would prepare Accounts for the period 1 April 2012 to the date of transfer including comparative figures for the previous year ended 31 March 2012. The Authority would provide appropriate disclosures describing the transfer of functions to Commissioner and Chief Constable and the shortened financial year.

The Act (Commencement No. 7 and Transitional Provisions and Commencement No. 3 and Transitional Provisions (Amendment)) Order 2012, states that:

'regulations 7 and 8 of the Accounts and Audit (England) Regulations 2011 shall not apply to a police authority in England established under section 3 of the Police Act 1996 in relation to the financial year beginning on 1st April 2012'.

Although the Authority Accounts may be produced from 1 April 2012 to the date of cessation, under Approach B, it appears that there is no statutory requirement for them to be audited for this period. Therefore, where Authority Accounts for this period are unaudited, Approach B potentially leaves significant gaps in financial accountability for the policing function for the 2012/13 financial year. For this reason and in light of the transfer of policing functions from the Authority to the Commissioner Approach A has been followed to deal with the creation of the Commissioner and Chief Constable.

The following section considers how the income and expenditure, assets, liabilities and reserves are recognised in the Group Accounts and Chief Constable Accounts.

THE COMMISSIONER AND CHIEF CONSTABLE FINANCIAL STATEMENTS

The income and expenditure, assets, liabilities and reserves which are recognised in the Commissioner's Accounts and the Chief Constable's Accounts reflect the current legislative framework as well as the local arrangements operating in practice to police Warwickshire and following the initial transfer of assets and liabilities to the Commissioner from the 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 and Chief Constable's Accounts in the future. 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 2012/13.

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 in deciding on 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.

An important consideration in determining the format and content of the Commissioner's and Chief Constable's Accounts is that, at the time of preparing the Accounts, the Chief Constable cannot apply the statutory override to adjust for items that cannot normally be charged against taxation or rely on the Code as proper accounting practice when preparing the Accounts. This is because the Chief Constable is not recognised as a 'local authority' under the Capital Finance and Accounting Regulations. Whilst legislation is being drafted it is not felt appropriate to rely on this retrospective legislation being in place when preparing the Accounts. This issue has been carefully considered when deciding on the accounting treatment to be applied to the Accounts and the decision to adopt what is effectively a memorandum set of Accounts for the Chief Constable, whilst the Commissioner effectively retains all transactions and balances.

However, one area to note is that it has been decided to recognise transactions in the Chief Constable's Comprehensive Income and Expenditure Statement and transfer liabilities to the Chief Constable's Balance Sheet for employment and post-employment benefits in accordance with International Accounting Standard 19 (IAS19). The statutory override would normally be applied to these transactions and the corresponding liabilities would be matched by an unusable reserve on the balance sheet. Because, at this time, this treatment is not available to the Chief Constable, the Commissioner has undertaken to provide a financial guarantee to fund the resulting liabilities, which is reflected in long-term and current assets, which are held on the Chief Constable's Balance Sheet. These transactions are then transferred through an intra-group adjustment to the Commissioner, where the statutory override can be applied and an un-useable reserve created.

The rationale behind transferring the liability for employment benefits is that IAS19 states that the employment liabilities should follow employment costs. Because employment costs are shown in the Chief Constable's Comprehensive Income and Expenditure Statement, on the grounds that the Chief Constable is exercising day-to-day direction and control, (discussed later), over police officers and police staff, regardless of employment status, it follows that the employment liabilities are therefore shown in the Chief Constable's Balance Sheet,

Another important factor in deciding on the accounting treatment was to understand the nature of the relationship between the Commissioner and the Chief Constable. The distinction has been drawn between strategic control, exercised by the Commissioner and day-to-day operational control, exercised by the Chief Constable. This is considered to be a key feature in determining the content of the Commissioner's and Chief Constable's Accounts both now and in the future.

The strategic control of the Commissioner is represented by his overarching responsibility for setting the Police and Crime Plan. The Commissioner also holds the Chief Constable accountable for the delivery of an efficient and effective police force and is responsible for the appointment and dismissal of the Chief Constable.

At the local level the Scheme of Delegation and Financial and Contract Regulations 2012/13 sets out the delegations made by the Commissioner. Within the first year these delegations are limited, which further distinguishes between strategic control and operational direction and control.

The International Accounting Standards Board framework states that assets, liabilities and reserves should be recognised when it is probable that any 'future' economic benefits associated with the item will flow to, or from the entity. At the outset the Commissioner took responsibility for the finances of the whole Group and controls the assets, liabilities and reserves, which were transferred from the Authority. With the exception of the liabilities for employment and post-employment benefits, referred to earlier this position has not changed and would suggest that these balances should be shown on the Commissioner's Balance Sheet.

The Commissioner receives all income and makes all payments from the Police Fund for the Group and has responsibility for entering into contracts and establishing the contractual framework under which the Chief Constable's staff operates. In the first year the Commissioner has not set up a separate bank account for the Chief Constable, which reflects the fact that all income is paid to the Commissioner. The Commissioner has not made arrangements for the carry forward of balances or for the Chief Constable to hold cash backed reserves. Therefore, the Chief Constable fulfils his statutory responsibilities for delivering an efficient and effective police force within an annual budget, which is set by the Commissioner. The Chief Constable ultimately has a statutory responsibility for maintaining the Queen's peace and to do this has direction and control over the force's police officers, police community support officers (PCSOs) and police staff. It is recognised that in exercising day-to-day direction and control the Chief Constable will undertake activities and incur expenditure to allow the police force to operate effectively. It is appropriate that a distinction is made between the financial impact of this day-to-day direction and control of the force and the overarching strategic control exercised by the Commissioner. Therefore it is felt that the expenditure associated with day-to-day direction and control and the Commissioner's funding to support the Chief Constable is best shown in the Chief Constable's Accounts, with the source of income and the vast majority of balances being shown in the Commissioner's Accounts.

The impact of the circumstances set out in the preceding paragraphs is that under these arrangements the full accounting implications of the transactions and balances held in the Chief Constable's Accounts couldn't be followed through to their logical conclusion and shown in accordance with the Code. However the Code has been followed to the extent it is possible to do so and the Chief Constable's Accounts reflect the substance of the relationship between the Commissioner and the Chief Constable. It is proposed that legislation will be amended to allow the Chief Constable to be treated like local authority for accounting purpose and local arrangements will evolve in future years.

To reflect the statutory and regulatory position, as described in the preceding paragraphs, all of the financial transactions incurred during 2012/13 for policing Warwickshire and the assets, liabilities and reserves have been recognised and recorded within the Group and Commissioner's Accounts, which sets out the financial position for the for the year ending 31 March 2013. The Commissioner ultimately retains responsibility and control of all of the assets, liabilities and reserves; and makes all payments from and receives all income into the Police Fund

The Group Accounts reflect the consolidated Accounts of the Commissioner and its subsidiary the Chief Constable; it is not felt necessary, at this time, to have a separate Statement of Accounts for the Commissioner and the Group. The Group Accounts comprise a full suite of financial statements; Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet and Cash Flow Statement.

The Comprehensive Income and Expenditure Statement for the Group and Commissioner are identical at the net ‘cost of policing services level’. This is because the ‘net cost of policing services’ sub total within the Commissioner’s Comprehensive Income and Expenditure Statement includes not only the cost of administering the Office of the Commissioner itself but also the payment for the Commissioner’s resources consumed at the request of the Chief Constable to undertake day-to-day policing. The decision to account for this expenditure within the Commissioner ‘net cost of policing services’ is in accordance with the Service Reporting Code of Practice definition of total cost of services. This contrasts with the position set out in the Chief Constable’s Accounts.

The Chief Constable has produced a separate memorandum Statement of Accounts, which contains a Comprehensive Income and Expenditure Statement and Balance Sheet. The Chief Constable’s Comprehensive Income and Expenditure Statement reflects the day-to-day direction and control that the Chief Constable exercises over police officers, police staff, PCSOs and the running costs associated with premises, transport and supplies and services. Due to the restrictions that prevent the Chief Constable from having a separate bank account and holding reserves, and recognising that ultimate control and responsibility for assets and liabilities is vested in the Commissioner, is not appropriate at this time that the Chief Constable’s Accounts contain a full suite of financial statements, which would also include a Movement in Reserves Statement and Cash Flow Statement.

The Chief Constable’s Comprehensive Income and Expenditure Statement is analysed over the categories that make up the net cost of policing services to provide useful and meaningful information to the reader of the Accounts, which corresponds to the operational reality and most peoples understanding of how day-to-day policing is discharged. The Chief Constable’s Comprehensive Income and Expenditure Statement balances to nil for 2012/13 as the resources consumed by the Chief Constable are completely 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. The Chief Constable’s Statement of Accounts can be found on both the Commissioner’s and Warwickshire Police websites.

In conclusion, it is important that both the new governance arrangements that surround the Commissioner and the Chief Constable, as set out in statute and local agreements, and the reality of day-to-day direction and control is accurately reflected in the Group and Commissioner’s Accounts and the Chief Constable’s Accounts. It is necessary that the respective Statements of Accounts within the Group comply with the Code, however they should also have meaning and resonance with readers of the Accounts, whether they are informed readers or not. At the time of preparing the Accounts the Commissioner has made restricted delegations to the Chief Constable, further consent may be forthcoming in the future. What is relevant to the preparation of the Accounts is that the Commissioner has not consented to the Chief Constable holding a bank account, which is central to conducting a business. The Commissioner has not delegated the benefit of holding reserves to the Chief Constable or the benefit from under spending against the budget. However, this is balanced against the compelling argument to show the cost of policing in the Chief Constable’s Accounts that arise from the Chief Constable exercising day-to-day direction and control over the force. The Chief Constable cannot, at the time of preparing the Accounts, apply the statutory override to adjust for items that cannot normally be charged against taxation, therefore, it has been necessary for the Commissioner to provide a financial guarantee to fund employment liabilities. Finally the

Commissioner ultimately controls the assets necessary for policing and benefits from the proceeds of the sale of the assets.

There is an expectation that a suite of financial statements will be an integrated whole, where each statement supports the other. Figures will flow between the relevant statements and be traceable from the Comprehensive Income and Expenditure Statement, through the Movement in Reserves Statement into the Balance Sheet, and the financial statements will be supported by notes to the Accounts. However, , the ability to hold reserves is essential to preparing the Movement in Reserves Statement and the Cash Flow Statement is intended to show the impact of movements in cash, which is underpinned by the bank account. Therefore, the combination of the Chief Constable's Accounts, which contain an Comprehensive Income and Expenditure Statement and Balance Sheet and the Group Accounts that contain a full suite of financial statements, as set out in the preceding paragraphs, best represents the substance of the operational reality, governance arrangements and compliance with the Code at this time and ensures the Commissioner prepares Accounts that present a 'true and fair view' of the financial position and transactions of the Group.

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.

1. 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 2012/13 is available for inspection on 29 July 2013. The formal audit of the Group's accounts commences on 5 August 2013 and the opinion on the accounts is due to be received on 30 September 2013.

2. Statement of Responsibilities for the Statement of Accounts

This statement outlines the responsibility of the Commissioner and the Treasurer for the Statement of Accounts.

3. 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.

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.

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.

4. Accounting Policies

This 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 (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.

5. 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.

6. 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 sets out the income and expenditure during 2012/13 relating to police pensions. The account shows the top up grant due from the Group to the Pension Fund Account. Subsequently the Home Office reimburse the Group for money paid over to the Pension Fund Account and effectively 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.

7. Annual Governance Statement

This section describes how the Group 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.

PERFORMANCE 2012/13

Revenue Outturn

The majority of the Commissioner's funding comes from central government and the precept (council tax). Central government funding has been subject to real term cuts as part of the Comprehensive Spending Review 2010 and wider austerity programme. The 2012/13 original budget was approved at £93.7m, including £1.6m of savings, of which £0.7m were one-off. A further £4.6m of reserves was required to balance the budget. Reserves are being used, as part of the Medium Term Financial Plan, to allow time for services to be redesigned and savings to be targeted, whilst proving the best possible level of policing from the resources available.

The following table shows from where the Commissioner obtains his funding to support the delivery of policing services.

Where the Money Came From	Budget £000	Actual £000	%
Police Grant	32,678	32,678	34.9
Non-Domestic Rates and Revenue Support Grant	19,779	19,779	21.1
Central Government Funding	**52,457**	**52,457**	**56.0**
Precept (Council Tax)	36,709	36,709	39.1
Collection Fund	14	14	*Less than 0.1%*
Locally Raised Funding	**36,723**	**36,723**	**39.1**
Use of Reserves	**4,565**	**4,565**	**4.9**
Total Funding	**93,745**	**93,745**	**100.0**

The following table is a high level comparison of the Commissioner's actual expenditure and income against the 2012/13 original budget.

Expenditure & Income	Budget £000	Actual £000	%	Variance £000
Police officers pay	47,967	46,492	56.1	1,475
Police staff pay	26,981	23,540	28.4	3,441
Police pensions	841	1,456	1.8	(615)
Other running costs	21,326	20,490	24.7	836
Capital Financing	3,102	2,724	3.3	378
Expenditure	**100,217**	**94,702**	**114.3**	**5,515**
Interest earned	(101)	(127)	(0.2)	26
Other income	(6,371)	(11,715)	(14.1)	5,344
Income	**(6,472)**	**(11,842)**	**(14.3)**	**5,370**
Net Expenditure	**93,745**	**82,860**	**100.0**	**10,885**

The table on the previous page showing the net expenditure for the Commissioner shows the information which he uses to measure financial performance. This is different to the information contained in the comprehensive Income and Expenditure Statement, which is prepared in accordance with accounting standards. The difference between these two positions is explained in note 22 to the accounts. The Commissioner has under spent by £10.9m, compared to the original budget of £93.7m. Early in 2012/13 it was identified that the original budget would be under spent by £6.2m. This was earmarked for investment, focusing on key priority areas, to support and protect the communities of Warwickshire.

It was planned to spread the investment in performance across 2012/13 and 2013/14. £1.6m of the £6.2m has been spent in 2012/13 and the remaining £4.6m will be held in an earmarked reserve to meet the ongoing commitments of this operation in 2013/14.

The £4.6m under spend is a significant part of the £10.9 under spend shown in table on the previous page and is attributable across a range of expenditure headings. Much of the remaining favourable variance has been from income generation. This is as a result of monies recovered from mutual aid, Olympics, additional grants and an increase in income from other fees and charges. There is additional income from West Mercia Police, which balances against the additional costs incurred under the alliance between the two forces. The net effect of this to Warwickshire is income exceeds expenditure by £0.1m, however actual income is increased by £0.7m and expenditure, under other running costs, by a similar amount.

Savings on pay relate mainly to the holding of vacancies and the fact that funding was set aside as part of the workforce strategy to recruit officers in year and this was not used.

Strong cost control has been exercised by budget holders, which when combined with the reduced workforce has significantly reduced the other running costs. Savings on buildings and Information Communications and Technology (ICT) have resulted due to tight control as we reviewed plans and strategies in preparation for the new Warwickshire and West Mercia policing model. The budget for the revenue consequences of capital changes was therefore not used, producing a one off saving. Further to this the number of ill health retirements has been higher than anticipated, which accounts for the over spend of £0.6m against police pensions in the table on the previous page.

Whilst the capital financing appears to be close to the budget this budget was reduced by £0.7m to reflect one-off savings as part of the budget plan. The reason for the reduced capital financing expenditure is because borrowing has been financed internally rather than taking out external borrowing, also the capital programme is significantly under spent, which is explained later in the foreword.

Comprehensive Income and Expenditure Statement Deficit

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

The Comprehensive Income and Expenditure Statement shows a deficit of £134.6m. 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, which is set out in the Movement in Reserves Statement, which reconciles the Comprehensive Income and Expenditure Statement to the statutory basis for determining taxation. It was possible to transfer £6.3m to the earmarked reserves from the £10.9m under spend, the under spend also avoided the Commissioner from having to draw down the £4.6m required to balance the budget.

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 useful life longer than one year. The following table is a high level comparison between the original approved budget for 2012/13 and actual expenditure.

Programme Expenditure	Budget £000	Actual £000	%	Variance £000
Estates	4,530	665	21.4	3,865
IT Replacement and IM Strategy	3,719	1,415	45.6	2,304
Vehicles	1,115	990	31.8	125
Equipment	616	36	1.2	580
Total	**9,980**	**3,106**	**100.0**	**6,874**

The approved capital budget includes slippage from 2011/12. Capital expenditure is considerably less than the original budget and much of this will slip into the 2013/14 capital budget. The reason for this is that all estates projects have been put on hold pending the review of the Capital Programme in light of the development of the Warwickshire and West Mercia joint estate, fleet and ICT strategies, which was approved in February 2013.

The following table shows how the Commissioner has determined that the 2012/13 capital expenditure will be funded.

Where the Money Came From	Budget £000	Actual £000	%
Government Grants and Contributions	1,150	120	3.9
Capital Receipts	2,190	2,313	74.5
Specific Grants	0	282	9.1
Revenue Contribution	0	391	12.5
Borrowing (Internally Funded)	6,640	0	0.0
Total	**9,980**	**3,106**	**100.0**

External Debt

The Commissioner finances part of his Capital Programme by borrowing. At the 31 March 2013 the total external borrowing stood at £18.7m, which is well within the authorised limit for external debt for 2012/13 of £37.3m as approved by the Authority on the 22 February 2012.

The Commissioner's Capital Financing Requirement at the 31 March 2013 is £26.3m, which when compared to the actual outstanding debt figure of £18.7m means that £7.6m 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 externally borrow funds.

Investments

As at the 31 March 2013 the Commissioner held £24.4m 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 2013/14.

Assets

The Commissioner, as part of the Asset Rationalisation Programme, has disposed of Warwick police station, Wellesbourne police station, Whitnash police house and part of the land at the Southam site. .

In line with the Estates Strategy the Commissioner purchased Rugby Magistrates Courts, which is adjacent to the police station and allows for the policing operation from this location to be expanded.

The value of property, plant and equipment at 31 March 2013 is £97.1m a fall of £9.9m from 31 March 2012 and further information can be found in note 10.

Policing Performance

Despite reductions in government funding and having undertaken significant changes in the way services are delivered in recent years the 2012/13 figures for the level of crime and anti-social behaviour in Warwickshire show communities in the county are safer places now than they have been for many years.

There were more than 4,000 fewer crimes than the previous year in the county, a fall of 12.4 per cent. Compared to six years ago, there were more than 15,000 fewer crimes reported, a fall of more than one third. This means there are 81 crimes a day on average, including only five burglaries and less than one robbery a day across the county each day.

Data from the last financial year shows that in Warwickshire all major crime types are down compared to 2011/12. Overall incidents are down by 4,208 compared to 2011/12. This includes the following:

- 376 fewer burglaries in people's homes (a reduction of -16.6%);
- 52 fewer robberies (-16.0%);

- 270 fewer occasions where people have suffered injuries due to serious violent crime (-9.4%);

- 390 fewer vehicle crimes (- 9.1%);

- 3,210 fewer incidents of anti-social behaviour (- 14.8%);

Warwickshire's roads are also becoming safer: there were 22 fewer collisions where people were killed or seriously injured, a fall of 7.5%. Importantly, fatalities on our roads reduced from 38 to 29, a reduction of nine fewer deaths. .

The Chief Constable Andy Parker said: "Warwickshire is as safe as it has been for many years, local residents should be reassured that crime and anti-social behaviour continue to decrease and they live in one of the safer parts of the country.

Reserves and Balances

The Commissioner holds general and earmarked reserves. The former is a safety net against unforeseen circumstances including major incidents that significantly exceed the budget provision. The latter is set aside to meet specific purposes such as:
- Equalising the impact of uneven expenditure over a period of years
- Providing for known liabilities in the year in which they arise
- Setting funds aside in advance for known investment requirements

The Commissioner monitors the level of reserves, particularly during the budget setting cycle. Reserves form an integral part of the Medium Term Financial Plan, allowing the new policing model to be introduced at the appropriate time and savings to be phased in. 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. Further information about the useable earmarked reserves can be found at note 7 to the Accounts.

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. This is subsequently adjusted through the Intra-group adjustment to show that ultimately the responsibility to fund the pension liability lies with the Commissioner. The Commissioner 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 £866.4m. 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. Therefore, the liability will be funded by future planned increases in both the employee and employer contributions. The LGPS is subject to the government's programme of public sector pensions reform, therefore the future benefits structure, as well as the contribution levels, are likely to also change.

- The police officer pension scheme, under the current statutory arrangements, is funded in part by police officer and employer contributions. However, if there is insufficient money in the Pension Fund Account to meet all expenditure commitments in any particular year the Home Office will fund the deficit.

The Police Pension Fund Account can be found at the end of the Statement of Accounts. Further information about the IAS 19 pensions liability can be found at note 31 to the Accounts.

Environmental Issues

Within resource constraints and allowing for operational commitments, attempts have been made to identify improvements that will contribute towards a more sustainable organisation and minimise adverse environmental impact. This is captured in Carbon Management Plan which was approved by the Chief Constable and the Authority in April 2012.

The Carbon Management Plan will help to save money on wasted energy, which can be put to better use in other areas of the business, while making a positive contribution to the environment by lowering carbon emissions. The targets set of reducing CO_2 by 25% by 2015 underpins potential financial savings and cost avoidance to the organisation. The Carbon Management Group manages implementation of the plan. Achievements so far include:

- The Waste Recycling Scheme started in May 2012 is being rolled out throughout the Force and is currently at a 31% monthly saving of waste as at January 2013.

- Contracts and Purchasing Department has included Carbon reduction and Efficiency Plans as part of the Pre-Qualification Questionnaire and Invitation to tender process.

- An Environmental Statement has been adopted by Warwickshire Justice Centres at Nuneaton and Leamington Spa where The Office of the Police Crime Commissioner, Warwickshire acts as the Landlord.

- A 25% reduction in units of energy consumed.

- Environmental process for the segregation and disposal of waste streams i.e. waste electrical equipment etc has been implemented.

This work to drive cost efficiencies and cut carbon emissions to reduce the risk of dangerous climate change was recognised by the Chief Executive of the Carbon Trust by awarding Warwickshire Police with certificate of achievement in 2012/13.

Future Prospects

The Commissioner obtains the vast majority of his funding from central government grants and local taxation in the form of the precept (share of the council tax). In common with most public services, the force's budget is subject to significant financial constraints arising from the Government's austerity programme. The Chancellor's March 2013 Budget Statement assumes that the reductions in funding will continue along the same lines as set out in the Comprehensive Spending Review 2010 up to at least 2016/17. The outcome of the Chancellor's spending review, which will set government departmental spending limits for 2014/15 is to be announced on the 26 June 2013, this will also feed into the Commissioner's Medium Term Financial Plan.

2010/11 was the start of government's austerity programme marked by the June 2010 Budget, shortly after the election, followed by the 2010 Comprehensive Spending Review in October 2010. It is likely that between 2010/11 and 2017/18 savings in the region of £30m will have been achieved, approximately 30% of the 2010/11 Gross Revenue Budget. The precise level of savings will become clearer once the individual government department spending levels are announced in June 2013, followed later in the year by the announcement of the 2014/15 provisional funding settlement. To the 31 March 2013 £16m of the total savings has been achieved leaving £15m to be achieved by 2017/18.

In the 2013/14 financial settlement the government once again offered an incentive, in the form of a grant, payable to local authorities which choose to freeze council tax at the same level as the previous year, (Band D £180.96). In setting the 2013/14 budget at £91.0m the Commissioner accepted the Council Tax Freeze grant. An issue is that the various Council Tax Freeze grants are not guaranteed beyond March 2015 and currently provide £1.2m of funding to the Commissioner. It is likely that in future years council tax will increase in line with inflation. In addition it was necessary to set savings targets of £7.0m and use £0.7m of reserves to balance the 2013/14 budget.

Looking forward, the alliance of the Commissioners and Chief Constables of Warwickshire and West Mercia, which delivers policing jointly across Herefordshire, Shropshire, Warwickshire, Worcestershire and Telford and Wrekin, is a key factor in achieving the savings for both Commissioner's.

In the current financial climate growth is not possible without identifying savings elsewhere. However, it is necessary to build into the expenditure assumptions provision for contract inflation, changes in legislation and expenditure necessary to maintain buildings.

Because pay and associated costs makes up the majority of the budgeted expenditure, approximately 80%, factors that might influence pay are looked at closely, including the:

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

The impact of these and other issues that influence pay and non-pay expenditure, for example fuel costs, and income are built into the Medium Term Financial Plan using the best information available at the time. The plan is refreshed at key times in the planning cycle and is available on the Commissioner's website.

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 achieved and the alliance with West Mercia Police will be key in driving out these savings. 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.

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.

Signed: Ron Ball **Date:** 25/9/13

Ron Ball - The Police and Crime Commissioner for Warwickshire

The Treasurer to the Commissioners 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 Chartered Institute of Public Finance and Accountancy (CIPFA) - Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (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;
- 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 30th June 2013 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 2013 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 2013 and the associated income and expenditure for the year then ended.

Signed: **Date:** 26/9/13

D. Clarke

David Clarke Treasurer to The Police and Crime Commissioner for Warwickshire

ANNUAL GOVERNANCE STATEMENT

1. Introduction

During 2012/13 Warwickshire Police Authority (WPA) was abolished and replaced by the Office of the Police and Crime Commissioner for Warwickshire (OPCC). This annual governance statement reflects both the governance framework in place up until November 21st 2012 when the WPA was abolished and the new governance framework put in place for the PCC for the year ended 31 March 2013, including plans for the financial year 2013-14. This statement reflects the views in relation to the OPCC's system of internal control.

2. Scope of Responsibility

The OPCC is responsible for ensuring its 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 OPCC also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the OPCC is also responsible for putting in place proper arrangements for the governance of its 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 OPCC places reliance on the Chief Constable to support the governance and risk management processes.

On election to office the PCC approved the constituent parts of the governance arrangements that were to be adhered to, these included:-

- Scheme of delegation
- Financial Regulations
- Contract Standing Orders
- Anti-Fraud and Corruption Strategy
- Whistle-blowing Policy
- Decision Making Protocol

The OPCC is currently reviewing the need for incorporating all of these documents into an overarching code of corporate governance to ensure it reflects the new governance arrangements and so that all documents are captured in one place. The code, as with the current arrangements, will be consistent with the principles of the CIPFA/SOLACE Framework: *"Delivering Good Governance in Local Government. (Guidance Note for Police)"* Copies of the above documents are available on our website at *www.warwickshire-pcc.gov.uk* or can be obtained from the Office of the PCC at 3 Northgate Street, Warwick CV34 4SP. A pictorial representation of our governance framework can also be found on the website.

This statement explains how the OPCC 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 drafting the OPCC 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 and processes, and 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 - Outline

The fact that the election of police and crime commissioners did not take place until November 2012 has led to a rather unusual set of circumstances regarding this annual governance statement because for nearly 8 months, governance arrangements were those of the Police Authority yet its abolition meant it could not review the effectiveness of these governance arrangements. Taking a cautious approach, the Authority did not change the governance arrangements in those eight months from those outlined in the previous annual governance statement. However, the election meant that:-

- New corporate governance documents had to be drafted;
- New corporate governance processes had to be developed;
- Since the police authority's audit committee's last meeting was in September 2012, there was no audit committee for half of 2012-13 although it will be re-constituted to align with the PCC regime and the strategic alliance;

The abolition of the Police Authority resulted in wide ranging changes to these governance arrangements and this is reflected in this streamlined annual governance statement.

The Good Governance standard for public services set out the 6 good governance core principles. The key elements of the systems and processes that comprise the governance arrangements that have been put in place for the OPCC and how they adhere to these 6 principles are set out below:-

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

Under the previous statutory arrangements, Warwickshire Police Authority (WPA) members were responsible for the vision, strategic direction and priorities for the Authority and were advised by senior management who also advised and supported members in influencing and shaping the strategic direction and priorities for the policing of Warwickshire. In addition relevant panels met regularly to consider the strategic direction, plans and progress, and review specific policy areas of the WPA.

The PCC has made his commitments and objectives for policing clear in his manifesto and in his Police and Crime Plan which has been widely consulted upon. The Police and Crime Plan was launched publicly on 8th April 2013, indicating how the PCC will take these forward. The plan also pays due regard to the Strategic Policing requirement. The PCC uses information from the Warwickshire Observatory to help inform his Plan.

The vision is underpinned by the PCC's stated mission and values and objectives, as outlined in the Police and Crime Plan.

The PCC has clear contact details on the website for members of the public to raise issues or concerns with him. A process is in place to respond to them therefore aiding the focus on outcomes for local people. The PCC will be recruiting a number of community safety ambassadors, with the responsibility of acting as "the eyes and ears" of the PCC, ensuring that he is kept informed of local issues, concerns and developments.

The Police and Crime Plan must be reviewed and re-issued annually. It is scrutinised by the Police and Crime Panel, which is made up of ten councillors and two independent members, who have the task of holding the PCC to account.

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

The roles and responsibilities of each of WPA's Committees and Panels were clearly defined in their individual terms of reference in the Governance Framework and Constitution, and included arrangements for challenging and reviewing the Force's activity. The WPA's Standing Orders provided for the delegation of WPA functions and decision making to panels and senior officers and included a scheme of delegation that set out those decisions that the WPA had delegated to its officers and the Chief Constable.

The WPA also had in place a statement of members' role, responsibilities and expectations which increased members' awareness of their roles and responsibilities, thereby improving their effectiveness.

The governance arrangements for the OPCC have been developed in line with the 2011 Police Reform and Social Responsibility Act (PRSRA), statutory Policing Protocol, Home Office Financial Management Code of Practice (FMCP) and existing guidance on financial and governance matters which continue to apply.

A scheme of delegation, financial regulations and contract regulations has been developed in accordance with the FMCP to enable effective accountability and to govern the relationship between the OPCC and Warwickshire Police. There is a decision making framework which ensures that all OPCC decisions are published and available for public scrutiny.

There are agreed terms of reference for a Joint Audit Committee.

iii. ***Promoting the values for the PCC and Force and demonstrating the values of good governance through upholding high standards of conduct and behaviour***

WPA members were bound by the statutory Code of Conduct that formed part of Standing Orders, and the Standards Committee was responsible for ensuring that members were aware of their responsibilities under the code and received guidance on ethical standards and behaviour. The WPA also had in place a codes of conduct which were designed to help all officers build positive working relationships, ensure high performance, and to help in challenging bad behaviour.

Following the creation of the OPCC the PCC has signed up to a Code of Conduct that incorporates the 7 Nolan principles relating to Public Life. A Code of Conduct has also been agreed for the staff of the Office of the PCC setting out what is expected from them in terms of their conduct.

The PCC has approved and adopted a policy on anti-fraud and corruption which clearly sets out the anti-fraud and corruption procedures which will be operated by the PCC for the Warwickshire Police area. The anti-fraud and corruption policy is designed to encourage prevention, promote detection and identify a clear pathway for investigation of fraudulent and/or corrupt activities or behaviour. There is also a whistle-blowing policy.

Registers for gifts and hospitality and interests are maintained. Staff are subject to vetting, the level of which reflects their access to information. Certain staff (e.g.qualified accountants) have their own professional codes of conduct.

Financial regulations and Contract Standing Orders act as a control to prevent fraud and error in transactions. The OPCC will take part in any National Fraud Initiatives.

The role of the Monitoring Officer includes scrutiny of decisions for legal implications.

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

The WPA's decision making process was clearly defined in standing orders and supporting financial and contract regulations. These were reviewed on an annual basis as part of the review of the Governance Framework to ensure they were fit for purpose. These have now been replaced by the OPCC's governance framework, which will continue to be reviewed on an annual basis.

The Audit Committee was responsible for risk management activity within the WPA ensuring that risk management processes and programmes operated effectively. The joint audit committee will take on this responsibility.

Under the previous WPA governance arrangements the Audit Committee provided the core functions of an Audit Committee and in line with CIPFA guidance considered issues relating to internal control, risk management and financial reporting. The Committee also provided a forum to discuss areas of concern raised either by internal or external audit.

The Committee will be replaced by a joint PCC/Force Audit Committee for Warwickshire and West Mercia which is responsible for enhancing public trust and confidence in the governance of the Office of the PCC and Warwickshire Police. It will also assist the PCC in discharging statutory responsibilities in holding the Police Force to account. The Committee will be served by 6 independent Members, competitively selected through advert and interview.

Risk management arrangements are currently being reviewed but it is unlikely that they will vary significantly from the process operated by the Police Authority.

The WPA and now the OPCC have a duty to ensure that it acts in accordance with the law and various regulations. Under the WPA this responsibility was fulfilled through standing orders and supporting policies and procedures were produced to ensure officers, within WPA and the Force understood their responsibilities. These have now been replaced by the OPCC governance framework documents. There are also financial regulations and Contract Standing Orders for the OPCC.

Compliance with them was and will continue to be reviewed. The role of the Monitoring Officer was delegated to the County Council but is now the responsibility of PCC's Chief Executive, advised by the County's legal services.

The PCC has adopted a clear decision making policy that requires oversight by both of the statutory officers with his office, i.e. the Monitoring Officer and the Chief Finance Officer, before they are signed this ensures that legal, financial and equality and diversity implications are clearly stated before any decision is made.

All decisions made by the PCC are formally recorded and made available on the PCC's website for public information and scrutiny. A report listing all decisions made by the PCC is also provided to the Police and Crime Panel for their scrutiny. A forward plan of decisions expected to be made by the PCC has been developed but will need to be embedded and developed over the coming months.

As part of the WPA governance arrangements the Head of Internal Audit provided members and managers with an objective assessment of the adequacy and effectiveness of internal control, risk management and governance arrangements and where appropriate making recommendations for improvement. The internal audit plan is risk-based.

The role of the section 151 officer has been transferred from the WPA to the OPCC. The role meets all requirements of CIPFA.

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

A significant amount of time and development was allocated to ensuring that Officers of the WPA had access to the necessary seminars and training events to ensure that they were given the tools to succeed in their new roles under the PCC and so they could support and help the transition to the new organisation and governance structures that came into effect with the election of the Police and Crime Commissioner in November 2012.

Under the WPA Member annual reviews were undertaken and personal objectives set. The objectives considered the role individual members played within the Authority and also the more corporate role with generic objectives. The reviews also considered what training had been undertaken.

Staff training needs are identified in staff appraisals.

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

The Authority had in place a Community Engagement Strategy that was updated regularly, the overarching aim of which was to engage with all sections of the community so that the Authority could continue to improve on the services it provided. Police Authority members attended all community forums in order to give and take messages to and from the public.

The Police Authority had the responsibility to review and hold the Force to account for its consultation and engagement with the public and partners and in particular how the views of the local people and the priorities of other agencies were taken into account.

Consultation has informed the Police and Crime Plan which has been presented to the Police and Crime Panel in line with legislative requirements. The Police and Crime Plan's objectives provide measurable yardsticks by which the PCC can be held to account.

The PCC is heavily engaged with many strategic partnership groups such as IAG's, the business community, Neighbourhood Watch, Community Forums etc. all of whom had a chance to comment on the development of the Police and Crime Plan.

The PCC has the responsibility to hold the Chief Constable to account. He does this through weekly meetings and a bi-monthly open meeting in public where police performance is scrutinised and questioned.

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 has been reviewed, and continues to be reviewed for its effectiveness by both the PCCs Chief Executive and Chief Finance Officer. This will be further informed by Internal Audit reviews and the work of the External Audit over the coming months. The roles and processes applied in maintaining and reviewing the effectiveness of the governance framework are outlined below: -

WPA/OPCC

The WPA and now 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 was previously undertaken by the WPA's Audit Committee who reported to the Police Authority regularly. The joint OPCC/Police Force audit committee will take on this responsibility and will continue to discuss the majority of governance issues, referring reports to the PCC when it is felt necessary.

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 for 2012/13 the officers of the OPCC have placed reliance on this review and the Force's resulting Annual Governance Statement.

Audit Committee/ Joint Audit Committee

The WPA had delegated responsibility for reviewing and maintaining the effectiveness of the governance framework to the Audit Committee, which received regular reports on governance issues at its meetings.

The Committee will be replaced by the PCC/Warwickshire/West Mercia Police Joint Audit Committee and will continue to receive regular reports on governance issues. This will include the review of the Annual Governance Statement for inclusion in the Annual Statement of Accounts and update reports on progress made in addressing significant governance issues included in it.

Head of Internal Audit

In maintaining and reviewing the governance framework, the PCC 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. For 2012/13 the Head of Internal Audit is of the opinion, taking into account all available evidence that internal control environments give "substantial assurance". The internal audit service was compliant with all CIPFA and industry requirements and standards in 2012-13. New audit standards have been introduced and the Audit Committee will receive a report on internal audit's compliance with them at its September meeting. The Audit Committee reviews (and will review) internal audit performance.

External Audit

External Audit are an essential element in ensuring public accountability and stewardship of public resources and the corporate governance of the OPCC's 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 also 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 Police and Crime Commissioner, efforts will continue during 2013-14 on the following areas:-

- Developing the role of the audit committee – the audit committee will meet for the first time in June 2013 and it is envisaged that its role will be developed and refined during the year as it gains in experience.
- The possibility that the savings required in this or any future Medium Term Financial Plan might not be delivered.
- Developing risk management – there remains the task of drawing up a risk management process that is relevant to the Office of the Police and Crime Commissioner and which fits in with the Strategic Alliance
- Refining governance structures – governance structures will be reviewed and revised in the light of experience and need. This will involve developing an overarching Code of Corporate Governance which is then reviewed at least annually.
- Community Safety Ambassadors – the PCC will be recruiting a number of community safety ambassadors, whose main role will be to enhance and improve community engagement through better intelligence gathering.
- Developing a Commissioning Strategy.

We propose over the coming year to take steps to address the above matters to enhance our governance arrangements further. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:

Ron Ball

Ron Ball Police and Crime Commissioner

M. W. Gore

Mark Gore Interim 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 2013 under the Audit Commission Act 1998. The financial statements comprise the Group and Police and Crime Commissioner Movement in Reserves Statement, the Group and the Police and Crime Commissioner Single Entity Comprehensive Income and Expenditure Statement, the Group and Police and Crime Commissioner Balance Sheet, the Group and the Police and Crime Commissioner Cash Flow Statement and the related notes and include the police pension fund financial statements comprising the Fund Account, the Net Assets Statement and the related notes 1 to 34. 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 2012/13.

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 to the Police and Crime Commissioner for Warwickshire and auditor

As explained more fully in the Statement of the Treasurer to the Commissioner'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 to identify material inconsistencies with the audited financial statements. 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 2013 and of its 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 2013 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 2012/13.

Opinion on other matters

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

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the 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.

Other matters on which we are required to conclude

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 their use of resources. We are also required by the Audit Commission's Code of Audit Practice to report any matters that prevent us being satisfied that the Police and Crime Commissioner has put in place such arrangements.

We have undertaken our audit in accordance with the Code of Audit Practice and, having regard to the guidance issued by the Audit Commission in November 2012, we have considered the results of the following:

- our review of the annual governance statement;
- the work of other relevant regulatory bodies or inspectorates, to the extent the results of the work have an impact on our responsibilities; and
- our locally determined risk-based work.

As a result, we have concluded that there are no matters to report.

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
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP

Colmore Plaza
20 Colmore Circus
Birmingham
B4 6AT

27 September 2013

THE GROUP AND POLICE AND CRIME COMMISSIONER FOR WARWICKSHIRE MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year to 31 March 2013 on the useable and unusable reserves held by the Commissioner 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) or deficit 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 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.

Because there is no distinction between the Commissioner and Group movements there is no separate Movement in Reserves Statement for the Commissioner.

2012/13	Notes	Police Fund Balance	Earmarked Police Fund Reserves	Total Usable Reserves	Unusable Reserves	Total Group Reserves
		£000	£000	£000	£000	£000
Opening Balance at 1 April 2012		**(2,000)**	**(21,991)**	**(23,991)**	**650,594**	**626,603**
Movement in reserves during 2012/13						
(Surplus) or deficit on provision of services (accounting basis)		28,556	0	28,556	0	28,556
Other Comprehensive Income and Expenditure						
Surplus/Deficit on revaluation of PPE		0	0	0	308	308
Actuarial (gain)/loss on pension assets/liabilities		0	0	0	105,751	105,751
Total Comprehensive Income and Expenditure		**28,556**	**0**	**28,556**	**106,059**	**134,615**
Adjustments between accounting basis and funding basis under regulations	7	(34,875)	0	(34,875)	34,875	0
Net (Increase)/ Decrease before transfers to Earmarked Reserves		**(6,319)**	**0**	**(6,319)**	**140,934**	**0**
Transfers to/from Earmarked Reserves	7 8	6,319	(6,319)	0	0	0
(Increase)/Decrease in Year		**0**	**(6,319)**	**(6,319)**	**0**	**0**
Balance at 31 March 2013		**(2,000)**	**(28,310)**	**(30,310)**	**791,528**	**761,218**

2011/12	Notes	Police Fund Balance	Earmarked Police Fund Reserves	Total Usable Reserves	Unusable Reserves	Total Group Reserves
		£000	£000	£000	£000	£000
Restated Opening Balance at 1 April 2011[1]		**(2,000)**	**(18,432)**	**(20,432)**	**604,813**	**584381**
Movement in reserves during 2011/12						
(Surplus) or deficit on provision of services (accounting basis)		34,985	0	34,985	0	34,985
Other Comprehensive Income and Expenditure						
Surplus/Deficit on revaluation of PPE		0	0	0	(447)	(447)
Actuarial (gain)/loss on pension assets/liabilities		0	0	0	7,668	7,668
Total Comprehensive Income and Expenditure		**34,985**	**0**	**34,985**	**7,221**	**42,206**
Adjustments between accounting basis and funding basis under regulations	7	(38,544)	0	(38,544)	38,544	0
Net (Increase)/ Decrease before transfers to Earmarked Reserves		**(3,559)**	**0**	**(3,559)**	**45,765**	**42,206**
Transfers to/from Earmarked Reserves	8	3,559	(3,559)	0	16	16
(Increase)/Decrease in Year		**0**	**(3,559)**	**(3,599)**	**45,781**	**42,222**
Balance at 31 March 2012		**(2,000)**	**(21,991)**	**(23,991)**	**650,594**	**626,603**

[1] The opening balance 1 April 2011 was restated to reflect the change in accounting policy in respect of the treatment of the Warwickshire Justice Centres and an error in relation to the council tax accrual, which reflects the Commissioner's share of accruals held on the Collection Funds of billing authority's

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

.2011/12				Notes	2012/13		
Gross Expenditure	Gross Income	Net Expenditure			Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000			£000	£000	£000
37,740	(3,285)	34,455	Local Policing		37,891	(4,533)	33,358
8,149	(154)	7,995	Dealing with the Public		7,659	(244)	7,415
7,770	(879)	6,891	Criminal Justice Arrangements		7,856	(625)	7,231
6,031	(826)	5,205	Road Policing		5,139	(1,028)	4,111
2,058	(278)	1,780	Specialist Operations		3,458	(648)	2,810
3,329	(47)	3,282	Intelligence		5,278	(389)	4,889
35,725	(2,636)	33,089	Investigations		32,253	(2,400)	29,853
3,083	(323)	2,760	Investigative Support		2,901	(52)	2,849
3,065	(1,525)	1,540	National Policing		2,654	(1,733)	921
1,056	(892)	164	Corporate and Democratic Core		1,105	(63)	1,042
1,007	0	1,007	Non Distributed Costs - other		164	0	164
109,013	**(10,845)**	**98,168**	**Net Cost of Policing Services**		**106,358**	**(11,715)**	**94,643**
		445	Other operating expenditure –(Gain)/ loss of disposal of non-current assets				(928)
		39,499	Financing and investment income and expenditure	9			36,069
		(103,127)	Taxation and non-specific grant income	10			(101,227)
		34,985	**(Surplus) or Deficit on Provision of Services**				**28,556**
		(447)	(Surplus) or deficit on revaluation Property, Plant & Equipment Assets				308
		7,668	Actuarial (gains)/losses on pension assets/liabilities	31			105,751
		7,221	**Other Comprehensive Income & Expenditure**				**106,059**
		42,206	**Total Comprehensive Income & Expenditure**				**134,615**

THE POLICE AND CRIME COMMISSIONER FOR WARWICKSHIRE 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 and the Commissioner's resources consumed at the request of the Chief Constable during 2012/13.

2011/12					Notes	2012/13			
Chief Constable	The Commissioner					Chief Constable	The Commissioner		
Net Expenditure £000	Gross Expenditure £000	Gross Income £000	Net Expenditure £000			Net Expenditure £000	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
37,740	0	(3,285)	(3,286)	Local Policing		37,891	0	(4,533)	(4,533)
8,149	0	(154)	(154)	Dealing with the Public		7,659	0	(244)	(244)
7,770	0	(879)	(879)	Criminal Justice Arrangements		7,856	0	(625)	(625)
6,031	0	(826)	(826)	Road Policing		5,139	0	(1,028)	(1,028)
2,058	0	(278)	(278)	Specialist Operations		3,458	0	(648)	(648)
3,329	0	(47)	(47)	Intelligence		5,278	0	(389)	(389)
35,725	0	(2,636)	(2,636)	Investigations		32,253	0	(2,400)	(2,400)
3,083	0	(323)	(323)	Investigative Support		2,901	0	(52)	(52)
3,065	0	(1,525)	(1,525)	National Policing		2,654	0	(1,733)	(1,733)
373	684	(892)	(208)	Corporate and Democratic Core		365	739	(63)	676
1,007	0	0	0	Non Distributed Costs - other		164	0	0	0
108,330	**684**	**(10,845)**	**(10,162)**	**Net Cost of Policing Services**		**105,618**	**739**	**(11,715)**	**(10,976)**
			445	Other operating expenditure-(Gain)/loss of disposal of non-current assets					(928)
			804	Financing and investment income and expenditure	9				783
			(103,127)	Taxation and non-specific grant income	10				(101,227)
			(112,040)	**(Surplus) or Deficit on Provision of Services**					**(112,348)**
			(447)	(Surplus) or deficit on revaluation Property, Plant & Equipment					308
			(447)	**Other Comprehensive Income & Expenditure**					**308**
			114,087	Funding to the Chief Constable for Resources Consumed	6				112,153
			40,606	Funding to the Chief Constable for Employment Liabilities	6				134,502
			42,206	**Total Comprehensive Income & Expenditure**					**134,615**

THE GROUP AND POLICE AND CRIME COMMISSIONER FOR WARWICKSHIRE BALANCE SHEET

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 Commissioner as at 31 March 2012	The Group as at 31 March 2012 £000		Notes	The Commissioner as at 31 March 2013	The Group as at 31 March2013 £000
107,041	107,041	Property, Plant & Equipment	11	97,051	97,051
2,246	2,246	Intangible Assets	12	1,977	1,977
15	15	Long Term Debtors	13	9	9
109,302	**109,302**	**Long Term Assets**		**99,037**	**99,037**
479	479	Assets Held for Sale	16	2,814	2,814
9,142	9,142	Short Term Debtors	14	8,912	8,912
17,183	17,183	Cash and Cash Equivalents	15	24,667	24,667
26,804	**26,804**	**Current Assets**		**36,393**	**36,393**
(986)	(986)	Short-term Borrowing	13	(1,482)	(1,482)
(8,960)	(11,208)	Short Term Creditors	17	(7,900)	(10,027)
(2,248)	0	Financial Guarantee to the Chief Constable – Accumulated Absences		(2,127)	0
(12,194)	**(12,194)**	**Current Liabilities**		**(11,509)**	**(11,509)**
(18,395)	(18,395)	Long Term Borrowing	13	(17,665)	(17,665)
0	(731,735)	Liability Relating to Defined Benefit Pension Schemes	31	0	(866,358)
(385)	(385)	Capital Grants Receipts in Advance	27	(1,116)	(1,116)
(731,735)	0	Financial Guarantee to the Chief Constable – Employment Liabilities		(866,358)	0
(750,515)	**(750,515)**	**Long Term Liabilities**		**(885,139)**	**(885,139)**
(626,603)	**(626,603)**	**Net Assets**		**(761,218)**	**(761,218)**
(23,991)	(23,991)	Usable Reserves	8	(30,310)	(30,310)
650,594	650,594	Unusable Reserves	18	791,528	791,528
626,603	**626,603**	**Total Reserves**		**761,218**	**761,218**

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

This statement 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 and Chief Constable 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.

2011/12 £000		Notes	2012/13 £000
34,985	**Net (surplus) or deficit on the provision of services**		**28,556**
(41,216)	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	19	(36,878)
1,792	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	19	401
(4,439)	**Net cash flows from Operating Activities**		**(7,921)**
3,381	Investing Activities	20	(244)
969	Financing Activities	21	681
(89)	**Net (increase) or decrease in cash and cash equivalents**		**(7,484)**
(17,094)	Cash and cash equivalents at the beginning of the reporting period		(17,183)
(17,183)	**Cash and cash equivalents at the end of the reporting period**	15	**(24,667)**

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: ACCOUNTING POLICIES

1. General Principles

The Statement of Accounts summarises the Group's transactions for the 2012/13 financial year and its position at the year-end of 31 March 2013. 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 2012/13 and the Service Reporting Code of Practice 2012/13 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. Cost Recognition and Intra-group Adjustment

The Commissioner pays for all expenditure including salaries of police officers, police community support officers and police staff. There is no transfer of real cash between the Commissioner and Chief Constable and the latter does not have a bank account into which monies can be received or paid from. Costs are recognised in the Chief Constable's Accounts to reflect the Commissioner's resources consumed in the direction and control of day-to-day policing at the request of the Chief Constable. The Accounts reflect the Chief Constable's utilisation and consumption of assets in the delivery of policing but which the Commissioner owns. This is done through a capital charge for depreciation charges of property, plant and equipment, amortisation of intangible assets, and impairment from obsolescence or physical damage. The Chief Constable also recognises the employment and post employment costs and liabilities in his Accounts. To fund these costs and liabilities the Chief Constables Accounts show as income the funding guarantee provided by the Commissioner to the Chief Constable, although no real cash changes hands. This treatment forms the basis of the intra-group adjustment between the Accounts of the Commissioner and Chief Constable.

3. 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.
- 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.

4. 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.

5. 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.

6. Employee Benefits

6.1 Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave, rest days, toil, paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees, (police officers, police staff and police community support officers), and are recognised as an expense for services in the year in which employees render service to the Group. An accrual 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. It would be normal practice to match this liability with an unusable reserve. However, this treatment is not available to the Chief Constable under accounting standards, therefore it is financed by guarantee of the Commissioner. The entries are adjusted through an intra-group adjustment and ultimately carried on an un-useable reserve held by the Commissioner.

6.2 Termination Benefits

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

Termination benefits are amounts payable as a result of a decision by the Commissioner to terminate officers employment before the normal retirement date or an employee's decision to accept voluntary redundancy and are charged on an accruals basis to the Cost of Services in the Comprehensive Income and Expenditure Statement when the Group is demonstrably committed to the termination of the employment of an employee or group of employees or making an offer to encourage voluntary redundancy.

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

6.3 Post-employment Benefits

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

- Police Pension Scheme for Police Officers

- Local Government Pensions Scheme for Police Staff 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 projected 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 2013 is assumed to be 4.3% a year, compared to 4.9% a year at 31 March 2012.

- the police staff liabilities are discounted to their value at current prices, using a discount rate of 4.5% based on corporate bond yields, compared to 4.8% a year at 31 March 2012.

- the pension increase assumption as at 31 March 2013 is based on the Consumer Price Index (CPI) expectation of inflation rather than the Retail Price Index (RPI). This is as a result of the Government's announcement that CPI is to be used for the indexation of public service pensions from April 2011.

- the assets of 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 change in the net pensions liability is analysed into seven 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

- **Interest cost** – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

- **Expected return on assets** – the annual investment return on the fund assets attributable to the Group, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

- **Gains or losses on settlements and curtailments** – the result of actions to relieve the Group of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

- **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 – debited to the Pensions Reserve.

- **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 un-funded 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.

7. Financial Instruments

7.1 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.

7.2 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.

8. 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.

9. 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 goods or 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.

10. Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Commissioner or Chief Constable in conjunction with other ventures 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 that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Group and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Group accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

11. 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 is 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.

11.1 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 over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

11.2 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 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.

12. 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 2012/13 (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.

13. 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.

13.1 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.

13.2 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 Group does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value; the Group has not acquired any asset via an exchange. The Group does not have any donated assets capitalised on its Balance Sheet. However, the Group does have a Fuel Storage Tank donated by Coventry Airport with a nominal value of £4,000 which has not been recognised in the Balance Sheet as it is below the de minis of £10,000.

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

- 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 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 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.

13.3 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.

Components of buildings and the life of each component 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.

13.4 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.

13.5 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
- Plant and IT equipment – 5 years
- Helicopter – 10 years

In accordance with the valuers estimated useful economic life the longest remaining life is 68 years for the Southern Justice Centre and the shortest remaining life is 13 years at Southam Forensic Science Unit.

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.

13.6 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.

13.7 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.

14. 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 policies.

15. 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 2: ACCOUNTING STANADARDS 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 2013 but not yet adopted by the Code.

International Accounting Standard 19 (IAS 19): *Employee Benefits* (June 2011)

Amendments to IAS19 are likely to have the biggest impact of the amendments listed here. Termination benefits will be required to be recognised at the point at which the employer cannot withdraw an offer.

The entry in the Other Comprehensive Income and Expenditure line in the Comprehensive Income and Expenditure Statement for the Expected Return on Assets will be replaced by a transaction showing the Net Interest on the Defined Benefit Liability/Asset. This change is necessary to ensure the cost of providing retirement benefits continues to be recognised in the accounting periods in which the benefits are earned by the employees (police officers and police staff and police community support officers).

There will be changes to the pension assets and liability disclosures. Overall the volume of disclosures will increase, reflecting the importance of pensions, the requirement for transparency and the basis on which these are disclosed.

Other changes to IAS 19 will not impact on the Commissioner and Group accounts. Further details of the changes above will be provided in the 2013/14 accounts.

International Accounting Standard 1 (IAS 1): *Presentation of Financial Statements (*other comprehensive income June 2011)

Amendments to IAS 1 are only likely to effect the available for sale financial assets. At this time the Commissioner does not hold this type of financial instrument, therefore amendments to IAS 1 are likely to have no impact on the Commissioner and Group accounts.

International Financial Reporting Standard 7 (IAS 7): *Financial Instruments* (offsetting financial assets and liabilities December 2011)

The Commissioner only holds straightforward financial instruments and the amendments to disclosures are unlikely to affect the Commissioner and Group accounts.

Note 3: CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting polices set out in Note 1 the Commissioner has exercised judgement about complex transactions or uncertainty about future events. The critical judgement made in the Accounts is:

There are still uncertainties about the future funding for 2014/15 and beyond, concerning what the Commissioner will receive from the government and the limitations around future precept increases. Warwickshire and West Mercia are actively working together and will be introducing a new policing model across Herefordshire, Shropshire, Warwickshire, Worcestershire and Telford and Wrekin, which includes rationalisation of the estate. The alliance provides a plan for realising the savings included in both Commissioners' Medium Term Financial Plans. Assumptions, based on the Estates Strategy, have been made about those assets that are classified as held for sale as at the 31st March 2013.

The allocation of transactions and balances between the Commissioner and the Chief Constable, which has been set out in the Foreword to the Accounts, is a judgement in light of the legislation, accounting standards and local circumstances.

Note 4: ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION AND UNCERTAINITY

The Accounts contains estimated figures that are based on assumptions by the Commissioner about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Commissioner's Balance Sheet as at the 31 March 2013 for which there is potentially a risk of a material adjustment in the future are:

Property, Plant and Equipment

Assets are depreciated over their Useful Economic Lives (UEL), as determined by our valuers, based on judgements, which include assumptions about the level of repairs and maintenance that will be incurred on individual assets. 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.

Pensions Liability

Estimation of the pensions 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 pension schemes, the rate of increase in pay, changes in retirement ages and mortality rates. Two actuaries are engaged to provide the Commissioner with expert advice about the assumptions to be applied to the police pension and Local Government Pension Scheme (LGPS).

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 slightly year on year based on the latest information available 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 pensions 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 employers 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 working 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.

Overhead apportionment (SerCOP)

Support service costs are allocated to the service headings contained in the Cost of Services on the Comprehensive Income and Expenditure Statement using the most appropriate and obtainable basis for example floor space or numbers of police officers or police staff.

Provision for Bad Debts

This is the only provision in the Commissioner's Accounts. The level of provision for bad debts is based on an aged breakdown of outstanding debt and our knowledge of specific debts to determine an amount that is unlikely to be collected. However, the outcome may be different to the estimate we have made

Note 5: MATERIAL ITEMS OF INCOME AND EXPENSE

The actuarial loss in the Other Comprehensive Income and Expenditure section of the Comprehensive Income and Expenditure Statement is £105.8m. This is mainly responsible for the increase in the pension liability, which is held on the Balance Sheet, of £866.4m at the 31 March 2013.

Movements in the assets and liabilities caused by actuarial gains and losses can be both large and potentially volatile, changing from one year to the next. The reason for the actuarial loss on liabilities is changes in actuarial assumptions between the start and end of 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. The actuarial loss on liabilities has been increased by further improvements in life expectancy. In practice, fairly small changes in the actuarial assumptions used can have quite large effects on the value placed on the liabilities. Gains and losses on actuarial valuations are not chargeable against tax under legislation.

Note 6: INTRA-GROUP FUNDING ARRANGEMENT BETWEEN THE COMMISSIONER AND THE CHIEF CONSTABLE

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

The Commissioner receives all funding on behalf of the Group; at no time, under the current arrangements, does the Chief Constable hold any cash or reserves. However it is felt that to accurately represent the substance of the financial impact of the day-to-day control exercised by the Chief Constable over policing it is necessary to capture the costs associated with this activity in the Chief Constable's Comprehensive Income and Expenditure Statement. A consequence of this is that the employment liabilities associated with police officers and police staff is also contained in the Chief Constable's Comprehensive Income and Expenditure Statement and the accumulative balances are held on the Chief Constable's Balance Sheet. All other assets and liabilities are held on the Commissioner's Balance Sheet.

Whilst no actual cash changes hands the Commissioner has undertaken to fund the resources consumed by the Chief Constable. The Commissioner effectively makes all payments from the Police Fund. To reflect this position in the Accounts funding from the Commissioner offsets all the expenditure contained in the Chief Constable's Comprehensive Income and Expenditure Statement and nets this statement off to nil. This intra-group adjustment is mirrored in the Commissioner's Comprehensive Income and Expenditure Statement.

The expenditure in the Chief Constable's Comprehensive Income and Expenditure Statement associated with employment liabilities forms part of the intra-group adjustment showing the funding received from the Commissioner and is shown separately for transparency. The financial impact associated with the costs of the employment liabilities is carried on the balance sheet in accordance with the Code and add to the carrying value of the Pensions Liability and the Accumulated Absences Liability.

The following table shows the movement through the intra-group account within the Commissioner's and Chief Constable's Comprehensive income and Expenditure Statements and Balance Sheets.

Intra-group Adjustments	Commissioner	Chief Constable	Group
	£000	£000	£000
Comprehensive Income and Expenditure Statement 2011/2			
Commissioner's resources consumed at the request of the Chief Constable – Day-to-day Activity	114,087	(114,087)	0
Commissioner's resources consumed at the request of the Chief Constable – Employment Liability	40,606	(40,606)	0
Comprehensive Income and Expenditure Statement 2012/13			
Commissioner's resources consumed at the request of the Chief Constable – Day-to-day Activity	112,153	(112,153)	0
Commissioner's resources consumed at the request of the Chief Constable – Employment Liability	134,502	(134,502)	0
Balance Sheet 2011/12			
Chief Constable's Non-current Assets		731,735	
Chief Constable's Current Assets		2,248	
Commissioner's Long-term Liability	(731,735)		(731,735)
Commissioner's Short-term Creditor	(2,248)		(2,248)
Chief Constable's Long-term Creditor – Pensions Liability		(731,735)	
Chief Constable's Short-term Creditor – Accumulated Absences		(2,248)	
Commissioner's Unusable Reserve – Pensions	731,735		731,735
Commissioner's Unusable Reserve – Accumulated Absences	2,248		2,248
Balance Sheet 2012/13			
Chief Constable's Non-current Assets		866,358	
Chief Constable's Current Assets		2,127	
Commissioner's Long-term Liability	(866,358)		(866,358)
Commissioner's Short-term Creditor	(2,127)		(2,127)
Chief Constable's Long-term Creditor – Pensions Liability		(866,358)	
Chief Constable's Short-term Creditor – Accumulated Absences		(2,127)	
Commissioner's Unusable Reserve – Pensions	866,358		866,358
Commissioner's Unusable Reserve – Accumulated Absences	2,127		2,127

Note7: 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, described below and the Unusable Reserves, which are described at Note 18 to the Accounts.

Police Fund Balance

The Police fund 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 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 Comprehensive Income & Expenditure Statement	(51,740)	51,740
Employer's pensions 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 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	**(34,876)**	**34,876**

Adjustments Between Accounting Basis and Funding Basis Under Regulations 2011/12

	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	(3,772)	3,772
Revaluation losses on Property, Plant & Equipment	(3,926)	3,926
Amortisation of intangible assets	(485)	485
Capital grants and contributions applied	1,792	(1,792)
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	(445)	445
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement		
Statutory provision for the financing of capital investment	1,419	(1,419)
Capital expenditure charge against the General Fund	22	(22)
Adjustments primarily involving the Pensions Reserve		
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	(56,688)	56,688
Employer's pensions contributions and direct payments to pensioners payable in the year	23,214	(23,214)
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	(211)	211
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	536	(536)
Total Adjustments	**(38,544)**	**38,544**

Note 8: TRANSFERS TO/FROM EARMARKED RESERVES

The Commissioner holds all of the Group's 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 2012/13. 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 2011 £000	Transfers out 2011/12 £000	Transfers in 2011/12 £000	Balance at 31 March 2012 £000	Transfers out 2012/13 £000	Transfers in 2012/13 £000	Balance at 31 March 2013 £000
Budget Reserve	**(14,216)**	2,882	(6,544)	**(17,878)**	1,644	0	**(16,234)**
Body Armour	**(113)**	0	0	**(113)**	14	0	**(99)**
Invest to Save	**(126)**	0	0	**(126)**	126	(1,000)	**(1,000)**
Carry Forward	**(685)**	660	(1,080)	**(1,105)**	1,105	0	**0**
Learning Development Centre Dilapidations	**(296)**	0	(55)	**(351)**	351	0	**0**
Insurance	**(780)**	0	0	**(780)**	0	0	**(780)**
Police Community Support Officers	**(1,187)**	278	0	**(909)**	0	(1,671)	**(2,580)**
Repair & Maintenance	**(1,029)**	300	0	**(729)**	300	0	**(429)**
Operational	**0**	0	0	**0**	0	(4,631)	**(4,631)**
Development Commitments	**0**	0	0	**0**	0	(2,000)	**(2,000)**
National Initiatives	**0**	0	0	**0**	0	(81)	**(81)**
Capital	**0**	0	0	**0**	0	**(477)**	**(477)**
EARMARKED RESERVES	**(18,432)**	**4,120**	**(7,679)**	**(21,991)**	**3,540**	**(9,860)**	**(28,311)**
GENERAL RESERVES	**(2,000)**	**0**	**0**	**(2,000)**	**0**	**0**	**(2,000)**
TOTAL	**(20,432)**	**4,120**	**(7,679)**	**(23,991)**	**3,540**	**(9,860)**	**(30,311)**

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.

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

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

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

- **Police Community Support Officers** 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** to maintain the estate in a watertight and sound condition.

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

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

- **National initiative** 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** to support delivery of the Capital Programme.

Note 9: FINANCING AND INVESTMENT INCOME AND EXPENDITURE

The Commissioner 2011/12 £000	The Group 2011/12 £000		The Commissioner 2012/13 £000	The Group 2012/13 £000
959	959	Interest payable	910	910
0	38,695	Pensions interest cost and expected return on pensions assets	0	35,286
(155)	(155)	Interest receivable	(127)	(127)
804	**39,499**		**783**	**36,069**

Note 10: TAXATION AND NON-SPECIFIC GRANT INCOME

2011/12 £000		2012/13 £000
(35,125)	Council tax income	(36,729)
(20,100)	National Non-domestic rates and Revenue Support Grant	(19,779)
(35,186)	Police Grant	(32,678)
(10,925)	Home Office grant towards the cost of retirement benefits	(11,640)
(1,791)	Capital grants and contributions	(401)
(103,127)		**(101,227)**

Note 11: PROPERTY, PLANT AND EQUIPMENT

The Commissioner holds all the Group's property, plant and equipment.

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)
Derecognition – disposals	(1,191)	(503)	0	0	0	(1,694)
Derecognition – 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)
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(1,340)	0	0	0	0	(1,340)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(1,580)	(886)	(146)	(920)	0	(3,532)
Assets reclassified (to)/from Held for Sale	1,703	0	0	0	0	1,703
Derecognition – disposals	35	501	0	0	0	536
Derecognition – other	0	0	0	0	0	0
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**

Movements in 2011/12	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 2011	**99,260**	**4,582**	**1,459**	**22,649**	**9,032**	**136,982**
Additions	0	1,065	0	921	3,249	5.235
Transfer from Assets under Construction	7,385	31	0	0	(9,805)	(2,389)
Revaluation increases / (decreases) recognised in the Revaluation Reserve	201	0	0	0	0	201
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	(4,136)	0	0	0	0	(4,136)
Derecognition – disposals	(1,185)	(450)	0	(5,161)	0	(6,796)
Assets reclassified (to)/from Held for Sale	(350)	0	0	0	0	(350)
Transfer to Comprehensive Income & Expenditure Statement (CIES)	0	0	0	0	(1,061)	(1,061)
At 31 March 2012	**101,175**	**5,228**	**1,459**	**18,409**	**1,415**	**127,686**
Accumulated Depreciation and Impairment						
At 1 April 2011	**(1)**	**(2,494)**	**(583)**	**(19,728)**	**0**	**(22,806)**
Depreciation charge						
Depreciation written out to the Revaluation Reserve	(183)	0	0	0	0	(183)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(1,521)	(913)	(146)	(1,010)	0	(3,590)
Impairment losses / (reversals) recognised in the Revaluation Reserve	84	0	0	0	0	84
Impairment losses / (reversals) recognised in the Surplus / Deficit Provision of Services	233	0	0	0	0	233
Derecognition – disposals	20	426	0	5,161	0	5,607
Other movements in depreciation and impairment – assets reclassified (to) / from Assets Held For Sale	10	0	0	0	0	10
At 31 March 2012	**(1,358)**	**(2,981)**	**(729)**	**(15,577)**	**0**	**(20,645)**
Net book value At 31 March 2012	**99,817**	**2,247**	**730**	**2,832**	**1,415**	**107,041**
At 31 March 2011	**99,259**	**2,088**	**876**	**2,921**	**9,032**	**114,176**

Note 12: INTANGIBLE ASSETS

Software is accounted for as intangible assets, to the extent that the software is not an integral part of a particular IT 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.

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

Software Total 2011/12		Software Total 2012/13
£000		£000
	Balance at start of year	
3,661	▪ Gross carrying amounts	4,703
(2,397)	▪ Accumulated amortisation	(2,456)
1,264	**Net carrying amount at start of year**	2,247
1,467	Additions: Purchases transferred from Assets Under Construction	445
0	Other disposals	0
(485)	Amortisation for the period	(715)
2,246	**Net carrying amount at end of year**	1,977
	Comprising:	
4,703	▪ Gross carrying amount	5,148
(2,456)	▪ Accumulated amortisation	(3,171)
2,247		1,977

Note 13: 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 2013 £000	31 March 2012 £000	31 March 2013 £000	31 March 2012 £000
Investments: Loans and receivables	9	15	24,444	16,343
Debtors and cash	0	0	1440	1502
Borrowings: Financial liabilities at amortised cost	17,665	18,395	1,482	986
Creditors	0	0	5570	5744

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
2012/13			
Interest Expense Payable and Similar Charges	910	0	910
Interest Income	0	(127)	(127)
2011/12			
Interest Expense Payable and Similar Charges	959	0	959
Interest Income	0	(155)	(155)

The Commissioner receives a £0.4m contribution from the Southern Justice Centre partnership to meet the cost of the principal and interest on a £6.0m 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 2013 of 4.70% 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 2013		31 March 2012	
	Carrying amount £000	Fair Value £000	Carrying amount £000	Fair Value £000
Financial Liabilities	18,698	23,769	19,380	23,913

The carrying amount in the table above is the outstanding principal and ignores the interest due at 31 March 2013 but not paid, which is included in the carrying amount on the balance sheet and the first table in this note. 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 2013) 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 14: DEBTORS

31 March 2012 £000		31 March 2013 £000
4,875	Central government bodies	4,438
2,563	Other local authorities	2,330
817	Council taxpayers	927
887	Other entities and individuals	1,217
9,142	**Total**	**8,912**

Note 15: CASH AND CASH EQUIVALENTS

The Commissioner has not delegated to the Chief Constable the power to hold a bank account. The balance of cash and cash equivalents is made up of the following elements:

31 March 2012 £000		31 March 2013 £000
840	Bank current accounts	354
16,343	Short term deposits	24,313
17,183	**Total**	**24,667**

Small amounts of petty cash balances are held and these are included in the bank current account balance.

Note 16: ASSETS HELD FOR SALE

Through the Asset Rationalisation Programme the Commissioner is actively reducing the extent of land and buildings held for operational purposes.

2011/12 £000		2012/13 £000
0	**Balance outstanding at start of year**	**479**
	Assets newly classified as held for sale	
339	Property, Plant and Equipment	2,561
(21)	Revaluation losses	0
161	Revaluation gains	0
0	Assets sold	(226)
479	**Total**	**2,814**

Note 17: CREDITORS

The Commissioner 2012 £000	The Group 31 March 2012 £000		The Commissioner 2013 £000	The Group 31 March 2013 £000
0	1,937	Central government bodies	0	1,504
0	1,450	Other local authorities	0	2,008
0	842	Council taxpayers	0	945
2,248	6,979	Other entities and individuals	2,127	5,570
2,248	**11,208**	**Total**	**2,127**	**10,027**

Note 18: UNUSABLE RESERVES

The un-usable reserves are held by the Commissioner and can be summarised as follows:.

31 March 2012 £000		31 March 2013 £000
(9,493)	Revaluation Reserve	(8,672)
(73,921)	Capital Adjustment Account	(68,303)
731,735	Pensions Reserve	866,358
25	Collection Fund Adjustment Account	18
2,248	Accumulated Absences Account	2,127
650,594	**Total**	**791,528**

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.

2011/12 £000		2012/13 £000	£000
(9,256)	**Balance at 1 April**		**(9,493)**
(447)	Upward revaluation of assets	(155)	
0	Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	464	
(447)	**Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**		**308**
27	Difference between fair value depreciation and historical cost depreciation	188	
183	Accumulated gains on assets sold or scrapped	325	
(9,493)	**Balance at 31 March**		**(8,672)**

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 6 (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.

2011/12 £000		2012/13 £000	£000
(79,124)	**Balance at 1 April**		**(73,921)**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
3,772	Charges for depreciation and impairment of non-current assets	3,718	
3,926	Revaluation losses on Property, Plant and Equipment	4,841	
485	Amortisation of intangible assets	714	
1,162	Amounts of non-current assets written off on disposal as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,060	
9,345			**10,332**
(183)	Adjusting amounts written out of the Revaluation Reserve		(188)
9,162	**Net written out amount of the cost of non-current assets consumed in the year**		**10,145**
	Capital financing applied in the year:		
(726)	Use of the Capital Receipts Reserve to finance new capital expenditure	(2,313)	
(1,792)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(401)	
(1,419)	Statutory provision for the financing of capital investment charged against the General Fund	(1,422)	
(22)	Capital expenditure charged against the General Fund	(391)	
(3,959)			**(4,527)**
(73,921)	**Balance at 31 March**		**(68,303)**

Pensions Reserve

Payments for the cost of retirement benefits and the associated liability are shown in the Chief Constable's Accounts. The Commissioner subsequently funds these by way of an intra-group adjustment. The Pensions Reserve, held by the Commissioner, absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Chief Constable Accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Chief Constable makes employers contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Commissioner's Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Commissioner 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:

2011/12 £000		2012/13 £000
690,593	**Balance at 1 April**	**731,735**
7,668	Actuarial gains or losses on pensions assets and liabilities	105,751
56,688	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	51,740
(23,214)	Employer's pensions contributions and direct payments to pensioners payable in the year	(22,868)
731,735	**Balance at 31 March**	**866,358**

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.

2011/12 £000		2012/13 £000
(186)	**Balance at 1 April**	**25**
211	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	(7)
25	**Balance at 31 March**	**18**

Accumulated Absences Account

The cost of employment benefits and the associated Accumulated Absences liability is shown in the Chief Constable's Accounts. The Commissioner subsequently funds these by way of an intra-group adjustment and creates an un-usable reserve. 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.

2011/12 £000		2012/13 £000
2,784	**Balance at 1 April**	**2,248**
(536)	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	(121)
2,248	**Balance at 31 March**	**2,127**

Note 19: CASH FLOW STATEMENT – OPERATING ACTIVITIES

2011/12 £000		2012/13 £000
(155)	Interest received	(127)
959	Interest paid	910
804		**783**

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

2011/12 £000		2012/13 £000
(3,794)	Depreciation	(3,718)
(3,901)	Downward valuations	(4,841)
(485)	Amortisation of intangible assets	(715)
(823)	Increase/decrease in revenue creditors	1,086
2,767	Increase/decrease in revenue debtors	(235)
(1,061)	Capital written back to revenue from prior years	(62)
0	Interest on loan accrued to the carrying value of long-term borrowing	(449)
(33,474)	Pension liability	(28,872)
(445)	Carrying amount of non-current assets sold	928
(41,216)		**(36,878)**

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

2011/12 £000		2012/13 £000
(1,792)	Capital Grants	401
(1,792)		**401**

Note 20: CASH FLOW STATEMENT – INVESTING ACTIVITIES

2011/12 £000		2012/13 £000
5,899	Purchase of property, plant and equipment and intangible assets	3,201
(726)	Proceeds from the sale of property, plant and equipment	(2,313)
(1,792)	Other receipts from investing activities	(1,132)
3,381		**(244)**

Note 21: CASH FLOW STATEMENT – FINANCING ACTIVITIES

2011/12 £000		2012/13 £000
969	Repayment of long term borrowing	985
0	New loans	(304)
969		**681**

Note 22: 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. This report is prepared on a different basis from the accounting polices used in the financial statements. In particular:

- 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.

2011/12		2012/13	
£000		£000	£000
	Group Reporting of Income and Expenditure		
50,999	Police officers pay	46,492	
24,093	Police staff pay	23,540	
2,013	Police pensions	1,456	
18,553	Other running costs	20,490	
2,401	Capital financing	2,724	
98,059	**Total Expenditure**		**94,702**
(155)	Interest earned		(127)
(10,845)	Other income		(11,715)
87,059	**Net Expenditure**		**82,860**
	Reconciliation of Group Reporting Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement		
87,059	**Net expenditure in the reporting analysis**		**82,860**
	Amounts in the Comprehensive Income and Expenditure Statement not reported to management		
3,772	Depreciation	3,718	
485	Amortisation of intangible assets	715	
3,930	Revaluation loss	4,841	
16,986	Current cost of pensions	16,290	
(536)	Accumulated absences	(121)	
1,007	Non distributed costs	164	
25,644			**25,607**
	Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement		
(12,289)	Cost of pensions based on cash flows (employers contributions)	(11,228)	
(1,420)	Minimum revenue provision	(1,422)	
(22)	Revenue contributions to capital	(391)	
(959)	Interest payable	(910)	
155	Interest receivable	127	
(14,535)			**(13,824)**
98,168	**Cost of Services in Comprehensive Income and Expenditure Statement**		**94,643**

Reconciliation to Subjective Analysis

This reconciliation 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.

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)	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
Pensions interest cost and expected return on assets	0	35,286	0	0	35,286
Gain on disposal of fixed assets	0	(928)	0	0	(928)
Total Expenditure	**94,701**	**59,801**	**(13,041)**	**164**	**141,625**
Total	**82,860**	**(41,427)**	**(13,041)**	**164**	**28,556**
	Group reporting of income & expenditure				**Deficit on the provision of services**

2011/12

2011/12	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	(10,845)	0	0	0	(10,845)
Interest and investment income	(155)	0	0	0	(155)
Income from council tax	0	(35,125)	0	0	(35,125)
Government grants and contributions	0	(68,002)	0	0	(68,002)
Total Income	**(11,000)**	**(103,127)**	**0**	**0**	**(114,127)**
Police officers pay	50,999	0	0	0	50,999
Police staff pay	24,093	0	0	0	24,093
Police pensions	2,013	0	0	0	2,013
Pensions current cost of service	0	16,986	0	0	16,986
Cost of pensions based on cash flows	0	0	(12,289)	0	(12,289)
Accumulated absences	0	(536)	0	0	(536)
Other service expenditure	18,553	0	0	0	18,553
Non distributed costs	0	0	0	1,007	1,007
Depreciation	0	3,772	0	0	3,772
Amortisation	0	485	0	0	485
Revaluation loss	0	3,930	0	0	3,930
Interest payments	959	0	0	0	959
Minimum revenue provision	1,420	0	(1,420)	0	0
Revenue contributions to capital	22	0	(22)	0	0
Pensions interest cost and expected return on assets	0	38,695	0	0	38,695
Loss on disposal of fixed assets	0	445	0	0	445
Total Expenditure	**98,059**	**63,777**	**(13,731)**	**1,007**	**149,112**
Total	**87,059**	**(39,350)**	**(13,731)**	**1,007**	**34,985**
	Group reporting of income & expenditure				**Deficit on the provision of services**

Note 23: POOLED BUDGETS AND JOINT VENTURES

Strategic Alliance with West Mercia Police

On 28 June 2011 Warwickshire Police and Warwickshire Police Authority agreed to enter into a ‘Strategic Alliance’ with West Mercia Police and West Mercia Police Authority and the two Chief Constables. The Commissioner’s of both Warwickshire and West Mercia support this decision. The Alliance provides an opportunity for the two neighbouring forces to work more closely together and to share resources in different service areas, but each Commissioner will retain their own sovereignty, finances, estates and identity and each Chief Constable will retain operational independency. The Alliance has been formed to increase efficiency and maximise police services in times of substantial funding cuts.

Whilst substantial work has been undertaken to develop common polices, procedures and practices the new policing model across Herefordshire, Shropshire, Telford and Wrekin, Warwickshire, Worcestershire will be implemented during 2013/14. Therefore, the extent of cost pooling at this time is limited.

The costs are recorded in the Chief Constable’s Accounts. Primarily the Commissioner receives all income, subsequently the Commissioner funds the expenditure of the Chief Constable. The details for 2012/13 are as follows:

2011/12 £000		2012/13 £000
	Funding provided to the Strategic Alliance	
(236)	Contribution from Warwickshire	(1,271)
(526)	Contribution from West Mercia	(2,688)
(762)	**Total Funding**	**(3,959)**
	Expenditure	
696	Pay and allowances	3,702
0	Premises costs	0
42	Transport costs	17
24	Supplies and Services	240
762	**Total Expenditure**	**3,959**

The total expenditure shown above relates to the Police Officers, Staff and associated costs of the Strategic Alliance Project Officer (SAPO) team, the joint Chief Officers team, Heads of Department that have been appointed to alliance posts and other pooled expenditure. The expenditure is shared between the Warwickshire and West Mercia and Commissioners on the basis of a 31% 69% respectively.

East Midlands Air Support Unit

The East Midlands Air Support Unit is a joint operation by the Chief Constable's of Warwickshire, Staffordshire and Leicestershire, the latter provides the financial administration service for this joint unit, the three Police and Crime Commissioner's jointly own the helicopter. Whilst the operational costs of the joint arrangement for air support is shown in the Chief Constable's Comprehensive Income and Expenditure Statement the Commissioner and Group Balance Sheet includes within non-current assets £0.584m as the value of the Commissioner's 1/3rd share of the helicopter

The Comprehensive Income and Expenditure Statement includes the contribution of £353,000. The joint arrangement for the Unit, set out in the following table, covers all operating costs except for officers attached to the Unit as follows

The revenue operating costs of the air support unit, excluding individual force's police officers met by individual forces is:

2011/12 £000		2012/13 £000
	Income	
(353)	Contribution from Leicestershire	(353)
(353)	Contribution from Northamptonshire	(353)
(353)	Contribution from Warwickshire	(353)
(68)	Fees and Charges	0
(1,127)	**Total Income**	**(1,059)**
	Expenditure	
389	Pay and Allowances	382
45	Premises	48
699	Transport	742
29	Supplies & Services	36
58	Third Party Payments	0
1,220	**Total Expenditure**	**1,208**
93	**Net Expenditure – (Met from EMASU Reserves)**	**149**

It is anticipated that the provision of air support will be provided on a national basis during 2013/14, the Chief Constable of West Yorkshire Police will administer the service and ownership of the helicopter will be transferred to them.

The Northern Justice Centre and Southern Justice Centre

The Warwickshire Justice Centres are a multi partner jointly controlled operation (joint venture). 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 years budget. Sinking funds exist for both Justice Centres to meet future building maintenance costs, these funds are ring fenced in their earmarked Reserves.

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 share of the Justice Centres expenditure and income is included in the Commissioner and Group financial statements. The Commissioner provides financial support to the Warwickshire Justice Centres Board and the entire income and expenditure associated with operating the Warwickshire Justice Centres is set out in the following tables:

Northern Justice Centre

2011/12 £000		2012/13 £000
	Income	
(1,469)	Contribution from partners	(1,499)
(4)	Interest	(4)
(1,473)	**Total Income**	**(1,503)**
	Expenditure	
44	Pay and Allowances	6
1,220	Premises	1,467
0	Transport	0
52	Supplies & Services	52
0	Third Party Payments	0
1,316	**Total Expenditure**	**1,525**
(157)	**Net Expenditure**	**22**

Southern Justice Centre

2011/12 £000		2012/13 £000
	Income	
(2,624)	Contribution from partners	(2,551)
(1)	Interest	(1)
(2,625)	**Total Income**	**(2,552)**
	Expenditure	
169	Pay and Allowances	138
1,714	Premises	2,205
1	Transport	1
78	Supplies & Services	88
0	Third Party Payments	3
403	Capital Charges – loan repayment	403
2,365	**Total Expenditure**	**2,838**
(260)	**Net Expenditure**	**286**

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 2011 £000	Transfers out 2011/12 £000	Transfers in 2011/12 £000	Balance at 31 March 2012 £000	Transfers out 2012/13 £000	Transfers in 2012/13 £000	Balance at 31 March 2013 £000
Sinking fund	**(635)**	46	(605)	**(1,194)**	373	(574)	**(1,395)**
General Reserve	**(303)**	220	(78)	**(161)**	270	(200)	**(91)**
TOTAL	**(938)**	**266**	**(683)**	**(1,355)**	**643**	**(774)**	**(1,486)**

Note 24: MEMBERS ALLOWANCES

The Warwickshire Police Authority ceased to exist on the 22 November 2012, members allowances paid up to this date and for the prior year are as follows.

2011/12 £000		2012/13 £000
239	Allowances	154
10	Expenses	4
249	**Total**	**158**

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 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 Note 1	2012/13	0	0	0	0	0	0	0	0
	2011/12	97,078	0	1,433	5,456	0	0	20,980	124,947
Chief Constable Note 2	2012/13	135,656	0	2,150	4,828	0	0	31,471	174,105
	2011/12	45,560	0	717	861	0	0	10,490	57,628
Deputy Chief Constable Note 3	2012/13	118,110	0	0	4,026	0	0	26,347	148,483
	2011/12	38,175	0	0	842	0	0	8,782	47,799
Assistant Chief Constable Note 4	2012/13	0	0	0	0	0	0	0	0
	2011/12	69,584	0	0	1,175	0	0	15,126	85,885
Assistant Chief Constable Note 5	2012/13	80,801	0	0	10,548	0	0	18,592	109,941
	2011/12	0	0	0	0	0	0	0	0
Director of Enabling Services Note 6	2012/13	99,547	0	0	2,075	0	0	13,339	114,961
	2011/12	96,528	0	0	1,674	0	0	12,742	110,944
Director of Finance Note 7	2012/13		0	0	0	0	0	0	0
	2011/12	70,329	0	0	0	0	0	9,283	79,612

Notes:	
1	Chief Constable was seconded to the National Crime Agency with effect from 01/12/2011, annualised salary £142,610 (2011/12).
2	Deputy Chief Constable (DCC) was promoted Chief Constable (CC) with effect from 01/12/2011 £114,372, CC annualised salary £136,680 (2011/12).
3	Assistant Chief Constable (ACC) promoted to Temporary Deputy Chief Constable (TDCC) with effect from 01/12/2011, TDCC annualised salary £117,842 (2011/12)
4	Assistant Chief Constable (ACC) is now part of West Mercia disclosure (2012/13) annualised salary ACC £102,720 (2011/12)
5	Assistant Chief Constable (ACC) commenced on 06/06/12. Benefits in kind include relocation expenses, annualised salary £99,240 (2012/13). For 2011/12 this is part of West Mercia disclosure
6	The Director of Enabling Services post has replaced the post previously titled Director of Resources
7	The Director of Finance is now part of West Mercia disclosure
-	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) Note 1	**2012/13**	23,292	0	0	726	24,018
	2011/12	0	0	0	0	0
Deputy Police & Crime Commissioner (DPCC) Note 2	**2012/13**	14,637	0	0	1,961	16,598
	2011/12	0	0	0	0	0
Chief Executive to Police Authority/the Commissioner Note 3	**2012/13**	60,845	0	0	8,153	68,998
	2011/12	76,726	0	0	10,128	86,854
Chief Executive to the Commissioner Note 4	**2012/13**	19,181	0	0	2,570	21,751
	2011/12	0	0	0	0	0
Treasurer to Police Authority/the Commissioner	**2012/13**	46,036	0	0	0	46,036
	2011/12	43,793	0	0	0	43,793

Notes:	
1	The Commissioner in post with effect from 22/11/2012
2	Deputy Police & Crime Commissioner in post with effect from 12/12/2012
3	The Chief Executive left on16/01/13, annualised salary £76,728
4	The Interim Chief Executive started on 01/01/2013, annualised salary £76,728
	A post has been created for a Treasurer in the Commissioner's Office to be shared 50/50 between Warwickshire and West Mercia Police

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

Number of Employees	Remuneration Band	Number of Employees
2011/12		2012/13
46	£50,000 - £54,999	46
36	£55,000 - £59,999	35
10	£60,000 - £64,999	7
4	£65,000 - £69,999	5
5	£70,000 - £74,999	2
4	£75,000 - £79,999	4
2	£80,000 - £84,999	4
1	£85,000 - £89,999	0
0	£90,000 - £94,999	2
2	£95,000 - £99,999	0
0	£100,000 - £104,999	1
1	£105,000 - £109,999	0
0	£110,000 - £114,999	0
0	£115,000 - £119,999	0
1	£120,000 - £124,999	1
0	£125,000 - £129,999	0
0	£130,000 - £134,999	0
0	£135,000 - £135,999	0
0	£140,000 - £144,999	1
0	£145,000 - £149,999	0
112	**Total**	**108**

Exit Packages

In order to make savings as part of the Medium Term Financial Plan it has been necessary to review how police services are delivered. As a result a number of exit packages have been agreed. The number of exit packages resulting from redundant posts with total cost per band are set out in the table below:

Exit Package cost band (including special payments)	Number of Exit Packages		Total cost of Exit Packages in each band	
	2011/12	2012/13	2011/12	2012/13
			£000	£000
£0 - £40,000	144	2	2,425	42
£40,001 - £60,000	5	0	215	0
Total	**149**	**0**	**2,640**	**42**

The total cost of £42K (2012/13) 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.

2011/12 £000		2012/13 £000
69	Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor for the year	0
0	Fees payable to Grant Thornton with regard to external audit services Carried out by the appointed auditor for the year	63
1	Fees payable to the Grant Thornton in respect of other services provided by them during the year	0
0	Fees payable to Grant Thornton in respect of other services provided by them during the year	14
70	**Total**	**77**

The audit fee payable for the year totalled £77K for the Group, the proportion relating to the Commissioner is £44K.

Note 27: GRANT INCOME

The Commissioner credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement 2012/13:

2011/12 £000		2012/13 £000
	Credited to Taxation and Non Specific Grant Income	
(35,186)	Police Principal Grant	(32,678)
(15,354)	Non Domestic Rates	(19,403)
(10,925)	Home Office Grant towards the cost of retirement benefits	(11,640)
(4,746)	Revenue Support Grant	(376)
(926)	Police Capital Grant	(1,090)
(67,137)	**Total**	**(65,187)**
	Credited to Services	
(2,354)	Neighbourhood Policing Fund	(3,253)
(877)	Council Tax Freeze Grant	0
(299)	National Security Grant	(354)
(105)	Debt Charges Grant	(112)
(110)	Counter Terrorism Grant: Prevent	(113)
(93)	Proceeds of Crime Contributions	(102)
(50)	Sexual Assault Referral Centre	0
(49)	Speed Awareness Contributions	0
(42)	Digital Scanning Equipment	0
(27)	Laser Scanning Equipment	0
(11)	Special Constabulary	(26)
0	Implementation Grant	(27)
0	Force Medical Examiner Project Grant	(50)
0	Reduction Violent Crime	(35)
0	Olympic Planning Grant	(12)
0	Youth Offending Grant	(37)
(4,017)	**Total**	**(4,121)**

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 2013 £000
Police Capital Grant	(973)
Warwickshire Camera Safety Unit Partnership	(46)
Mobile Data Network Equipment	(34)
Radio Frequency Survey Equipment	(23)
Stratford District Council (Section 106)	(15)
NPIA NSPIS Equipment	(12)
Warwickshire County Council – Atherstone Police Station development	(10)
NPIA – Police Procurement Hub Equipment	(3)
Total	**(1,116)**

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

	Expenditure £000	Income £000
Local Authorities in the Policing Area	3,857	(673)
Other Local Authorities	7	(0)
Seconded Police Officers	0	(1,205)
Other Police Forces	2,082	(3,022)
Total	**5,946**	**(4,900)**

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

In respect of the Commissioner and Chief Constable there are no related party transactions during the year, 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 six suppliers with which the Group incurred the greatest expenditure in 2012/13.

	Expenditure £000
Warwickshire County Council	1,823
Serco Shared Services	1,455
KCOM Group Plc	1,130
Reed Specialist Recruitment	1,120
Warwick District Council	1,043
Allstar Business Solutions Ltd	879
Total	**7,450**

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.

2011/12 £000		2012/13 £000
28,828	**Opening Capital Financing Requirement**	**28,123**
	Capital investment:	
3,075	Property, plant and equipment	3,105
180	Intangible assets	0
	Sources of finance:	
(726)	Capital receipts	(2,313)
(1,793)	Government grants and other contributions	(1,132)
	Sums set aside from revenue:	
(22)	Direct revenue contributions	(391)
(1,419)	Minimum revenue provision	(1,422)
28,123	**Closing Capital Financing Requirement**	**25,970**
	Explanation of movements in the year	
486	Increase in underlying need to borrow (supported by government financial assistance)	486
(1,191)	Decrease in underlying need to borrow (unsupported by government financial assistance)	(2,639)
(705)	**Increase/(Decrease) in Capital Financing Requirement**	**(2,153)**

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 2012 £000		31 March 2013 £000
152	Not later than one year	83
109	Later than one year and not later than five years	179
47	Later than five years	174
308		**436**

The amount paid in 2012/13 was £0.062m (£0.199m in 2011/12).

The Group has a contract for hire of Photocopiers and Franking Machines. As at 31st March 2013, outstanding commitments in respect of Equipment leases were:

31 March 2012 £000		31 March 2013 £000
26	Not later than one year	19
78	Later than one year and not later than five years	9
104		**28**

In 2012/13 £0.023m was spent on rental payments (£0.031m in 2011/12).

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 £18.863mbroken down as follows:

Rugby Police Station £14.335mBedworth Police Station £4.213m
Illmington Radio Mast £0.135m

The rent received in 2012/13 was £0.091m, which is the same amount as 2011/12.

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 2012 £000		31 March 2013 £000
91	Not later than one year	91
73	Later than one year and not later than five years	73
127	Later than five years	109
291		**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 reserves is created on the Commissioner'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, is 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.

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:

2012/13	Local Government Pension Scheme £000	Police Pension Scheme 1987 £000	Police Injury Awards £000	Police Pension Scheme 2006 £000	Total £000
Comprehensive Income and Expenditure Statement					
Cost of Services:					
– current service costs	2,860	12,230	230	970	16,290
– past service costs	54	0	110	0	164
Financing and Investment Income and Expenditure					
– interest cost	3,669	32,920	1,320	400	38,309
– expected return on assets in the scheme	(3,023)	0	0	0	(3,023)
Total Post Employment Benefit charged to the surplus or deficit on the Provision of Service	**3,560**	**45,150**	**1,660**	**1,370**	**51,740**
Other Comprehensive Income and Expenditure Statement charges					
– actuarial (gains) and losses	6,491	92,312	3,980	2,968	105,751
Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement	**10,051**	**137,462**	**5,640**	**4,338**	**157,491**
Movement in Reserve Statement					
– reversal of net charges made for retirement benefits in accordance with IAS19	(3,560)	(45,150)	(1,660)	(1,370)	(51,740)
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

2011/12	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	2,776	13,060	200	950	16,986
– past service costs	0	0	10	0	10
– curtailments	997	0	0	0	997
Financing and Investment Income and Expenditure					
– interest cost	3,804	36,490	1,340	380	42,014
– expected return on assets in the scheme	(3,319)	0	0	0	(3,319)
Total Post Employment Benefit charged to the surplus or deficit on the Provision of Service	**4,258**	**49,550**	**1,550**	**1,330**	**56,688**
Other Comprehensive Income and Expenditure Statement charges					
– actuarial (gains) and losses	2,018	71	2,520	2,858	7,467
Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement	**6,276**	**49,621**	**4,070**	**4,188**	**64,155**
Movement in Reserve Statement					
– reversal of net charges made for retirement benefits in accordance with IAS19	(4,258)	(49,550)	(1,550)	(1,330)	(56,688)
Actual amount charged against the General Fund Balance for pensions in the year					
– employers' contributions payable to the scheme	2,116	17,910	0	2,598	22,624
– benefits paid direct to beneficiaries	0	0	590	0	590

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

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)
Actuarial gains and losses	(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)**

2011/12	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	**(67,415)**	**(643,930)**	**(23,770)**	**(5,990)**	**(741,105)**
Current service cost	(2,776)	(13,060)	(200)	(950)	(16,986)
Interest cost	(3,804)	(36,490)	(1,340)	(380)	(42,014)
Contributions by scheme participants	(1,055)	(3,380)	0	(250)	(4,685)
Actuarial gains and losses	(504)	(3,120)	(2,520)	(10)	(6,154)
Benefits paid	1,274	24,140	590	0	26,004
Past service costs	0	0	(10)	0	(10)
Curtailments	(997)	0	0	0	(997)
Closing balance 31st March	**(75,277)**	**(675,840)**	**(27,250)**	**(7,580)**	**(785,947)**

Reconciliation of fair value of the scheme (plan) assets

Reconciliation of fair value of the scheme assets	2011/12 £000	2012/13 £000
Opening balance at 1st April	**50,512**	**54,212**
Expected rate of return	3,319	3,023
Actuarial gains and losses	(1,514)	5,132
Contributions by employer	2,114	2,108
Contributions by scheme participants	1,055	1,031
Benefits paid	(1,274)	(1,597)
Closing balance 31st March	**54,212**	**63,909**

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 actual return on scheme assets in the year was £8.2m (2011/12: £1.4m).

Scheme History

	2008/09 £000	Restated 2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000
Present value of liabilities					
– Local Government Pension Scheme	(45,396)	(71,115)	(67,415)	(75,277)	(92,917)
– Police Pension Scheme 1987	(468,800)	(698,930)	(643,930)	(675,840)	(793,990)
– Police Pension Scheme Injury Awards	(8,480)	(28,280)	(23,770)	(27,250)	(32,070)
– Police Pension Scheme 2006	(1,660)	(4,930)	(5,990)	(7,580)	(11,290)
Fair value of assets in the Local Government Pension Scheme	32,052	46,247	50,512	54,212	63,909
Total	**(492,284)**	**(757,008)**	**(690,593)**	**(731,735)**	**(866,358)**
Surplus/(deficit) in the scheme					
– Local Government Pension Scheme	(13,344)	(24,868)	(16,903)	(21,065)	(29,008)
– Police Pension Scheme 1987	(468,800)	(698,930)	(643,930)	(675,840)	(793,990)
– Police Pension Scheme Injury Awards	(8,480)	(28,280)	(23,770)	(27,250)	(32,070)
– Police Pension Scheme 2006	(1,660)	(4,930)	(5,990)	(7,580)	(11,290)
Total	**(492,284)**	**(757,008)**	**(690,593)**	**(731,735)**	**(866,358)**

The liabilities show the underlying commitments that the Chief Constable and Group have in the long run to pay post employment retirement benefits. The total liability of £866.4m has a substantial impact on the net worth of the Group as recorded in the Balance Sheet, resulting in a negative overall balance of £1.4m

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 2014 is £2.5m. Expected contributions for the Police Pension Scheme by the Group in the year to 31 March 2014 are £7.6m.

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), has been assessed by Hymans Robertson, an independent firm of actuaries. The Government Actuary's Department has assessed the liabilities for the Police Pension Scheme.

The principal assumptions used by the actuaries have been:

Local Government Pension Scheme	Police Pension Schemes		Local Government Pension Schemes	Police Pension Schemes
2011/12	2011/12		2012/13	2012/13
		Long-term expected rate of return on assets in the scheme:		
6.30%	-	Equity investments	4.50%	-
3.90%	-	Government & Other Bonds	4.50%	-
4.40%	-	Property	4.50%	-
3.50%	-	Cash Liquidity	4.50%	-
		Mortality assumptions		

Local Government Pension Scheme	Police Pension Schemes		Local Government Pension Schemes	Police Pension Schemes
2011/12	2011/12		2012/13	2012/13
		Mortality assumptions		
		Longevity at 65 for current pensioners:		
21.9 years	23.3 years	Men	21.9 years	23.4 years
23.6 years	25.7 years	Women	23.6 years	25.8 years
		Longevity at 65 for future pensioners:		
22.8 years	25.6 years	Men	22.8 years	25.7 years
25.9 years	27.8 years	Women	25.9 years	27.9 years
3.10%	3.00%	Rate of CPI inflation	2.80%	2.50%
4.80%	4.70%	Rate of increase in salaries	5.10%	4.75%
2.50%	2.50%	Rate of increase in pensions	2.80%	2.50%
4.80%	4.90%	Rate for discounting scheme liabilities	4.50%	4.30%
50.00%	50.00%	Take-up of option to convert annual pension into retirement lump sum	50.00%	50.00%

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

The value of the pension fund assets at 31st March 2013 is based on the market value at 31st December 2012. The actuary has made an assumption about the movement in the investment market to arrive at the valuation at the balance sheet date. Information that became available after the 31 March 2013 showed that the market value of investments was (0.1%), being £64k, lower than stated in the accounts, so the IAS19 pension deficit may actually be higher than shown

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 2012 '000	Split of Assets between Investment categories %	Total as at 31 March 2013 £'000	Split of Assets between Investment categories %
Equities	38,491	71	46,653	73
Government Bonds	10,300	19	11,504	18
Property	5,421	10	5,752	9
Total Assets	**54,212**	**100**	**63,909**	**100**

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions reserve in 2012/13 can be analysed into the following categories, measured as a percentage of asset or liabilities at 31 March 2013.

	2008/09 %	2009/10 %	2010/11 %	2011/12 %	2012/13 %
Local Government					
Differences between the expected and actual return on assets	(31.50)	20.30	(1.60)	(2.80)	8.00
Experience gains and losses on liabilities	0.00	0.00	9.50	1.20	0.10
Police Pension Scheme 1987					
Experience gains and losses on liabilities	1.00	1.30	1.50	2.00	2.40
Police Pension Scheme 1987 Injury Awards					
Experience gains and losses on liabilities	13.30	(1.00)	(1.70)	4.90	(0.40)
Police Pension Scheme 2006					
Experience gains and losses on liabilities	6.30	(6.40)	6.50	0.80	(2.60)

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 2013 the short- term cash balances were as follows:

2011/12 £000		2012/13 £000
4,200	- On call (available immediately) (variable rate)	0
8,144	- Repayable in 1 month (fixed rates)	15,344
1,000	- Repayable in 2 months (fixed rates)	9,100
3,000	- Repayable in 3 months (fixed rates)	0
16,344		**24,444**

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 £1.6m. There have been no debts written off during 2012/13.

The Group does generally allow a 30 day standard credit for customers such that £0.483m of the £1.6m balance outstanding from customers at 31 March 2013 was past the point of 30 days from the date of invoice. This past due amount can be analysed as follows:

31 March 2012 £000		31 March 2013 £000
26	Less than 3 months	163
44	3 to 6 months	49
176	6 to 12 months	93
143	Over 12 months	178
389		**483**

The following table summarises the potential maximum exposure at the year-end to credit risks other than treasury investments and cash-equivalent investments. Whilst 15% of the debt is considered to be at risk experience suggest the majority of this will be collected.

	%	£000
Balance of debtors ledger at 31 March 2013 (sales fess and charges)		1,603
Historical experience of default	Less than 5%	
Historical experience adjusted for market conditions at 31 March 2012	Less than 5%	
Estimated maximum exposure to default and at 31 March 2013		242
Estimated maximum exposure to default and at 31 March 2012		122

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 2012/13 were set at £37.324m, 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 2012 £000		31 March 2013 £000
986	Less than one year – Short-term Borrowing	1,033

1,003	Between one and two years	953
2,630	Between two and five years	2,683
14,762	Between five and twenty years	14,029
19,381		**18,698**

The balance in the table above is the outstanding principal and ignores the interest due at 31 March 2013 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 2012 was £7.3m. In 2012/13 this was a £1.5m 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.

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 2013 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 £0.142m

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.

2011/12 £'000		2012/13 £000	 £000
	Contributions Receivable		
	From employer		
(7,997)	- Normal	(7,511)	
(175)	- Other – Pre 74 Contributions (West Midlands)	(162)	
(1,399)	- Ill Health Capital Sum Income	(610)	
(3,622)	From members (serving police officers)	(3,786)	
(13,193)			**(12,069)**
(21)	**Individual Transfers In from other schemes**		**(6)**
	Benefits Payable		
17,381	Pensions	19,004	
6,639	Commutations and Lump Sum retirement benefits	4,548	
104	Lump sum death benefits	0	
24,124			**23,552**
	Payments to and on accounts of leavers		
15	Individual transfers out to other schemes	163	
15			**163**
10,925	**Sub-total for the year before transfer from the Group of amount equal to the deficit**		**11,640**
(10,925)	**Additional funding payable by Group to meet deficit for the year**		**(11,640)**
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 amounts 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 whom 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.

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, that 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.

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 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.

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.