

Appendix 4.



Warwickshire
POLICE AUTHORITY

The authority behind the force

STATEMENT OF ACCOUNTS 2007/2008

EXPLANATORY FOREWORD

Introduction

The intention of the Statement of Accounts is to give the reader an overall impression of the finances of Warwickshire Police Authority

Inspection of the Statement of Accounts

Under provisions contained in section 15 & 16 of the Audit Commission Act 1998 and the Accounts and Audit Regulations 2003 the Statement of Accounts for 2007/2008 is available for inspection on 4 August 2008. The formal audit of the Police Authority's accounts commences on 14 July 2008 and the opinion on the accounts is due to be received on 30 September 2008.

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INTRODUCTION BY THE TREASURER TO THE POLICE AUTHORITY

REVENUE SPENDING COMPARED TO BUDGET & POLICING PRIORITIES

The 2007/2008 Policing Plan and Budget were the first to be delivered subsequent to the plan to create a strategic Force for the Midlands being abandoned in the summer of 2006.

The policing priorities for 2007/2008 were:

- To provide a citizen focused service, which creates high levels of satisfaction, trust and confidence
- To reduce crime, disorder and anti-social behavior
- To enhance protective services provision, protecting vulnerable members of society
- To investigate crime and bring offenders to justice
- To promote public safety
- To respond to requests for assistance and support
- To manage and maximise all resources effectively

There were two principal issues that determined the 2007/2008 Budget. Firstly 150 forward, a fundamental change programme to deliver a new force for Warwickshire from 1 April 2008, which is affordable, acceptable and sustainable. Secondly the need to address emerging risks through further investment in protective services (terrorism, serious crime, major investigations and public safety).

In 2007/2008 the Authority received a 3.6% (£1.824 million) increase in central government funding, which consists of Police Grant and Revenue Support Grant, distributed on a needs based formula and National Non-domestic Rates (Business Rates). Whilst this increase is higher than the Consumer Price Index it is insufficient to cover the cost of pay and price increases (£2.590 million) and is before considering unavoidable commitments, national and local policing priorities and the need to invest in protective services.

The 2007/2008 Budget was set at £84.546 million, including £4.467 million of support from reserves set aside from previous years, which resulted in a budget requirement of £80.079 million. The budget included £1.750 million of investment in the '150 forward' programme and protective services, building on the investment in protective services made in 2006/2007. A further £0.839 million was provided to meet the revenue cost of the Capital Programme, which includes the further development of Safer Neighbourhood Teams implemented the previous year. The budget was subsequently adjusted to £84.856 million to include carry forward underspends from 2006/07 of £0.310 million.

In setting the budget it was necessary to increase the council tax by 4.99%. In taking this decision members of the Authority were mindful of:

- The implications for the service of different levels of spending
- The affordability of any increase from the perspective of local residents
- That the Government has powers to limit the extent of council tax increases, which they may exercise if they feel that an authority has set an excessive budget or council tax increase. The Government has stated that they expect Council Tax increases to be no higher than 5%.

The Authority also receive funding through government grants awarded for specific purposes. The most significant of these are Crime Fighting Fund (CFF) (£1.685 million), provided to increase and sustain the number of serving police officers, and the Neighbourhood Policing Fund (£2.365 million), used to meet some of the cost of Police Community Safety Officers (PCSO's).

By the end of the financial year to 31 March 2008, the Authority's final spending to be met from government grants and local taxpayers was £84.728 million. Tables 1 and 2 show where how we spent the money and where our money came from.

Table 1

How we spent the money	Budget	Actual		Over/ (Under) Spend
	£ millions	£ millions	%	£ millions
Income	(-)13.911	(-)17.741	(-)20.94	(-) 3.830
Police Pay	51.123	50.231	59.29	(-) 0.892
Police Overtime	2.517	3.752	4.43	1.235
Net Police Pay and Overtime	53.640	53.983	63.72	0.343
Police Staff Pay	22.127	21.781	25.70	(-) 0.346
Police Staff Overtime	0.061	0.477	0.56	0.416
Net Police Staff Pay and Overtime	22.188	22.258	26.27	0.070
Ill Health Retirements and Service Injury Benefits.	0.787	0.596	0.70	(-) 0.191
Other Employee Costs	0.126	0.116	0.14	(-) 0.010
Total Employee Costs	76.741	76.953	90.82	0.212
Training	0.459	0.517	0.61	0.058
Supplies and Services	8.839	9.427	11.13	0.588
Transport	2.315	2.946	3.48	0.631
Premises	5.357	5.651	6.67	0.294
Third Party Payments	3.274	3.975	4.69	0.701
Capital Financing Costs	1.782	3.000	3.54	1.218
Total Running Costs	22.026	25.516	30.12	3.490
Total Income & Expenditure	84.856	84.728	100	0.128

Table 2

Where the money came from	Budget £ millions	Actual £ millions	+/- £ millions	%
<u>Central Government Funding</u>				
Police Grant	31.378	31.378	0	39.2
Non-Domestic Rate Income (business rates)	17.214	17.214	0	21.5
Revenue Support Grant	2.889	2.889	0	3.6
	51.481	51.481	0	64.3
<u>Locally Raised Funding</u>				
Precepts and Surplus on Collection	28.598	28.587	(-) 11	35.7
Funding Before the Use of Reserves	80.079	80.068	(-) 11	100. 0
<u>Use of Reserves</u>				
Approved at time of setting the budget	4.467	4.467	0	
2006/2007 Carry Forward	0.310	0.310	0	
Total	84.856	84.845	(-) 11	

Table 1 shows an underspend of £0.128 million, which is a net position after taking into account both underspends and overspends across a range of activities. The following paragraphs are intended to provide an insight into the main reasons for this position.

Operation Westbere and the Murder of Gerry Tobin

During 2007/2008 the Authority and Force undertook two major investigations. The fatal fire on 2 November 2007 at a warehouse at Atherstone on Stour in the south of the County (Operation Westbere), and the murder of Gerry Tobin.

The force responded promptly and professionally to these incidents and the subsequent investigations. At the same time it was possible to protect Safer Neighbourhood Teams (SNTs) from the need to abstract officers to undertake these investigations. This is felt to be a major contributing factor to the Forces ability to significantly improve its performance during 2007/2008, for example there was 5,287 fewer victims of crime in 2007/2008 compared to 2006/2007. This capacity and capability to avoid the need to abstract officers from SNTs and provide a dedicated and professional response to these major investigations is a direct result of the 150 forward programme and the investment in protective services specifically the Major Investigation Unit.

Both of these investigations have presented their own unique challenges, they have been complex and have taken place over a period of time, which has been reflected in the cost of these operations. It was necessary to make budget provision for Operation Westbere, which was done through a transfer of savings identified elsewhere in the budget. The cost of the investigation into the murder of Gerry Tobin has been met from the Operational Contingency.

The cost of the operation at Atherstone on Stour 2007/2008 is £2.855 million. There is an anticipated additional cost in 2008/2009 of £0.745 million. This means that the total cost of the operation is estimated to be £3.6 million. A special grant aid bid in the sum of £3.6 million has been made to the Home Office.

The outcome of this bid is still awaited. Home office grant aid criteria, means that the Authority would bear £0.85 million of this cost (being 1% of net revenue expenditure) As this is a special grant bid it is not possible to determine how much, if any, grant will be received. Therefore there is no basis for accruing any income in the 2007/2008 accounts and no accrual has been made in relation to the grant bid.

An independent review of the control of the costs has concluded “that the mechanisms put in place offer a good level of control and governance over both management of resources and costs”.

150 forward

The 150 forward blueprint was published in July 2007. This detailed the agreed, significant changes to the Force cost base supported by a people movement plan. The blueprint is in process of being implemented and will continue to be implemented during 2008/2009. The blueprint sets out changes to police officer and police staff roles and responsibilities, which will ensure the Force is affordable, acceptable and sustainable. The 150 forward blueprint therefore contains cost savings and some of these have been made in police pay in 2007/2008 and further savings will be made in 2008/2009.

The implementation of 150 forward has had the effect of slowing down expenditure in both pay and running expenses as managers ensured there was flexibility in both physical and financial terms to implement the blueprint recommendations. For example increased police staff turnover, where posts were not filled have contributed to further savings in police staff costs.

In addition further underspends in 2007/2008 have materialised as a result of a number of initiatives and planned works being postponed or slowed down. For example the Capital Programme was reviewed during 2007/2008 in light of 150 forward, which delayed the implementation of the Estates and IM Strategies, which in turn meant that the anticipated increase in running costs from the projects contained in these strategies has been delayed until future years.

Whilst 150 forward has generated savings it has also been necessary to incur up-front costs to enable the implementation of 150 forward. These include for example building alterations, training of police officers and payment of mileage expenses to police staff where they have been required to change their main place of work.

Additional Income of £3.830 million

The main reason for this variation is that interest on balances received exceeded the budget by £1.896 million. The remainder (£1.736 million) relates to specific operations and initiatives where the income was received after the budget was set, for example Central Justice Centre partner contributions. The costs associated with these activities are recorded across the various categories of expenditure in table 1, this expenditure is against a zero budget and has therefore either contributed to the various overspends or reduced underspends

Capital Financing

The overspent by £1.218 million, which predominantly arises as a result of interest on balances attributable to the Justice Centre project. The Police Authority earns interest on invested cash balances and part of this balance is held on behalf of the Justice Centre project. The interest attributable to the Justice Centre project in 2007/2008 is £763,000; this has been charged to revenue and is funded by the additional interest on balances explained under the paragraph 'Additional Income'. However, in closing the accounts for 2007/2008 it became evident that the interest on balances due to the project for 2006/2007 (£535,000) had not been charged to revenue. Therefore it has been necessary to charge revenue with a £535,000 to rectify this position. The over spend is net of a saving of £80,000 arising as a result of the timing of the loan taken out during the year which was different to that planned in the 2007/2008 budget.

INCOME AND EXPENDITURE ACCOUNT DEFICIT

The Income and Expenditure Account measures the Authority's financial performance for the year in terms of resources consumed and generated over the last twelve months. It shows the amount of funding provided to support this performance.

The Income and Expenditure Account shows a deficit of £44.708 million in 2007/2008 compared to £34.909 million in 2006/2007. This mainly reflects the increase in the costs of the pension accounts future benefits. However, this account excludes any actuarial gains where the actuary considers that there may have been a reduction in the Authorities pension liabilities. These gains total some £91.795 million. Gains and losses are brought together in the Statement of Recognised Gains and Losses, which show a net gain of £47.768 million. The Statement of Movement on the General Fund Balance reconciles the Income and Expenditure Account to the statutory requirements for raising Council Tax. This shows contributions totalling £4.649 million to earmarked reserves. The deficit carried forward in the Income and Expenditure Account should be read in conjunction with the movement shown in the General Fund Account in order to appreciate the financial standing of the Authority for 2007/2008.

The Income and Expenditure Account and the Statement of Movement on the General Fund are set out on pages 33 and 34.

CAPITAL SPENDING IN 2007/2008

As well as spending on day-to-day activities we also spend money on assets (capital spending) including buildings, IT systems and vehicles. In 2007/2008 £3.819 million was spent on capital projects, which is analysed in table 3.

Table 3

How we spent the money	£ millions	percentage %
Southern Justice Centre	1.340	35.1
Property	0.668	17.5
IT Replacement/IM Strategy	0.648	16.9
Vehicles	0.639	16.7
Contribution to replacement helicopter	0.354	9.3
Automatic Number Plate Recognition Equipment	0.137	3.6
Other Equipment	0.033	0.9
Total	3.819	100.00

Our most significant capital project is the Southern Justice Centre, which is an on-going project based around the existing site at Leamington Police Station. The Southern Justice Centre will enhance the delivery of justice in South Warwickshire and enable closer co-operation between agencies resulting in greater sharing of information to prevent and reduce crime. The success of the Northern Justice Centre in Nuneaton has delivered increased public confidence and more inter-agency co-operation and we are confident that the Southern Justice Centre will provide similar benefits. As well as spending on the Southern Justice Centre we have undertaken major work at several of our police buildings during the year including Rugby and Alcester Police Stations.

As highlighted earlier the Capital Programme was reviewed during 2007/2008 in light of the outcomes of 150 forward. Prior to this there was an inevitable slowing down of projects contained in the Capital Programme, which has in turn resulted in expenditure on assets being less than was planned when the Capital Programme was agreed in February 2007.

CAPITAL RESOURCES 2007/2008

The £3.819 million capital spending identified in Table 4 was funded as shown in the following table:

Table 4

Where the money came from	£ millions	percentage %
Government grants and contributions	1.488	39.0
Borrowing	1.332	34.9
Capital receipts	0.999	26.1
Total	3.819	100.00

The resources used to meet the capital programme in 2007/2008 are predominantly made up of government grants and contributions. Resources for the Southern Justice Centre were secured in the form of grants and contributions, including from partner agencies. Funding of £2.604 million from the Department of Constitutional Affairs and Crown Prosecution Services has been delayed. Following agreement by

the Authority to let the tender, these are now due in 2008/2009. Capital receipts in table 4 relate to Warwickshire's share of the proceeds from the sale of the Helicopter, which was more than anticipated in the original Capital Programme.

RESERVES

As at the 31 March 2008 the level of reserves was £16.598 million. In addition to the planned transfer from reserves, as part of the 2008/2009 budget setting process the Authority decided to reconfigure the reserves, moving £6.183 million from the General Revenue Reserve for Capital, which is reflected in the reserve position as at the 31 March 2008 and shown in table 5 analysed over the different types of reserve we hold.

The significant changes are as follows:

- i) The General Revenue Reserve for Capital (GRRC) has been reduced to £6.220 million to accommodate the Police Authority's contribution to the Southern Justice Centre capital costs. The GRRC has been marginally increased to £6.336 million to reflect the outturn position on the Capital Programme.
- ii) A new General Revenue Reserve for Repairs and Maintenance (GRRRM) of £2.702 million has been created in respect of backlog maintenance in the years 2008/2009 – 2010/2011.
- iii) The need to maintain an operational reserve has been reviewed in light of the establishment of the Major Investigation Unit which provides further operational resilience. The position will be reviewed annually and should operational circumstances require it, reserves will be reconfigured.
- iv) The General Reserve for pensions of £300,000 has been removed. This reserve was originally created as a result of the uncertainty surrounding the new arrangements for police pensions. However, in light of the experience of the past two years the existing revenue budget is sufficient to meet the costs of anticipated ill health retirements.

The net effect of these changes is to release £1.536 million to support the budget in 2008/2009.

Table 5

Revenue Reserves	£ millions
Cost Centre Carry Forward Reserve	0.218
Insurance Reserve	0.266
Budget Reserve	5.060
Section 106 Reserve	0.016
General Revenue Reserve for Capital	6.336
General Revenue Reserve or Repair & Maintenance	2.702
General Revenue Reserve	2.000
Total	16.598

In previous years it has been the practice to transfer under and over spends in cost centres to the cost centre carry forward reserve. However due to the need to fund

the Operation Westbere the number of proposals to carry forward to 2008/2009 have been limited to those that have to be carried forward for specific purposes, at this stage.

All those cost centres that would have been entitled to carry forward their in year underspends to 2008/2009 have been contacted to outline their intentions for spending the carry forward assuming funding could be identified. There are two possible options to explore for funding: a recommendation to the Authority for an allocation from reserves (this would involve the Resources Panel reviewing the reserves which are earmarked for specific purposes) or any savings identified in 2008/2009.

Further explanation of the purpose of the reserves is set out in the notes to the core financial statements.

VALUE OF OUR ASSETS

The freehold properties, fixed plant and machinery, which comprise the Warwickshire Police Authority's portfolio, were all valued at 1 April 2003 by Bruton Knowles Property Assets Consultancy. A five-year rolling programme of valuations has been put in place, however due to changes in the property portfolio over the last 4 years, this cycle has been reviewed and no revaluations were carried out in 2007/08, as all properties have been revalued in the last 4 years. Revaluations will begin again in 2008/09

LOOKING AHEAD

In setting the 2008/2009 Policing Plan and Revenue Budget the Authority has focussed on sustaining the improvements in policing and performance made through 150 forward, the investment in protective services and the implementation of SNTs.

The budget requirement was set at £85.415 million and in order to fund this it has been necessary to use a further £4.638 million of reserves, of which £1.536 million is general support and £3.162million is for specific one-off purposes and increase the Council Tax by 12.87%. This increase was necessary to sustain the improvements advanced during 2007/2008. However the Government have identified the Authority as a candidate for capping through the application of the capping criteria. This is a decision that the Authority have currently appealed against and the outcome is likely to be known during the summer of 2008. Should the appeal be unsuccessful and depending on the conditions the Government place on the Authority it may be necessary to revisit the 2008/2009 Policing Plan, policing priorities and budget.

The 2008/2009 budget was set against an up lift in Central Government funding of 2.6% compared to 3.6% in 2007/2008. The Comprehensive Spending Review 2007 (CSR07) announced the provisional settlement for 2009/2010 and 2010/2011 with increases in central government funding of 2.6% and 2.7% respectively. CSR07 also confirmed the continuation of specific grant to support the recruitment of Police Community Support Officers (PCSOs) but uncertainty exists over the future of the Basic Command Unit (BCU) Grant from 1 April 2009. Whilst provisional announcements for 2009/2010 and 2010/2011 will assist the Authority to consider policing services and undertake financial planning the constrained level of Central Government support will continue to prove challenging.

In recent years the Authority has used reserves, money set aside, to support the budget, this was made possible by the changes to the funding of the Police Pension Scheme from 1 April 2006, which released the pension reserve to be used for other purposes. However it is recognised that it is not possible to support the budget with reserves from 2009/2010, with the exception of the planned use of reserves for specific purposes, such as the general revenue reserve for repairs and maintenance. In future the efficiency savings will need to be released to ensure financial viability. The Authority will need to plan for these savings now as well as additional savings over and above the national target of 9.3% over three years.

As stated earlier the 150 forward programme will continue to be rolled out during 2008/2009 and the anticipated savings from changes to the workforce have been built into the 2008/2009 budget.

As employee costs, which account for majority of the total net budget, are influenced by nationally agreed pay awards, and given that they have risen in excess of inflation in recent years, they are likely to exert continuing pressure on the Authority's budget. However, the Chancellor of the Exchequer has stated his intention to restrict public sector pay increases to 2%, and it will, therefore, be interesting to see the outcome of the forthcoming pay negotiations in light of the police pay settlement in 2007.

Further pressure on the budget is likely from increases in prices. Currently inflation is running at 3.3% (June 2008) and there have been significant increases in fuel costs. The future of fuel costs and the impact of inflationary pressures is uncertain, however it is clear that the economy is entering a new phase.

The police service is constantly entering un-chartered waters as the threat posed to public safety and by criminals changes and evolves set against increasing globalisation.

Pay and other costs as well as funding predictions will continue to be monitored closely through the Medium Term Financial Plan (MTFP) and the MTFP will be developed and used to inform future service planning and budgeting.

MAJOR CHANGES IN STATUTORY FUNCTIONS

There were no major changes in functions (that is changes to the services we provide).

SIGNIFICANT CHANGES IN ACCOUNTING POLICY

As a result of changes to the Code of Practice on Local Authority Accounting in the United Kingdom 2007 the Statement of Recommended Practice (SORP) on Local Authority Accounting for the 2007/2008 accounts, there is a change in the accounting treatment for fixed assets and associated reserves. As well as keeping registers which record the value of operational and non operational assets we will be required for the first time to identify a historical valuation as a memorandum account. This will be the value at 1 April 2007 from now on. Two new reserves have been created – the Revaluation Reserve and the Capital Adjustment Account.

In addition the SORP has made several changes to the accounting treatment and disclosures requirements relating to financial instruments including soft loans, premiums and discounts on early repayment of debts and available for sale assets.

The policies adopted in producing the Statement of Accounts are set out in the section of entitled 'Accounting Policies' and are highlighted as change in policy.

PENSIONS

Under the FRS 17 regulations, the shortfall on the Police Pension Scheme in the balance sheet is £525.1 million. Any extra service costs shown on the income and expenditure account are met by a transfer from the Pensions Reserve so that the charge against the Council Tax reflects the actual cash paid during the year.

Whilst the deficit, at first, appears alarming, this is in effect a paper deficit that could misrepresent the position of the Authority. The financial position of the Authority will not be adversely effected as a result of a pensions deficit.

2006/2007 was the first year of the operation of the new arrangements for funding the Police Pension Scheme, which has removed potential movements between years in grant and cost, which could not easily be accommodated in our financial planning.

The employer's contribution rate for the Police Pension Scheme is set by the Home Office and was reduced from 24.6% to 24.2% from 1 April 2008 for three years until 31 March 2011. The employer's rate for the Local Government Pension Scheme is set by the Administering Body based on a three year actuarial valuation.

POLICE PENSION FUND

The funding arrangements for the police pension scheme changed on 1 April 2006. Prior to that date the scheme did not consist of a percentage of pensionable pay type of employer's contribution. Each Police Authority was responsible for paying the pensions of its own former police officers on a pay-as-you-go basis. Under the new funding arrangements the scheme remains unfunded but will no longer be on a pay-as-you-go basis. The Authority is no longer required to meet the pensions cost directly but instead pay an employer's pension contribution based on a percentage of pay into the Pension Fund. Each police authority is now required to operate a Pension fund and the amounts that must be paid into and out of the pension fund are specified by the Police Pension Fund Regulations 2007. Where the accounting treatment set out in the regulations is inconsistent with the Statement of Recommended Practice the regulations take precedence. Therefore the regulations 8 and 9 require:

- Amounts to be transferred to/from the Police Fund Income and Expenditure account to the Police Pension Fund Account to balance the latter to nil;
- Any top-up grant received or payment made to the Secretary of State to be received into/paid out of the Police Fund Income and Expenditure Account and not the Police Pension fund Account;
- The top-up grant debtor/creditor to be part of the Police Fund balance sheet and not the Police Pension Net Assets Statement.

The scheme has no investment assets.

THE NORTHERN JUSTICE CENTRE AND SOUTHERN JUSTICE CENTRE

The Authority is acting as landlord on behalf of the justice agencies and through a legal agreement some of the agencies have a stake in the ownership of the Northern

and Southern Justice Centre buildings which are legally documented in the event of their future disposal, setting out the proportional share of each agency.

The operational costs, including building maintenance, for the Northern Justice Centre is met through contributions from the participating agencies. A sinking fund was created last year to meet future building maintenance costs, this fund is ring fenced, in the Authority's Accounts, and the £150,000 is included in the figure for creditors on the Balance Sheet. This amount will build up to £500,000 within 5 years as the partners make contributions to the fund.

The Southern Justice Centre is still under construction and is recorded in our accounts at cost as assets under construction. It is anticipated that, on being commissioned, the Southern Justice Centre will operate on the same principles as the Northern Justice Centre.

Following agreement with Warwickshire Police Authority to replace the loans with grants Warwickshire Police will pay all future amounts due for principal and interest from 2008/2009.

EAST MIDLANDS AIR SUPPORT UNIT

Warwickshire Police is a partner in a consortium arrangement with Leicestershire Constabulary and Northamptonshire Police for the provision and operation of an air support helicopter. The capital and revenue costs of the unit take place through the accounts of Leicestershire Constabulary with the other two forces making annual contributions towards the running costs and also bearing the costs of their own officers. The helicopter is depreciated over its useful life and was replaced in 2007/2008.

Leicestershire Constabulary has informed the Authority that Warwickshire's share of total net book value of the new helicopter at 31 March 2008 stands at £1.314 million.

EVENT AFTER THE BALANCE SHEET DATE

Home Office Circular 11/2008 issued on 30 May 2008, introduced new factors for calculating the lump sums payable to police officers. The impact is as follows:

- The factors increase the lump sums payable to officers under the 1987 Police Pension Scheme (PPS) arising from the option to commute pensions, but
- Reduce the additional pensions payable for exchanging lump sums under the New Police Pension Scheme 2006 (NPPS).

The changes to the PPS factors are backdated to 1 October 2007 but the changes to the NPPS are effective from 1 July 2008. Therefore the changes to the NPPS are non-adjusting events because they concern conditions, which did not exist at the balance sheet date. However the backdated change to the factor used to calculate the lump sums has been recognised in Police Pension Fund and the impact of doing this is set out in the notes to the Police Pensions Fund Account.



David Clarke
Treasurer to Warwickshire Police Authority

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WARWICKSHIRE
POLICE AUTHORITY**

The auditor's report to the members of Warwickshire Police Authority and opinion on the statement of accounts will be issued subsequent to audit, which is scheduled to commence in 14 July 2008 and before the 30 September 2008.

**CONCLUSION ON ARRANGEMENTS FOR SECURING ECONOMY, EFFICIENCY
AND EFFECTIVENESS IN THE USE OF RESOURCES**

The auditor's conclusion and opinion on the Authority's arrangements for securing value for money in the use of resources will be issued subsequent to audit, which is scheduled to commence in 14 July 2008.

STATEMENT OF ACCOUNTING POLICIES

1 General

The accounts have been prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice and guidance notes issued by CIPFA on the application of Statements of Standard Accounting Practice and Financial Reporting Standards (SSAPs and FRSs). They comply therefore with 'proper accounting practice' under the terms of the Local Government and Housing Act 1989 and any exceptions to this are disclosed below.

2 Fundamental Accounting Principles

Relevance

The objective of financial statements is to provide information about an authority's financial performance and position that is useful for assessing the proper management of public funds and for making financial decisions.

Substance over form

The accounting statements should be prepared so as to reflect the reality or substance of the transactions and activities underlying them, rather than only their formal legal character. In determining the substance of a transaction, it is necessary to identify all of that transaction's aspects and implications. A group or series of transactions that achieves, or is designed to achieve, an overall economic effect should be viewed as a whole.

Comparability

Sound control over public funds calls for a prudent approach to financial management. Income should only be included to the extent that it can be realised with reasonable certainty, and proper allowances made for all known and foreseeable losses and liabilities.

Understandability

All reasonable efforts should be taken in the preparation of the financial statements if they are to be properly understood.

Materiality

Strict compliance with the CIPFA Code of Practice, both as to disclosure and accounting principles, is not necessary where the amounts involved are not material to the fair presentation of the financial position and transactions of the Authority and to the understanding of the Statement of Accounts by a reader.

Accruals

This requires the non-cash effects of transactions (debtors and creditors) to be reflected in the financial statements for the accounting period in which those effects are experienced and not in the period in which any cash is received or spent.

Going Concern

A local authority's Statement of Accounts should be prepared on a 'going concern' basis, that is, the accounts should be prepared on the assumption that the authority will continue in operational existence for the foreseeable future. This means in particular that the Income and Expenditure Account and balance sheet assume no intention to curtail significantly the scale of the operation.

Prudence

The accounting statements should be prepared so as to reflect the reality or substance of the transactions and activities underlying them, rather than only their formal legal character. In determining the substance of a transaction, it is necessary to identify all of the transaction's aspects and implications. A group or series of transactions that achieves, or is designed to achieve, an overall economic effect should be viewed as a whole.

Primacy of Legislative Requirements

Local authorities determine their powers from statute and their financial and accounting framework is closely controlled by primary and secondary legislation. To the extent that treatments are prescribed by law the accounting concepts outlined above may not apply in all cases. It is a fundamental principle of local authority accounting that, where specific legislative requirements and accounting principles conflict, legislative requirements shall apply.

3 Accruals of income and expenditure

During the year the accounts are kept on a receipts and payments basis and at the year end are adjusted to reflect income due to the Authority and expenditure owed by the Authority for goods and services received and provided during the financial year. Activity is accounted for in the year that it takes place, not simply when cash payments are made or received.

Interest payable and receivable on borrowings is accounted for in the year, to which it relates, on a basis that reflects the overall effect of the loan or investment.

Where income and expenditure has 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 it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Income and expenditure are credited and debited to the relevant account, unless they properly represent capital receipts or capital expenditure.

4 Best Value Accounting Code of Practice (BVACOP)

The revenue account meets the format set by the CIPFA Best Value Accounting Code of Practice in the form of objective analysis. This has been achieved by apportionment of officer and staff time, accommodation usage, vehicle and other expenditure and income over the various categories.

5 Overheads and Support Services

Central departments operate within predetermined budgets and generally their costs are not allocated to front line services. At the end of the financial year, the costs of the central departments are analysed, in accordance with the principles of the CIPFA Best Value Accounting Code of Practice, to determine what costs should be shared between users of the services, with the exception of the following.

- ◆ Corporate and Democratic Core - costs relating to the Authority's status as a democratic organisation.
- ◆ Non-Distributed Costs - the costs of discretionary benefits awarded to employees retiring early.

These two cost categories are accounted for as separate headings in the Income and expenditure account, as part of Net Cost of Services.

6 Intangible Assets

Intangible assets relate to the purchase of computer software for which the Authority holds licenses but does not acquire a physical asset. The value is written down in the accounts over the life of the asset.

7 Tangible Fixed Assets

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

Recognition

All expenditure on the acquisition, creation or enhancement of fixed assets is recorded in our accounts when the work has been carried out or when the asset has been delivered to us, rather than when the payment is made.

Expenditure that does not enhance or improve the performance of an asset, for example repairs and maintenance is charged to the income and expenditure account as it is incurred.

The freehold properties, fixed plant and machinery, which comprise the Warwickshire Police Authority's portfolio, were all valued at 1 April 2003 by Bruton Knowles Property Assets Consultancy. A five-year rolling programme of valuations has been put in place, however due to changes in the property portfolio over the last 4 years, this cycle has been reviewed and no revaluations were carried out in 2007/08, as all properties have been revalued in the last 4 years. Revaluations will begin again in 2008/09. In accordance with new SORP guidelines any downward revaluations in 2007/08 would result in an impairment charge to the Income and Expenditure account, no impairments have been identified this year. Where impairment has been identified, the accounting treatment will depend on the nature of the impairment;

- Where the impairment is identified due to a consumption of economic benefits, eg physical damage, it is recognised in the Income and

Expenditure account and the Statement of Movement on the General Fund Balance.

- Where the impairment is caused through a general fall in prices it is treated as a revaluation, without having an impact on the income and expenditure account but will be recognised in the Fixed Asset Restatement Account.

The bases used are set out below as recommended by CIPFA and in line with the Statements of Asset Valuation Practice and guidance notes of the Royal Institute of Chartered Surveyors (RICS). Fixed assets are classified into the groupings required by the Code of Practice on Local Authority Accounting. Assets are included in the balance sheet on the following basis.

- Operational property is included in the balance sheet at the lower of net current replacement cost or net realisable value in existing use, which equates to the depreciated replacement cost.
- Assets that we do not use in day-to-day operations (eg police houses) are included in the balance sheet at their open market value.

Expenditure on incomplete capital works (eg Southern Justice Centre) is shown as Assets under construction on the balance sheet, and is valued at cost.

De minimis Level

The Police Authority has agreed a de minimis level of £6,000 for the acquisition, renewal or replacement of buildings, plant and machinery or other equipment to count as prescribed capital expenditure. A de minimis level of £5,000 is used for the purchase of vehicles and £6,000 for the sale of vehicles.

Measurement

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the balance sheet using the following measurement basis.

- Assets surplus to requirements - lower of net current replacement cost or net realisable value.
- Land and buildings, vehicles, plant and equipment - lower of net current replacement cost or net realisable value.

Net current replacement cost is assessed as:

- Specialist operational properties - depreciated replacement cost;
- Non-specialised operational properties - existing use value; and
- Assets surplus to requirements - market value.

The values of each category of assets are reviewed for evidence of reductions in value, impairment, at the end of each financial year. Where impairment has been identified, the accounting treatment will depend on the nature of the impairment:

- Where attributable to a clear consumption of economic benefits - the loss is recognised in the Income and Expenditure account.
- Otherwise - written off against the Fixed Asset Restatement Account.

Income from the sale of fixed assets is included in our accounts on an accruals basis. Money so generated can be used for new capital spending or to repay money borrowed. The amount used for capital spending is transferred to the Capital Financing Account. Any of the money not used by the end of the year is recorded as “unapplied capital receipts” in the balance sheet.

Usable Capital Receipts

In accordance with the system of capital controls, 100% of capital receipts from the disposal of assets can be used to finance capital expenditure. Unused receipts are held in the Usable Capital Receipts Reserve. Capital receipts are deemed to be receipts over £6,000; any sales of assets of less than £6,000 are credited to the revenue account.

Depreciation

Depreciation is charged in order to reflect in the income and expenditure account the cost of the use of fixed assets in the financial year reported. Assets other than land are depreciated over their useful economic lives using the straight-line method. The charges are adjusted for acquisitions and disposals during the year. For all assets a depreciation charge is not made in the year of acquisition but a charge is made in the year of disposal. Where transfers from Assets under Construction take place, these amounts are depreciated in the year of transfer since the costs will have occurred in a previous accounting period.

Although depreciation is calculated according to the estimated life of the particular asset concerned, approximate average depreciation periods are as follows:

- Buildings 20 to 60 years as determined by the valuer
- Vehicles 3 to 7 years
- Plant and IT equipment 5 years

Depreciation is not charged on assets under construction until the asset comes into use.

De minimis purchases are deemed to be revenue expenditure and are not depreciated nor maintained in the asset registers in accordance with the capital policy. The exception is fleet vehicles that are purchased second hand for operational reasons, and fall below the de minimis value but are funded from the approved capital budget. These vehicles are maintained in the asset register and depreciated in accordance with outlined policy above.

Government Grants Deferred Account

Where grants and contributions are received that are used to finance capital expenditure, the amounts are credited to the Government Grants Deferred Account. The balance is then written down to the income and expenditure

account to offset depreciation charges made for the relevant asset in line with the depreciation policy applied to them.

8 Capital Charges

The income and expenditure account is debited, across each service, with the real cost of holding assets each year:

- Depreciation
- Impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service.

The Authority is not required to raise council tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to at least 4% of the underlying amount measured by the adjusted Capital Financing Requirement). Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Statement of movement on General Fund Reserves by way of an adjustment transaction with the Capital Financing Account for the difference between the two.

9 Operating Leases

The Police Authority has no finance leases and currently does not lease out any of its properties to a third party. Rentals payable under operating leases are charged to the cost of services in the income and expenditure account on an accruals basis over the term of the lease.

10 Stocks held in Store

Stocks held in store are recorded in the balance sheet at the average cost, which is not compliant with the CIPFA Code of Practice on Local Authority Accounting in United Kingdom, which recommends the use of the lower of net cost and net realisable value. This variation is deemed not to be material to the stock valuation.

11 Reserves

There are two reserve accounts, the Fixed Asset Revaluation Reserves and Capital Financing Account in the balance sheet to comply with capital accounting requirements and do not represent money which is available to the Authority to use. The first of these reserves represent resources that are unavailable for use by the Police Authority.

There was a SORP change this year, which required the AMRA account to be removed from the Income and Expenditure account. Any accounting entries, which would previously have been taken through this account, are now taken to either the FARA or the Capital Finance Account.

Fixed Asset Restatement Account

This reserve represents changes in the value of assets from the price we paid for them, brought about by the revaluation of fixed assets and the net book value of assets disposed during the year (which would previously have been taken through the AMRA account).

This account also represents changes in the values held following a restructuring of the account codes and verification of figures held.

Capital Finance Account (CFA)

This account represents:

- ◆ Amounts set aside from capital receipts to pay for expenditure on fixed assets.
- ◆ The excess of the Minimum Revenue Provision (MRP), which is the minimum amount the Authority has to set aside to repay external debt plus any voluntary set aside from revenue compared with depreciation - credited to the CFA.
- ◆ The excess of the depreciation charged compared to MRP plus any voluntary set aside from revenue is debited to the CFA.

In both the above cases the contra entry is to the Statement of Movement on the General Fund Balance.

- ◆ Government grants and other external capital contributions applied to identifiable fixed assets.

Other reserves show money set aside to support spending in following years or to meet unexpected payments. Reserves are created by appropriating amounts from the income and expenditure as increases in the general fund balance and through the Statement of Movement in General Reserves as net transfers to earmarked reserves. When expenditure to be financed from a reserve is incurred, it is charged to the service income and expenditure account in that year within the Net Cost of Services. The reserve is then appropriated back into the income and expenditure account in the same way as appropriations to reserves. Reserves include the following:

Earmarked reserves

There are a number of these reserves and this money is set aside to meet future specific spending commitments.

General Revenue Reserve

The Police Authority maintains a reserve to meet unforeseen or emergency expenditure that cannot be contained within the approved budget.

12 Grants and Contributions Unapplied

During the year the Authority receives capital grants and contributions from third parties towards the cost of asset acquisition. Any monies not used to fund the capital expenditure are carried forward in a Grants or Contributions Unapplied account.

13 Provision for Repayment of External Loans

Under the provisions of the Local Government and Housing Act 1989, instalments of principal are charged to the revenue account in accordance with the statutory Minimum Revenue Provision.

14 Investments

Investments are short term deposits made to banks and other financial institutions in accordance with the terms of our Treasury Management Policy and are recorded in these accounts at cost.

15 Pensions

The Police Authority participates primarily in two different pension schemes. Both provide their members with defined benefits related to pay and service. The costs of providing pensions for Police Officers and Police Staff are charged to the accounts in accordance with the statutory requirements governing each scheme. The schemes are as follows:

Police Officers

- ◆ This scheme is also accounted for as a defined benefit scheme.
- ◆ During 2006/2007 serving Police Officers were given the option of joining the New Police Pension Scheme or they could continue in the existing scheme. All new recruits were required to join the New Police Pension Scheme. The percentage of salary that officers contribute to the scheme, the benefits payable and the length of time officers are required to serve to accrue full benefits are different for each scheme.
- Changes to the scheme from 1 April 2006 now mean Police Authority actual costs each year represent an employer's contribution rate towards the costs of pensions as well as costs of ill health retirements and injury awards for the year.

The pension costs included in the accounts for these schemes have been worked out in line with relevant government regulations. As well as the contribution paid for employees and police officers, the authority must also show the extra costs of pension decisions made in the current year, no matter when the actual financial cost is paid.

Police Staff

- ◆ Many of Warwickshire Police's police (support) staff contribute to the Local Government Pension Scheme managed by Warwickshire County Council, which is accounted for as a defined benefits scheme. The pension costs included in the accounts in respect of these schemes have been determined in accordance with Financial Reporting Standard (FRS) 17 "Retirement Benefits".

16 FRS17 Disclosure

Following the introduction of FRS17 retirement benefits principles, the accounting policies of the Authority for retirement costs changed dramatically in 2003/2004. In previous years the cost of pensions was treated as the amounts paid to retired officers and amounts due but not paid by 31 March.

This policy recognises how much retirement benefits will cost when the Authority agrees to pay them, even if this is many years in the future. Also it takes into account any finance costs and changes in fund assets and liabilities

in the year they happen. As a result, the closing balance sheet for 2007/2008 includes a pension liability of £525 million, balanced by a Pensions Reserve of the same value. This ensures that the charge against Council Tax reflects the actual cash paid in year.

The Code of Practice on Local Authority Accounting in United Kingdom requires retirement benefits to be accounted for in accordance with Financial Reporting Standard 17. The Income and Expenditure account includes:

- ◆ Current Service Cost - the increase in liabilities as a result of service earned this year, allocated to the income and expenditure account.
- ◆ Past service cost - the increase in liabilities arising from the current year decisions whose effect relates to years of service earned in earlier years, debited to the Net Cost of Service as part of Non-Distributed Costs.
- ◆ Pensions 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 Net Operating Expenditure.
- ◆ Expected Return on Assets - the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return, credited to Net Operating Expenditure.
- ◆ Gains/losses on settlements and curtailments - the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees, debited to the Net Cost of Service as part of Non Distributable Costs.
- ◆ Actuarial gains/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, not charged to revenue.
- ◆ Contributions paid to the Pension fund, cash paid as employer's contribution to the pensions fund.

Charges to the Income and Expenditure account associated with FRS17 entries total £50.8 million and consist of:

- ◆ Current cost of service £19.2 million
- ◆ Past Service cost £568 thousand
- ◆ Return on assets (£2.4) million
- ◆ Interest costs £33.5 million

Statutory provisions limit the Authority to raising council tax to match the amounts payable by the Authority to the Pension Fund in the year. In the income and expenditure account this means that there is an adjustment in the Statement of Movement on the General Fund Balance to remove notional debits and credits relating to FRS 17 entries of £50.8 million.

The provisions of the Local Government Pensions Scheme were changed by the introduction of the Local Government Pensions Scheme (Amendment) Regulations 2006. The change also allows members to take a higher lump sum rather than the standard 3/80 by commuting part of their pension.

It costs less for the scheme to provide the lump sum than the yearly pension, so if some members choose to take a higher lump sum, this will reduce the employer's pensions costs. Our actuary has made allowances for this on the assumption that 50% of members will take up the option to increase their lump sum to the highest level available. The 50% assumption is just an estimate, but it is consistent with the basis on which the possible savings have so far been estimated.

17 Group Accounts

The Authority has reviewed its partnership arrangements in accordance with the Code of Practice on Local Authority Accounting in United Kingdom and confirms that no external interests meet the group relationship criteria.

18 VAT

All VAT collected is payable to HM Revenue and Customs and VAT is separately accounted for in accordance with the Statement of Standard Accounting Practice (SSAP) 5 and is not included as income or expenditure of the Police Authority except where it is not recoverable.

CHANGES IN ACCOUNTING POLICY

In addition the SORP has made several changes to the accounting treatment and disclosure requirements relating to financial instruments including soft loans, premiums and discounts on early repayment of debts and available for sale assets.

For the purposes of the disclosures to the core financial statements, comparatives for fair value have been shown although as part of the SORP we have not been required to adjust opening balances.

Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income & Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For our borrowings, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

Financial Assets

Financial Assets are classified into two types:

loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market;
available for sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income & Expenditure Account for interest

receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For the loans we have made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

However, we make available a car loan facility at below market rates and a bicycle loan interest free for employees. These are known as soft loans. The amount of these loans represented on the 2006/2007 balance sheet has not been written down to fair value as the effect of doing so would have an immaterial effect on the financial statements. This treatment is outlined in the SORP and has been agreed with our auditors.

Trade debtors and trade creditors are due within one year and carrying value is deemed to equate to fair value.

Where assets are identified as impaired because of the likelihood arising from a past event that payments due under the contract will not be made, the assets is written down and a charge made to the Income and Expenditure Account.

Any gains or losses that arise on derecognition of an asset are credited/debited to the Income and Expenditure Account.

Available for Sale Assets

We do not hold any instruments with quoted market prices

Any financial assets or liabilities recognised and/or derecognised prior to 1st April 2006 have not been re-recognised in accordance with the SORP.

These changes have introduced one new reserve account known as the Financial Instruments Adjustment Account

This new reserve accounts only take account of technical accounting adjustments as required by the SORP. It is not cash based and therefore are not resources available to support spending or council tax.

Reserves

We keep reserves to pay for spending on projects we will carry out in future years, and to protect us against unexpected events. Reserves include 'earmarked reserves' which we set aside for certain policy purposes and other general reserves which represent resources set aside for purposes such as general events and managing our cash flow.

The system of capital accounting has meant we also have to include two accounts in the balance sheet.

Revaluation Reserve ~ The reserve starts with a zero balance at 1 April 2007. Changes in the value of individual assets increase or reduce the balance. The reserve cannot be negative in terms of the balance linked to an individual asset.

Capital Adjustment Account ~ The balances on the Fixed Asset Restatement Account and the Capital Financing Account at 31 March 2007 are combined from 1 April 2007 as the Capital Adjustment Account. This includes amounts we have set aside from day-to-day spending or capital receipts and other funding sources to pay for fixed assets or to repay loans. The account also includes the net book value of assets we have sold.

As a result of the changes in the SORP relating to the measurement, accounting and disclosure requirements of financial instruments we have been required to create two new accounts in the balance sheet.

Financial Instruments Adjustment Account ~ This holds the accumulated difference between the financing costs included in the Income & Expenditure Account and the accumulated financing costs required in accordance with regulations to be charged to the General Fund Balance.

Available for Sale Financial Instruments Reserve ~ This reserve holds unrecognised gains resulting from changes in the fair value of available for sale financial instruments.

Capital instruments

We have not issued any capital instruments (generally loan debt) listed or publicly traded on a stock exchange.

Financial Instruments

A number of changes to the SORP 2007 have applied to the recognition and derecognition of financial instruments. This has resulted in an opening balance sheet adjustment arising from a prior period adjustment where we are not required to restate the comparatives.

The borrowings and investments disclosed in the balance sheet are made up of the following categories of financial instruments

	Long Term on 31 March 2008	Long Term on 31 March 2007	Current on 31 March 2008	Current on 31 March 2007
	£ millions	£ millions	£ millions	£ millions
Financial Liabilities at amortised cost	16.918	14.712	0.0	0.0
Total Borrowings	16.918	14.712	0.0	0.0
Loans and receivables	40.400	0.0	40.400	41.915
Total Investments	40.400	0.0	40.400	41.915

The Financial Liabilities at amortised cost, is entirely for Public Works Loan Board (PWLb) borrowings and the SORP states “No adjustments required to amounts in Balance Sheet. Interest chargeable to I & E Account remains amounts payable under the loan agreements”

2007/2008	Financial Liabilities – measured at amortised cost £ millions	Financial Assets – Loans and Receivables £ millions	Available for sale assets £ millions	Total £ millions
Interest Expense	0.79	0.00	0.00	0.79
Discount on early repayment of debt	0.00	0.00	0.00	0.00
Losses on derecognition	0.00	0.00	0.00	0.00
Impairment losses	0.00	0.00	0.00	0.00
Interest Payable and Similar Charges	0.79	0.00	0.00	0.79

2006/2007	Financial Liabilities – measured at amortised cost £ millions	Financial Assets – Loans and Receivables £ millions	Available for sale assets £ millions	Total £ millions
Interest Expense	0.68	0.00	0.00	0.68
Discount on early repayment of debt	0.00	0.00	0.00	0.00
Losses on derecognition	0.00	0.00	0.00	0.00
Impairment losses	0.00	0.00	0.00	0.00
Interest Payable and Similar Charges	0.68	0.00	0.00	0.68

Financial liabilities and financial assets represented by loans and receivables 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. In assessing fair value we have made the following assumptions:-

- We only have PWLB loans so fair value is deemed approximate amortised cost
- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, 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 value are calculated as follows:-

	31 March 2008 Carrying Amount £ millions	31 March 2008 Fair Value £ millions	31 March 2007 Carrying Amount £ millions	31 March 2007 Fair Value £ millions
Financial Liabilities	16.918	16.918	14.712	-
Loans and receivables	40.400	40.400	41.915	-

Risks associated with Financial Instruments

The authority's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to the authority
- Liquidity risk – the possibility that we might 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.

Our overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central Treasury Management team, under policies approved by the Authority in the annual treasury management strategy. We provide 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.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to our customers. Deposits are not made with banks and financial institutions unless they are meet a minimum credit risk score, which is rated independently.

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 Authority.

The following analysis summarises our potential maximum exposure to credit risk, based on experience of default and uncollectability over the last five financial years. This has been adjusted to reflect current market conditions however there is no effect as there is no instance of institutions that meet Local Authority credit ratings defaulting in the last five years.

	Amount at 31 March 2008	Historical experience of Default	Historical experience adjusted for market conditions as at 31 March 2008	Estimated maximum exposure to default & uncollectability
	£ millions	%	%	£ millions
Deposits with financial institutions	40.400	0.0	0.0	40.400

We do not expect any losses from non-performance by any of its counterparties in relation to deposits.

Liquidity Risk

As we have 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. Instead the risk is that we will be required to take up further borrowing at a time of unfavourable interest rates.

Our level of borrowing is mainly due to paying for capital spending as shown in the table to note page 47. We have increased our total level of borrowing in 2007/2008 by £1.3 million to pay for this new capital spending.

We use cash reserves which we have set aside to support future years' revenue budgets to invest in the short term. We have included these as short-term investments on the balance sheet.

All trade and other payables are due to be paid in less than one year.

Market Risk

Interest Rate Risk

The Authority is exposed to significant risk in terms of its exposure to interest rate movements on its investments and any new borrowing it may take out to support capital spending. All existing loans are at fixed interest rates and therefore we are insulated from market fluctuations. Movements in interest rates have a complex impact on the authority. For instance, a rise in interest rates would have the following effects:-

- Borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise
- Borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- Investments at variable rates – the interest income credited to the Income and Expenditure Account will rise
- Investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Income & Expenditure Account or Statement of Total Recognised Gains and Losses. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and affect the General Fund Balance £ for £. Movements in the fair value of fixed rate investments will be reflected in the STRGL.

The treasury management team has an active strategy for assessing interest rates exposure that feeds into setting the annual budget and which is used to update the budget quarterly during the year. This allows for any adverse changes to be accommodated.

INCOME AND EXPENDITURE ACCOUNT 2007/2008

2006/07 Actual	Police Service Expenditure Analysis	Gross Expenditure	Gross Income	2007/08 Net Expenditure
£'000		£'000	£'000	£'000
87,416	Police Services	108,757	(-) 14,955	93,802
1,646	Corporate and democratic core	2,381		2,381
	National police services undertaken			
0	locally	0		
0	Non Distributed Costs	0		
89,062	Net cost of police services	111,138	(14,955)	96,183
(114)	Loss on disposal of fixed assets			(443)
706	Interest payable and similar charges			814
(2,392)	Interest and investment income			(2,796)
25,565	Pensions Interest and Expected Returns on pension Assets			31,018
3,721	Contribution to Pension fund Account in respect of deficit on Police Pension Fund Account			2,535
116,548	Net operating expenditure			127,311
(27,019)	Precept			(28,587)
117	(Surplus) / Deficit on collection			0
(31,903)	Police Grant			(31,378)
(3,123)	Revenue Support Grant			(2,889)
(15,990)	Non-domestic rate income			(17,214)
(3,721)	Payment from Secretary of State re top-up grant			(2,535)
(34,909)	Deficit for the Year			(44,708)

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

2006/07 £'000		2007/08 £'000
34,909	Deficit for the year on the Income and Expenditure Account	44,708
(34,909)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund balance for the Year	(44,708)
0	(Increase)/Reduction in the General fund Balance for the Year	0
(2,000)	General Fund Balance brought forward	(2,000)
(2,000)	General Fund Balance carried forward	(2,000)

NOTE OF RECONCILING ITEMS FOR THE STATEMENT OF MOVEMENT ON THE GENERAL FUND

2006/07 £'000		2007/08 £'000
	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining Movement on the General Fund Balance for the Year	
(308)	Amortisation of intangible assets	-
(4,734)	Depreciation of fixed assets	(4,938)
3,231	Government Grants deferred amortisation	1,978
114	Net loss on the sale of fixed assets	443
(45,813)	Net charges made for retirement benefits in accordance with FRS17	(50,752)
(47,510)		(53,268)
	Amounts not included in the Income and Expenditure Account but required by statute to be included when determining Movement on the General Fund Balance for the Year	
549	Minimum revenue provision for capital financing	702
258	Capital expenditure charged in year to the General Fund Balance	1,414
12,108	Employers contributions payable to the Warwickshire County Council Pension Fund and retirement benefits payable direct to pensioners	11,001
12,915		13,213
	Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance	
148	Voluntary revenue provision for capital financing	92
(462)	Net transfer to or from earmarked reserves	(4,649)
(314)		(4,642)
(34,909)	Deficit for the Year	(44,708)

STATEMENT OF RECOGNISED GAINS AND LOSSES

2006/07 £'000		2007/08 £'000
34,909	(Surplus)/Deficit on the General Fund	44,708
1,329	(Surplus)/Loss on revaluation of fixed assets	0
(552)	Other Gains and losses	(1,075)
20,438	Actuarial (gains) and losses on pension fund assets and liabilities	(91,795)
56,124	Total Recognised Gains and Losses	(48,162)

BALANCE SHEET AS AT 31 MARCH 2008

31 March 2007 £'000		31 March 2008		
		£'000	£'000	Notes
	Fixed assets			
	Operational assets			
57,201	- land and buildings	56,058		
9,110	- vehicles, plant, equipment and helicopter	8,233		
66,311			64,291	1,2 3 & 4
17,301	Non-operational assets – Assets Under Construction		17,777	
83,612	Total fixed assets		82,067	
896	Intangible assets		703	5
6	Long-term debtors		39	6
84,514	Total long-term assets		82,809	
	Current assets			
30	- stocks and stores	42		7
6,861	- debtors and prepayments	6,028		8
10	- Short term debtors	15		
41,915	- investments	40,400		
780	- cash	107	46,592	
134,100	Total assets		129,401	
	Current liabilities			
(12,986)	- creditors	(12,327)		9 & 10
(734)	- short term borrowing	(803)	(13,130)	11
120,380	Total assets less current liabilities		116,271	
	Long Term Liabilities			
13,978)	Long term borrowing	(16,115)		11
(579,802)	Liability related to defined benefit pension scheme	(525,117)		17
(36,696)	Government grants deferred account	(36,206)		12
(15,161)	Unapplied capital grants and contributions	(15,928)	(593,366)	13
(525,257)	Total assets less liabilities		(477,095)	
	Financed By:			
38,465	Fixed asset restatement account	0		14
(5,051)	Capital financing account	0		15
0	Capital Adjustment Account	(31,424)		17
0	Revaluation Reserve	0		18
(579,802)	Pensions Reserve	(525,117)		18
2,000	General reserves	(2,000)		
19,131	Earmarked reserves	(14,598)		
(525,257)	Total net worth		477,095	

CASH FLOW STATEMENT

Year ended 31 March 2007 £'000	CASH FLOW	Year ended 31 March 2008	
		£'000	£'000
	Revenue Activities:		
	Cash outflows		
71,662	Cash paid to and on behalf of employees	75,829	
20,504	Other operating costs	24,274	
92,166			100,103
	Cash inflows		
(27,019)	Precept Received	(28,587)	
117	(Surplus)/Deficit on collection	0	
(15,960)	National Non Domestic Rates (Business Rate)	(17,214)	
(3,123)	Revenue support grant	(2,889)	
(38,329)	Home Office specific grant	(38,947)	
(4,265)	Cash received for goods and services	(7,386)	
(88,579)			(95,023)
3,587	REVENUE ACTIVITIES NET CASH INFLOW		5,080
	Servicing of Finance:		
	Cash outflows		
706	Interest paid	815	
	Cash inflows		
(2,392)	Interest received	(2,796)	
(1,686)	Total servicing finance cash flow		(1,981)
	Capital Activities:		
	Cash outflows		
14,750	Purchase of fixed assets and intangible assets	3,819	
0	Capital Grant transferred to other organisations	0	
14,750		3,819	
	Cash inflows		
(707)	Sale of fixed assets	(999)	
(7,364)	Capital Grants Received	(1,525)	
(70)	Other contributions received	0	
(8,141)		(2,524)	(1,295)
6,609	Total capital activities cash flow		
8510	Net Cash Inflow Before Financing		4,394
	Management of liquid resources		
(7,834)	Net increase (decrease) in short term deposits		(1,515)
	Financing		
	Cash outflows		
698	Repayments of amounts borrowed	794	
	Cash inflows		
(3,000)	New loans raised	(3,000)	(2,206)
(1,626)	Net (increase) /decrease in cash and cash assets		673

CASH FLOW STATEMENT NOTES
1 – Reconciliation of revenue cash flow

	01.04.2007 £'000	31.03.2008 £'000	Movement £'000
(Surplus) / deficit for the year			0
Interest received			2,796
Capital charges			(1,608)
Contributions to provisions and reserves			(334)
Contributions from provisions and reserves			4,867
Non-cash movement			(527)
Stock and work in progress	30	42	12
Debtors	6,867	6,082	(785)
Creditors	(12,986)	(12,327)	659
Revenue cash inflow			5,080

2 – Reconciliation of net cash inflow to movement in net debt

	Movement £'000
Decrease/(Increase) in cash	673
Cash inflow from increase in liquid resources	3,721
Change in net debt resulting from cash flows	4,394
Net debt at 1 April 2006	(27,983)
Net debt at 31 March 2007	(23,589)
Movement in net debt in period	4,394

3 – Reconciliation of financing and management of liquid assets

	01. 04. 2007 £'000	31.03.2008 £'000	Movement £'000
Financing			
Repayment of amounts borrowed:			
Long term borrowing	(14,712)	(16,918)	(2,206)
Management of Liquid resources			
Temporary investments	41,915	40,400	(1,515)
Net cash inflow from financing and management of liquid resources	27,203	23,482	(3,721)

4 – Movement in cash and cash equivalents

	01. 04. 2007 £'000	31.03.2008 £'000	Movement £'000
Cash overdraft	0	0	0
Cash	(757)	(84)	673
Imprest account	(23)	(23)	0
Decrease in cash balance	(780)	(107)	673

INCOME AND EXPENDITURE ACCOUNT NOTES**1. EMPLOYEE PAY BANDS**

We are required by regulations to provide information on the number of employees paid more than £50,000 a year. Pay includes both salary and the profit element of car allowances.

Pay Band	Number of Employees	
	2006/2007	2007/2008
£50,000 - £59,999	29	46
£60,000 - £69,999	8	12
£70,000 - £79,999	5	6
£80,000 - £89,999	1	2
£90,000 - £99,999	1	1
£100,000 - £109,999	0	0
£110,000 - £119,999	1	1
£120,000 - £129,999	0	0
£130,000 - £139,999	0	0
Total	45	68

In 2007/08 more personnel captured within the pay banding analysis due to the effect of the pay awards.

2. MEMBERS' ALLOWANCES

The Authority paid members allowances and expenses totalling £207,459 in 2007/2008 (£213,073 in 2006/2007). Members are not included in the table under note 1 because no single Member was paid more than £50,000 during the year.

3. DISCLOSURE OF AUDIT FEES

Warwickshire Police has incurred the following fees relating to external audit and inspection by the appointed auditor (The Audit Commission):

Audit fees	2006/2007 £'000	2007/2008 £'000
External Audit services carried out by the appointed auditor under the Code of Audit Practice in accordance with Section 5 of the Audit Commission Act 1998	61	73
Statutory inspections under Section 10 of the Local Government Act 1999	0	0
Certification of grant claims and returns by the appointed auditor under Section 28 of the Audit Commission Act 1998	0	0
In respect of any other services provided by the appointed auditor over and above the duties described above	0	25
Total fees payable to the appointed auditor for external audit services carried out	61	98

4. AGENCY SERVICES

The Authority does not carry out any agency services on behalf of any other authority.

5. CHARGES TO OTHER AUTHORITIES AND BODIES

We make a charge when our Police Officers are seconded to other authorities and bodies under section 1 of the Local Authority (Goods & Services) Act 1970. The purpose of these secondments is to further the policing work of the agencies listed.

Charges to other authorities and bodies*	Income £'000	Spend £'000	Net £'000
2007/2008			
National Crime Squad & Criminal Intelligence Service	0	1	1
Training Units/Colleges	0	0	0
Special Branch Regional Intelligence	(118)	138	20
Other	(857)	872	15
Totals for 2007/2008	(975)	1,011	36
2006/2007			
National Crime Squad & Criminal Intelligence Service	0	1	1
Training Units/Colleges	(18)	18	0
Special Branch Regional Intelligence	(182)	213	31
Other	(786)	796	10
Totals for 2006/2007	(986)	1,028	42

*The Authority can only recover the basic salary and overtime costs under the various agreements.

6. LOCAL AREA AGREEMENT

The Authority is participant in a Local Area Agreement – a partnership with other public bodies involving the pooling of government grants to finance work towards jointly agreed objectives for local public services. In 2007/2008, the Authority has completed the first year of the agreement, which was signed on 29 March 2007.

The purpose of the Local Area Agreement is:

- To form an agreement between Warwickshire Local Strategic Partnership, Government (represented by the Government Office of the West Midlands), and other external agencies, to ensure that together we achieve local sustainable community strategies.
- To agree specific outcomes and targets that will be achieved each year for the three years of the agreement
- To improve the effectiveness and efficiency of public services in Warwickshire by pooling and aligning funding streams.

The Local Area Agreement partners are:-

- Local government bodies – North Warwickshire Borough Council, Nuneaton & Bedworth Borough Council, Rugby Borough Council, Stratford on Avon District Council and Warwick District Council, Warwickshire County Council
- Community Protection authorities – Warwickshire Police Authority, Warwickshire Probation Service
- Health bodies – NHS Warwickshire
- Learning bodies – The Warwickshire Further Education Colleges, Coventry & Warwickshire Learning & Skills Council, Connexions
- Voluntary organisations – The five district based Councils for Voluntary Services, Coventry & Warwickshire Chamber of Commerce, Coventry Diocese, Warwickshire Rural Community Council, Greater Warwickshire Sports Partnership, Warwickshire Race Equality Partnership, Coventry and Warwickshire Infrastructure Consortium
- Non-Statutory Organisations - The five district based Local Strategic Partnerships Warwickshire Association of Local Councils, Coventry Solihull and Warwickshire Partnership

Warwickshire County act as the accountable body for the Local Area Agreement. This means that they are responsible for managing the distribution of grant paid by the Government Office to the partners involved, but do not determine which bodies are due payments – this is determined by either the Government Office or the partnership.

The full amount of Local Area Agreement Grant received by the Local Strategic Partnership in 2007/2008 is £9.321 million. The Authority received an allocation of £120,316 of this total to fund our own services. Under current guidance only our allocation of £119,984 will be recognised as income and accounted for on an accruals basis.

7. PROVISION FOR THE REPAYMENT OF EXTERNAL LOANS

Minimum Revenue Provision	2006/2007 £'000	2007/2008 £'000
Minimum amount set aside for repaying external Loans	549	702
Amount voluntarily set aside above minimum	148	92
Depreciation and NBV	(4,767)	(5,424)
Difference transferred to Capital Adjustment Account	(4,070)	(4,630)

8. SPECIFIC GOVERNMENT GRANTS (Revenue)

Details of Government Grants received	2006/2007 £	2007/2008 £
Rule 2 Grant	1,370,074	1,370,074
Alcohol Misuse Enhancement	29,122	0
Automatic Number Plate Recognition	7,409	0
Basic Command Unit Fund	457,601	369,688
Beating Business Crime	101,818	50,000
Community Support Officers-Neighbourhood Policing Fund	857,825	2,364,530
Counter Terrorism	260,535	449,002
Crime Fighting Fund	1,684,768	1,684,768
Criminal Justice Grant	224,513	230,688
Criminal Use of Firearms	220,433	238,975
Debt Charges Grant	144,076	139,247
G8 Law Enforcement	0	24,141
High Tech Crime	26,201	0
Knife Amnesty	7,330	0
Marac Funding (Dometic Violence)	0	23,526
Operation Burgas (G6 Summit)	553,248	0
Operation Stockholm	0	6,816
Partnership Improvement Fund	0	15,000
Probationer Training	192,000	0
Regional Asset Recovery	1,179,856	343,639
Scientific Support	-694	0
Specials Initiative	56,673	48,365
Security Funding	394,263	427,126
Tackling Violent Crime	28,943	20,000
Pension Top-Up Grant	3,720,761	2,535,000
Operation Samaria	0	3,883
Total Specific Government Grants	11,516,755	10,371,229

9. RELATED PARTY TRANSACTIONS

In accordance with the reporting requirement of Financial Reporting Standard (FRS) 8, the Authority is required to disclose material transactions with related parties - bodies or individuals possessing potential to control or influence the Authority and those who potentially could be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority.

Central government has effective control over the general operation of the Authority - it is responsible for providing the statutory framework within which the Authority operates and provides the majority of its funding in the form of grants. Details of grants from Central government are set out in the Cash Flow Statement and at note 6 to the Income and Expenditure Account.

The Chief Executive of the Police Authority has written to all Members to obtain required declarations of members' business interests. The Treasurer to the Police

Authority has written to Chief Officers and all members of the Resources Directorate to obtain the required declarations. For the financial year 2007/2008 we have received no declarations from Members of Warwickshire Police Authority, Chief Officers or members of the Resources Directorate that would necessitate disclosure.

The Strategic Director of Resources of Warwickshire County Council is also Treasurer to Warwickshire Police Authority.

Warwickshire County Council acts as administrators for the Local Government and Police pensions schemes and also provide Treasury Management, Legal Services and Internal Audit functions on behalf of the Police Authority.

In the last year, an analysis of creditor payments shows there are 21 companies with whom the Authority has spent £250,000 or more. These are broken down as follows:

Value of Payments Made £'000	2006/07 Number of Companies	2007/08 Number of Companies
250 - 499	11	9
500 - 749	2	5
750 - 999	0	3
1,000 - 1,999	5	2
2,000+	4	2

During 2007/2008 there were four companies that provided services for this Authority in excess of £1m. These are summarised below:

Name of Supplier	Value of Payments Made £'000
West Midlands Police	2,625
Warwickshire County Council	2,535
Affiniti	1,501
Arqiva Ltd	1,076

The Authority has made provision for bad or doubtful debts of £148,000 based on an analysis of outstanding income due from customers who have received services such as policing of events.

10. TRUSTS

Warwickshire Against Crime is a registered charity (and therefore a separate entity with its own Trustees) established on 8th June 2004 by Warwickshire Police 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 2008 was £9,879.

11. PUBLICITY ACCOUNT

Section 5(1) of the Local Government Act 1986 (S115[c]) requires us to keep a separate account of expenditure on publicity as defined in the regulations:

Publicity Account	2006/2007 £'000	2007/2008 £'000
Employees and related expenditure	366	353
Advertising job vacancies	77	72
Other spending	96	87
Totals	539	512

12. SPONSORSHIP

The Police Act 1996 permits a Police Authority, in the discharge of any of its functions, to accept sponsorship on such terms as appear to the Authority to be appropriate. Commercial sponsorship is defined as 'the provision of funds, goods or services to the police force, whether permanently or on loan, in return for some agreed form of publicity or other acknowledgement or benefit'.

During 2007/2008 we received sponsorship to the value of £24,500 (£26,315 in 2006/2007).

13. EURO COMPLIANCE

Although the decision on whether or not to join the Euro has yet to be taken, there is a need to be prepared for a possible referendum.

Initial work has been done in preparation for a changeover and the position is being monitored. At present, costs are minimal but if the country votes to join the Euro, they would escalate.

The force's finance system was upgraded in 2003/2004 to Cedars' *efinancials* product and incorporates Euro compliance.

14. LONG TERM CONTRACTS

The Authority has entered into long term contracts for the provision of goods and services for example radio communication provision, uniform and payroll. This is both necessary and desirable for the continued, cost effective operation of the Force.

There is commitment to spend against capital contracts in 2007/2008 that arise from contracts that were awarded at an earlier date, these contracts may be long term in their nature such as those concerning major building projects.

15. LIQUID RESOURCES

The movement in liquid resources recorded in the Cash Flow Statement consists of the inflows and outflows associated with short-term investments of surplus balances. Investments are made in line with the Authority's Treasury Management Strategy, which in turn complies with Chartered Institute of Public Finance and Accountancy Treasury Management Code of Practice.

16. PENSION CHARGES

The cost of pensions consists of employers and employees contributions to both the Police Pension Schemes and the Local Government Pension Scheme combined with charges for ill health retirements and injury gratuities made to police officers, which have been set down in the Police Pension Fund Regulations 2007. In 2007/2008 the total of these costs was £11.0 million.

BALANCE SHEET NOTES
1. FIXED ASSETS

	Operational Assets				Non Operational Assets	Total £'000
	Land & Buildings	Vehicles	Equipm't	Helicopter	Assets Under Construction	
	£'000	£'000	£'000	£'000	£'000	
Opening Valuations at 31 March 2007	60,710	3,899	18,679	533	17,301	101,122
Movement in 2007/2008						
Additions	0	627	523	314	2,212	3,676
Transfers / Adjustments	532	(26)	0	1,145	(1,685)	(34)
Revaluations	0	0	0	0	0	0
Disposals	(381)	(337)	0	(533)	0	(1,251)
CLOSING BALANCE	60,861	4,163	19,202	1,459	17,828	103,513
Depreciation						
Opening Balance	(3,509)	(1,770)	(11,926)	(305)	0	(17,510)
2007/2008 charge	(1,324)	(855)	(2,246)	(202)	0	(4,627)
Transfers/ Adjustments	0	25	0	0	0	25
Revaluations	0	0	0	0	0	0
Disposals	30	326	0	361	0	717
CLOSING BALANCE	(4,803)	(2,274)	(14,172)	(146)	0	(21,395)
NBV B/Fwd 2006/07	57,201	2,129	6,753	228	17,301	83,612
Movement in year (2007/08)	(1,143)	(240)	(1,723)	1,085	527	(1,494)
NBV 2007/08	56,058	1,889	5,030	1,313	17,828	82,118

Number of Assets held at 31 March	2006/2007	2007/2008
Police Stations	19	18
Motorway Posts	4	4
Police Houses and Other Sites	7	6
Radio Aerial Sites	1	1
Vehicles: Capitalised (Includes capital funded de minimis vehicles)	343	360
De minimis (Purchased from revenue funds, not depreciated)	10	12

The number of vehicles held includes second hand vehicles purchased from revenue funds and contributions from partner agencies. It does not include the 7 sponsored vehicles which we are currently using but do not own.

2. VALUATION OF FIXED ASSETS

The freehold properties, fixed plant and machinery, which comprise the Warwickshire Police Authority's portfolio, were all valued at 1 April 2003 by Bruton Knowles RICS qualified external property assets consultancy, which is not part of Warwickshire Police. A five-year rolling programme of valuations has been put in place, however due to changes in the property portfolio over the last 4 years, this cycle has been reviewed and no revaluations were carried out in 2007/2008, as all properties have been revalued in the last 4 years. Revaluations will begin again in 2008/09. In accordance with new SORP guidelines any downward revaluations in 2008/09 would result in an impairment charge to the Income and Expenditure account, no impairments have been identified this year.

There were no changes in values this year and therefore none have been reflected in the accounts. The bases used are set out below as recommended by CIPFA and in line with the Statements of Asset Valuation Practice and guidance notes of the Royal Institute of Chartered Surveyors.

- Operational property is included in the balance sheet at the lower of net current replacement cost or net realisable value in their existing use.
- Assets that we do not use in day-to-day operations are included in the balance sheet at their open market value.

Expenditure on incomplete capital works (eg Southern Justice Centre) is shown as Assets under construction on the balance sheet, and is valued at cost

In addition the Authority holds assets in the form of fixed plant, equipment and vehicles, which are held at market value.

3. USABLE CAPITAL RECEIPTS RESERVE

Usable capital receipts are the proceeds from the sale of police houses and vehicles.

Usable Capital Receipts Reserve	£'000
Balance at 1 April 2007	0
<i>Add</i>	
Capital receipts in year	999
<i>Less</i>	
Applied in year	(999)
Balance at 31 March 2008	0

4. CAPITAL EXPENDITURE AND FINANCING

Investment	2006/2007 £'000	2007/2008 £'000
Operational assets	1,436	1,503
Non operational assets	13,035	2,172
Intangible assets	280	144
	14,751	3,819

Sources of Finance	2006/2007 £'000	2007/2008 £'000
Borrowing	3,000	1,332
Government grants and contributions	10,922	1,340
Capital receipts	707	999
Specific Grants	0	148
Use of General Revenue reserve for Capital	53	0
Capital contributions from third parties	69	0
	14,751	3,819

5. INTANGIBLE ASSETS

Intangible assets relate to the purchase of computer software only for which the Authority holds licences but does not acquire a physical asset.

Intangible assets	£'000
Balance at 1 April 2007 - Cost	1,820
Balance at 1 April 2007 - Accumulated Provision for Amortisation	(924)
Balance at 1 April 2007 - NBV	896
Software purchases	144
<i>Less</i>	
<i>In Year Adjustments</i>	0
Charge to revenue in year	(337)
Balance at 31 March 2008	703

6. LONG TERM DEBTORS

The following table outlines the details of the long-term debtors.

Long term debtors	2006/2007 £'000	2007/2008 £'000
Car Loans due in greater than 1 year	5	19
Pay Loans due in greater than 1 year	1	2
Payroll Recovery	0	18
Total	6	39

7. STOCK AND STORES

The table sets out the major elements of the stock holdings:

Analysis of Stock and Stores	2006/2007 £'000	2007/2008 £'000
Uniforms and equipment	0	0
Fuel	30	42
Total stock and stores	30	42

8. DEBTORS

Analysis of Debtors	2006/2007 £'000	2007/2008 £'000
Salary and allowances prepayments	11	15
Other prepayments	157	208
Sundry debtors	6,826	5,953
Car Loans due within 1 year	7	9
Payroll Loans due within one year	3	6
Less: Provision for doubtful debts	(143)	(148)
Total Debtors	6,861	6,043

9. CREDITORS

Analysis of Creditors	2006/2007 £'000	2007/2008 £'000
Police payroll creditors	392	643
Civilian payroll creditors	70	92
Pension Creditors	0	0
Sundry creditors	9,297	9229
Receipts In Advance	3,227	2364
Total Creditors	12,986	12,327

10. POLICE PROPERTY ACT FUND

Police Property Act Fund	2006/2007 £'000	2007/2008 £'000
Balance as at 1 April	16	14
Income from confiscations and property auctions	19	0
Payments to charities and auction expenses	(12)	0
Transfer allowed to Property Administration		
Expenditure	(9)	0
Prior year adjustment	0	2
Balance as at 31 March	14	16

The Police Property Act requires us to set aside the money we receive from the sale of stolen goods and confiscations in order to make payments to charities. We may use up to 50% of the money we receive to finance property-related administration.

11. LOANS OUTSTANDING

Loans outstanding with the Public Works Loan Board (PWLB)	Pre 1990 £'000	Post 1990 £'000	Total £'000
Debt as at 1 April 2007	1,467	13,245	14,712
Add: new loans	0	3,000	3,000
Less: principal payments/loans redeemed	(195)	(599)	(794)
Balance as at 31 March 2008	1,272	15,646	16,918

The following table shows the maturity profile of the loans outstanding:

Loans profile	31 March 2007 £'000	31 March 2008 £'000
Short term borrowing		
Maturity within 1 year	734	803
Total short term borrowing	734	803
Long term borrowing		
Maturity within 1 to 2 years	739	811
Maturity within 2 to 5 years	2,251	2,490
Maturity within 5 to 10 years	3,392	3,682
Maturity within 10 years or more	7,596	9,132
Total long term borrowing	13,978	16,115
Total loans outstanding	14,712	16,918

12. DEFERRED GOVERNMENT GRANTS AND CONTRIBUTIONS

The balance on this account represents the value of capital grants and contributions that have been applied to finance the acquisition or enhancement of fixed assets. The balance is released to revenue over the life of the asset taking into account depreciation once the asset is brought into use.

Deferred government grants and contributions	£'000
Balance at 1 April 2007	36,696
Applied in year - grants	1,881
Less Amortisation of deferred grants	(1,978)
Balance at 31 March 2008	36,599

13. UNAPPLIED CAPITAL GRANTS AND CONTRIBUTIONS

The balance on this account represents the value of capital grants and contributions that remain unapplied and can be used to finance the acquisition or enhancement of fixed assets in future years. 'Other Contributions' are from external bodies. To be consistent all future funding for the justice centre projects should be classed as

government grants. £13.807 million of the carry forward balance is ring fenced funding for the Justice Centre Project.

Details Warwickshire Police Element	Government Grants & Contributions	Other Contributions	Total
	£'000	£'000	£'000
Amount brought forward at 1 April 2007	14,968	192	15,160
Received in year	3,104	0	3,104
<i>Less</i> Applied in year	(2,486)	0	(2,486)
Balance at 31 March 2008	15,586	192	15,778

14. FIXED ASSET RESTATEMENT ACCOUNT

The system of capital accounting no longer includes the fixed asset restatement account (FARA). This account has been replaced by the Capital Adjustment account (CAA). Balances in the FARA have been transferred to the CAA in 2007/08 per SORP guidance. Any balance represented by the difference between the valuation of assets under the previous system of capital accounting and subsequent revaluations, adjustments and disposals would be credited to the Revaluation Reserve. There were no revaluations of fixed assets in 2007/08 so the balance on the Revaluation reserve is nil. The revaluation reserve can only ever go from nil to a credit balance as initially downward valuations of fixed assets will be deemed to be impairments and written off to the Income and expenditure account in the year of impairment. Assets in future years which have a downward valuation for reasons connected to a previous upward valuation can be debited up to the value that it had previously been credited.

15. CAPITAL FINANCING ACCOUNT

The Capital Financing Account (CFA) has been replaced by the Capital Adjustment account (CAA). Balances in the CFA have been transferred to the CAA in 2007/08 in line with SORP guidance.

16. CAPITAL ADJUSTMENT ACCOUNT

The Capital Adjustment Account (CAA) has replaced the Capital Financing Account and Fixed Asset Restatement Account in line with SORP guidance. Any amounts set aside from capital receipts for the repayment of external loans, and the amount of capital expenditure financed from revenue and capital receipts will now be coded to the CAA account. It also contains the difference between amounts provided for depreciation and the amount required to be charged to revenue to repay the principal element of external loans.

The movements on the capital adjustment account in this year are shown in the following table:

Capital Adjustment account	£'000
Balance at 1 April 2007	0
Add	
Balance as at 31.03.2007 transferred from FARA	38,465
Balance as at 31.03.2007 transferred from CFA	(5,051)
- usable capital receipts used	999
- use of General Revenue Reserve for Capital	0
Minimum revenue provision (less depreciation)	(4,630)
Amortisation of intangible assets	(337)
Amortisation of Government Grants	1,978
Balance at 31 March 2008	31,424

NOTE 16 - FUTURE CAPITAL COMMITMENTS

As at the 31 March 2008 the Authority has entered into various contractual commitments associated with building schemes and major projects undertaken as part of the Capital Programme. The most significant of these commitments, which totalled £0.7m, are as follows:

Information Technology - Remaining Commitment £0.173m

Various schemes have been undertaken during 2007/08, as part of the Information Technology Replacement Programme, for which a commitment remains at the end of the financial year.

IM Strategy - Remaining Commitment £0.252m

Various schemes have been undertaken during 2007/08, as part of the Information Management Strategy, for which a commitment remains at the end of the financial year. The most significant ones being the Open Access and Crime Recording projects.

Property Development Plan - Remaining Commitment £0.284m

Capital work slowed down significantly in the property development portfolio during the 150 forward review, but there are still some outstanding commitments at the year end, predominantly on the Rugby Phase 3 project.

17. FINANCIAL REPORTING STANDARD (FRS) 17 RETIREMENT BENEFITS

Police Pension Scheme

The Authority operates the Police Pension Scheme for its police officers. The scheme is an unfunded defined benefit scheme. This means it provides pensions and other retirement benefits for employees based on final salaries, but owns no assets. As a result, the annual cost of the benefits paid out is met using employees' contributions and revenue money provided by the Authority via the employer's contribution rate of 24.6%.

The Authority has followed the approach set out in the joint Government Actuary's Department (GAD)/CIPFA paper "Assessment of Pension Liabilities Disclosures for the Year 2007/2008", as realised in the GAD model, in order to satisfy the disclosure requirements of the SORP. This has produced a best estimate of the police pension scheme liability of £509m (£568m 2006/2007).

The Authority's liabilities as at 31 March 2008 are as follows:

	Total Value at 31 March 2007	Value of 1987 Scheme at 31 March 2008	Value of Injury Awards at 31 March 2008	Value of New 2006 Scheme at 31 March 2008	Total Value at 31 March 2008
	£ millions	£ millions	£ millions	£ millions	£ millions
Estimated liabilities in Police Pension Scheme	(-) 568.69	(-) 499.20	(-) 8.83	(-) 1.55	(-) 509.58
Net pensions surplus / (deficit)	(-) 568.69	(-) 499.20	(-) 8.83	(-) 1.55	(-) 509.58

Liabilities are valued on an actuarial basis using the Projected Unit Method. This method calculates the Actuarial Liability for active members as at the valuation date or the end of the Control Period taking into account all types of decrement. Calculations of pensionable pay are projected from the relevant date up to the assumed date of retirement, date of leaving service or date of death as appropriate.

Under the Projected Unit Method the current cost of service will increase as the members of the scheme approach retirement for schemes in which the age profile of the active membership is rising significantly.

The assumptions used in the model are as follows:

Assumptions	Year Ending 31 March 2007	Year Ending 31 March 2008
Rate of Inflation	3.40% pa	3.70% pa
Rate of increase in salaries	4.90% pa	5.20% pa
Rate of increase in pensions	3.40% pa	3.70% pa
Rate of discounting scheme liabilities	5.40% pa	6.90% pa

Local Government Pension Scheme

The Authority operates the Local Government Pension Scheme (LGPS) for its police staff. The scheme is a funded defined benefit scheme. This means it provides pensions and other retirement benefits for employees based upon final salaries, and owns assets to cover the cost of these benefits. The annual funding cost of the pensions is based upon triennial actuarial valuations, and is financed by contributions from employees and the Authority. The latest actuarial valuation was carried out as at 31 March 2008. The assets and liabilities associated with the LGPS have been assessed by Mercer Human Consulting, an independent firm of actuaries, using the projected unit method.

The arrangements for FRS 17 require disclosure as at the balance sheet date. These are taken at market value and the liabilities have been calculated using the following principal assumptions:

LGPS principal assumptions	Year Ending 31 March 2007	Year Ending 31 March 2008
Rate of Inflation	3.10% pa	3.60% pa
Rate of Increase in Salaries	4.85% pa	5.35% pa
Rate of increase in pensions	3.10% pa	3.60% pa
Rate of discounting scheme liabilities	5.40% pa	6.10% pa

On this basis the illustrative balance sheet figures for the scheme are as follows:

Valuations	Value at 31 March 2007 £ million	Value at 31 March 2008 £ million
Assets	36.4	37.7
Liabilities	<u>(-) 47.5</u>	<u>(-) 53.2</u>
Surplus / (Deficit)	(-) 11.1	(-) 15.5

The assets of the scheme are split as follows:

Assets profile	Total as at 31 March 2008 £'000	Split of Assets between Investment categories	Expected Rate of Return %
Equities	24,759	65.7%	7.50%
Government Bonds	3,430	9.1%	4.70%
Other Bonds	5,465	14.5%	5.40%
Property	1,583	4.2%	N/A
Cash/Liquidity	528	1.4%	5.25%
Other	1,922	5.1%	N/A
	37,687	100.0%	

WARWICKSHIRE POLICE AUTHORITY – Statement of Accounts 2007/2008

Investments have performed significantly worse than the FRS17 assumptions, expected rates of return, over the year to 31 March 2008. This results in a negative “actual less expected return on assets” that the actuaries describe as an “asset loss”. For 2007/2008 the asset loss was £3.909 million (10.4% of assets).

The movement in net pension liability for the year to 31 March 2008 is as follows:

	Police £'000	Police Staff (Civilians) £'000	Total £'000
Net Surplus/(Deficit) as at 1 April 2007	(-) 568,690	(-) 11,112	(-) 579,802
Current Service Costs	(-) 6,300	(-) 2,866	(-) 19,166
Employer Contributions	0	1,872	1,872
Costs Covered by Employee Contributions	(-) 3,810	0	(-) 3,810
Pension Benefits Paid	16,030	0	16,030
Past Service (Cost) / Gain	0	(-) 568	(-) 568
Pension Transfers In	(-) 450	0	(-) 450
Interest on Liabilities	(-) 30,830	(-) 2,655	(-) 33,485
Expected Return on Assets	0	2,467	2,467
Actuarial Gain (Loss)	94,470	(-) 2,675	91,795
Net Surplus/(Deficit) as at 31 March 2008	(-) 509,580	(-) 15,537	(-) 525,117

The Police net pension liability is split into three categories as shown in the following table:

Liability	Police 1987 Scheme £000	Police Injury Awards £000	Police New 2006 Scheme £000	Total £000
Net Surplus/(Deficit) as at 1 April 2007	(-) 558,930	(-) 9,450	(-) 310	(-) 568,690
Current Service Costs	(-) 15,590	0	(-) 710	(-) 16,300
Costs Covered by Employee Contributions	(-) 3,650	0	(-) 160	(-) 3,810
Pension Benefits Paid	15,550	480	0	16,030
Pension Transfers In	(-) 450	0	0	(-) 450
Interest on Liabilities	(-) 30,290	(-) 500	(-) 40	(-) 30,830
Actuarial Gain (Loss)	94,160	640	(-) 330	94,470
Net Surplus/(Deficit) as at 31 March 2008	(-) 499,200	(-) 8,830	(-) 1,550	(-) 509,580

The actuarial gains/(losses) for the year can be analysed into the following categories:

Gains / Losses	Police £000	Police Staff (Civilians) £000
Asset Gain/(Loss)	0	(-) 3,909
Experience Gains/(Losses) arising on the pensions liabilities	(-) 6,610	2,695
Changes in assumptions underlying the present value of pension liabilities	101,080	(-) 1,461
Actuarial Gain/(Loss)	94,470	(-) 2,675

The experienced loss arising on the pension liabilities is 5.1% (Police Staff) and 1.3% (Police) of the scheme liabilities.

The actuarial gains/(losses) for Police are distributed as follows:

Actuarial gains/(losses)	Police 1987 Scheme £000	Police Injury Awards £000	Police New 2006 Scheme £000	Total £000
Asset Gain/(Loss)	0	0	0	0
Experience Gains/(Losses) arising on the pensions liabilities	(-) 5,370	(-) 220	(-) 1,020	(-) 6,610
Changes in assumptions underlying the present value of pension liabilities	99,530	860	690	101,080
Actuarial Gain/(Loss)	94,160	640	(-) 330	(-) 94,470

18. MOVEMENT IN REVENUE RESERVES

N o t e	Analysis of Revenue Reserves	As at	Changes	Revised	Contribution	Contribution	As at
		1.4.2007	Agreed by Police Authority 20.2.2008	Balance	From Reserves	To Reserves	31.3.2008
		£'000	£'000	£'000	£'000	£'000	£'000
	Earmarked Reserves						
1	Cost centre c/fwds: - re 2006/2007 - re 2007/2008	310 0	0 0	310 0	(-) 310 0	0 218	0 218
2	Insurance Reserve	266	0	266	0	0	266
3	Budget Reserve	5,220	4,397	9,617	(-) 4,557	0	5,060
4	S106 Reserve	16	0	16	0	0	16
5	General Reserve for Capital	12,403	(-) 6,183	6,220	0	116	6,336
6	General Revenue Reserve for Repair & Maintenance	0	2,702	2,702	0	0	2,702
7	Operational Reserve	616	(-) 616	0	0	0	.0
8	General Revenue Reserve for Pensions	300	(-) 300	0	0	0	0
	Total Earmarked Reserves	19,131	0	19,131	(-) 4,867	334	14,598
9	General Revenue Reserve	2,000	0	2,000	0	0	2,000
	Total Revenue Reserves	21,131	0	21,131	(-) 4,867	334	16,598
	FRS17 Pension Reserve	579,802					525,117

NOTES TO BALANCES ON REVENUE RESERVES

1. The cost centres carry forward provides for £218,000, which has been set aside for specific purpose as set out below:

	Cost Centre Carry Forward £'000
Asset Incentivisation Income	89
Operational Contingency – Armoured Vehicle	88
Firearms Training	24
Family Liason Officer Scheme	6
Economic Crime Unit	5
Press & Media	4
Domestic Abuse Campaign	2
Total	218

2. The insurance reserve of £266,000 at 31 March 2007 has been assessed to meet outstanding liabilities in respect of employer's and public liability insurance.
3. The budget reserve of £5,060,000 is to support the 2008/09 budget and the implementation of the outcomes of the '150 forward' programme.
4. Section 106 reserve allows the contributions from developers of new housing within the County to assist the policing of the specific area affected by the development.
5. The general reserve for capital purposes of £6,336,000 million is to support an element of Warwickshire Police's share of the Southern Justice Centre and to support the Capital Programme..
6. The general revenue reserve for repairs and maintenance has been created in respect of backlog maintenance in the years 2008/2009 to 2010/2011.
7. The need to maintain an operational reserve has been reviewed in light of the establishment of the Major Investigation Unit which provides further operational resilience. The position will be reviewed annually and should the operational circumstances require it, reserves will be reconfigured,
8. The general revenue reserve for pensions has been removed. This reserve was originally created as a result of the uncertainty surrounding the new arrangements for police pensions. However, in light of the experience of the past two years the existing revenue budget is sufficient to meet the costs of anticipated ill health retirements.
9. General reserves stand at £2,000,000 and are considered to be a prudent and reasonable sum to meet unforeseen circumstances.

10. In accordance with FRS17 the Authority hold a pension reserve that offsets the net pension liabilities. This does not affect operational policing or the level of Council Tax. For movement see note 17.

19. PROCEEDS OF CRIME ACT 2002

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 minimum threshold for cash seizure has been set at £10,000. Warwickshire Police is currently holding amounts totalling £277,398.

PENSION FUND ACCOUNT

The Police Pension Fund Account collects all the costs relating to retired police officers pensioners, the income from current contributions and any transfer values. It also includes the top up grant from police fund, Income and Expenditure account and the employer's contribution introduced from 1 April 2006. Previously all costs and income were charged directly to the general fund Income and Expenditure account or Consolidated Revenue Account as it was then.

FUND ACCOUNT

2006/2007		2007/2008	
£'000		£'000	£'000
	Contributions Receivable		
	From Employer		
(-) 8,198	- Normal	(-) 8,566	
0	- Early Retirements	0	
(-) 314	- Other – Pre 74 Contributions (West	(-) 278	
(-) 184	Midlands)	(-) 68	
	- Ill Health Capital Sum Income		
(-) 8,696			(-) 8,912
(-) 3,666	From Members	(-) 3,832	
			(-) 3,832
	Transfers In		
(-) 400	Individual Transfers In from other schemes	(-) 449	
0	Others	0	
(-) 400			(-) 449
	Benefits Payable		
12,693	Pensions	13,407	
3,785	Commutations and Lump Sum retirement	2,260	
0	benefits	0	
0	Lump sum death benefits	0	
	Other		
16,478			15,667
	Payments to and on account of leavers		
4	Refunds of contributions	7	
1	Individual Transfer out to other schemes	54	
	Other		
5			61
3,721	Net amount payable for the Year before top up grant receivable from sponsoring department		2,535
(-) 3,721	Contribution to Pension Fund Account in respect of deficit on Police Pension Fund Account		(-) 2,535
0	Net Amount Payable/Receivable for the year		0

NET ASSET STATEMENT

2006/2007 £'000		2007/2007 £'000
0	Un paid commutations Due	181
0	Amount owing to General Fund	(-) 181
0		0

NOTES TO THE POLICE PENSION FUND ACCOUNT

1. An exception to the accruals basis of accounting for pension costs is transfer values. These are lump sums transferred to and from other pension schemes. They have been attributed to the police pension fund on a payment and receipts basis due to the difficulty in predicting transfer values and the length of time that these can take to resolve.
2. The principles contained in the Police Pension Fund Regulations 2007 have been adopted in preparing the Police Pension Fund Account.
3. From 1 April 2006, the cost of police pensions is met, mainly, each year by contributions from current serving officers. The Police Pension Fund Account is balanced to zero by a contribution to, or from, the police fund, Income and Expenditure account. In turn the Income and Expenditure Account is reimbursed by way of Home Office grant, or in the case of a transfer of a surplus from the Police Pension Fund Account to the Income and Expenditure this is paid over to the Home office.
4. All amounts due from the Home Office in respect of funding shortfalls are the responsibility of the Authority and accordingly have been included in the balance sheet of the Police Authority.
5. The police pension scheme is an un-funded scheme, which means there are no investment assets to provide for future pensions.
6. This police pension fund account does not take account of liabilities to pay pensions and other benefits after the end of the 2007/2008 financial year.
7. Employers' contributions are calculated at 24.6% of police officer pensionable pay.
8. Officer contributions are deducted from officer salaries at a rate of 11%(Police Pensions Scheme) or 9.5% (New Police Pension Scheme) of pensionable pay
9. Both the 1987 and the New Police Pension Scheme are administered by West Midlands Police on behalf on Warwickshire Police. There are no other related party transactions to the fund.

EVENT AFTER THE BALANCE SHEET DATE

Home Office Circular 11/2008 issued on 30 May 2008, introduced new factors for calculating the lump sums payable to police officers. The impact is as follows:

- The factors increase the lump sums payable to officers under the 1987 Police Pension Scheme (PPS) arising from the option to commute pensions, but
- Reduce the additional pensions payable for exchanging lump sums under the New Police Pension Scheme 2006 (NPPS).

The changes to the PPS factors are backdated to 1 October 2007 but the changes to the NPPS are effective from 1 July 2008. Therefore the changes to the NPPS are non-adjusting events because they concern conditions, which did not exist at the balance sheet date. However the backdated change to the factor used to calculate the lump sums is valued at £181,000 and has been recognised in Police Pension Fund and the impact of doing this is set out in the notes to the Police Pensions Fund Account.

- Increasing the retirement benefits payable to officers
- Raising a creditor recognising that the actual payments were not actually paid to the officers concerned at the 31 March 2008.

This will also be reflected in an increase in the net revenue payable through the Fund Account and thus will increase the deficit due from the Police Authority, which will be reflected in the Police Pension fund Account as follows:

- Increase the deficit due from the Police Authority
- Increase the additional contribution from the police authority

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Police Authority's Responsibilities

The Police Authority is required:

- to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Treasurer to the Police Authority.
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets and
- to approve the Statement of Accounts.

The Treasurer's Responsibilities

The Treasurer to the Police Authority is responsible for the preparation of the Authority's statement of accounts, which in terms of the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in United Kingdom ("The Code of Practice") is required to present fairly the financial position of the Authority at the accounting date and its income and spending for the year ended 31 March 2008

In preparing this statement of accounts, the Treasurer to the Police Authority has:

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

The Treasurer to the Police Authority has also:

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

I certify that the Statement of Accounts for the year ended 31 March 2008 required by the Accounts and Audit Regulations 2003 are set out on the preceding pages. I further certify that the Statement of Accounts presents fairly the financial position of the Warwickshire Police Authority at 31 March 2008 and its Income and Expenditure for the year then ended.

Signed:

Date: 30th June 2008

**David Clarke B.Sc. (Econ) Hons CPFA
Treasurer to the Police Authority**

In accordance with the requirements of s10 of the Accounts and Audit Regulations I confirm that the Statement of Accounts was approved by a resolution of Warwickshire Police Authority on 30 June 2008.

Signed:

Date: 30th June 2008

**Phil Blundell
Chair of the Police Authority**

GLOSSARY OF TERMS

Accruals

Spending and income included in the accounts for the year in which the relevant services or goods have been supplied.

Actuarial Gain (Loss)

For assets, actuarial gains or losses happen when the actual return on investments in the Pension Fund differs from the expected return. For liabilities, actuarial gains or losses happen when the actual liability differs from the expected liability. For assumptions, actuarial gains or losses happen as a result of changes to the demographic or financial assumptions the actuary uses to work out the liability.

Amortisation

A charge to reflect the reducing value of intangible assets.

Asset

An item that is intended to be used for several years, such as a building or a vehicle.

Budget

A statement of our spending plans for a financial year, which starts on 1 April and ends on 31 March.

Business Rates (National Non-Domestic Rates - NNDR)

Businesses pay these rates instead of Council Tax. Each year, the Government sets the rate in the pound and the billing authority collects business rates. Business rates are pooled nationally and a share is given back to local authorities based on the number of people living in the area. The amount charged is based on multiplying the rateable value of each business by the national rate in the pound.

Capital Spending

Spending on assets that have lasting value, for example land, buildings and large items of equipment such as computers and vehicles.

Capital Spending charged to Revenue

Money made available in the year to meet the costs of spending on assets.

Capital Creditors

People or organisations we owe money to for capital spending which has not been paid for by the end of the financial year.

Capital Programme

Our plan of capital projects and future spending on buying land, buildings, vehicles and equipment.

Capital Receipts

Income from selling assets that have a long-term value.

Capital spending charged to revenue

Paying for capital spending direct from revenue.

Cashflow Statement

Summarises cash paid to and received from other organisations and individuals for capital and revenue purposes.

CIPFA

Chartered Institute of Public Finance and Accountancy.

Corporate and Democratic Core

Spending relating to the need to co-ordinate and account for the many services we provide to the public.

Precept Received

A tax based on property. There are eight bands of property values. The amount you pay will depend on which band your property is in. You can get a reduction for empty properties or if you live on your own. In Warwickshire, the district or borough council issues Council Tax bills and collects the Council Tax.

Creditors

Money we owe for work, goods or services that we have not paid by the end of the financial year.

Current Assets

Short-term assets, which constantly change in value, such as stocks, debtors and bank balances.

Current Liabilities

Short-term liabilities, which are due to be paid in less than one year such as bank overdrafts and money owed to suppliers.

Current Service Cost

Officers employed during the year will have earned one more year of pensionable service. The current service cost is the increase in the value of the scheme's liabilities arising from the employee's service during the period.

Curtailment Costs

Curtailment costs arise when many employees transfer out of the scheme at the same time, such as when an organisation transfers its members to another scheme.

Debtors

Money that is owed to us but has not been paid by the end of the financial year.

Depreciation

The reduction in the value of assets, for example through wear and tear.

Disclosure

Information we must show in the accounts under the CIPFA code of practice.

Earmarked Reserves

Reserves set aside for a specific purpose.

Financial Reporting Standard (FRS)

Recommendations on the way we need to treat certain items in our accounts.

Fixed Assets Restatement Account

This account does not exist from 1st April 2007, but used to contain the differences between the values of our assets under the previous valuation system based on historical cost and more recent valuations.

General Reserves

Money set aside to be used in the future.

Government Grants Deferred Account

The amount of money given to us to spend on assets that have a lasting value, for example land and buildings. This amount is reduced each year as the value of the asset reduces due to wear and tear.

Gross Spending

The cost of providing our services before allowing for Government grants and other income.

Income and Expenditure Account

A summary of the resources generated and used by the Authority in the year. The surplus/deficit is a direct result of changing presentation to an Income and Expenditure account, which measures gains and losses through measuring Local Authority performance. Whilst the deficit on the face of the Income and Expenditure account may seem high it has been arrived at using the same accounting conventions that a large (but unlisted) company would use in preparing its annual audited financial statements. There are items of income and expenditure that need to be deducted from and added to this to arrive at the Authority's budget requirement and in turn its Council Tax demand.

Intangible Assets

Spending on assets that have no substance or physical properties, for example computer software.

Liabilities

Money we will have to pay to people or organisations in the future.

Minimum Revenue Provision (MRP)

The amount we have to set aside to repay loans.

Net Asset Value

The total value of an organisation's assets, less its liabilities and capital charges.

Net Book Value (NBV)

The value of an asset after depreciation.

Net Spending

The cost of providing a service after allowing for specific grants and other income (not including Council Tax and money from the Government).

Non-Distributed Costs

Past service pension costs including settlements and curtailments that are not to be included in total individual service costs.

Past Service Costs

The past service cost is the extra liability that arises when we grant extra retirement benefits that did not exist before, such as when we agree early retirement or extra years of service.

Pensions Interest Cost And Expected Return On Assets

All members of the scheme are one year older. The net interest cost is the increase in the value of the liabilities that arise because those liabilities are one year closer to being paid. The return on assets is the value of the return expected to be achieved on the fund's investments in the long term.

Police Grant

The main Government grant to support Police services. The amount is determined each year by the Home Office on a formula basis.

Precept

The amount we, Warwickshire County Council and the Parish Councils (the precepting authorities) ask the district councils to collect every year for us, from Council Tax payers, to meet our spending.

Provisions

Money set aside to meet specific service liabilities and to meet spending.

PWLB

The Public Works Loans Board is a government agency, which provides long-term loans to local authorities at favourable interest rates only slightly higher than those at which the Government itself can borrow.

Reconciliation

A reconciliation explains how figures are worked out, and shows how they are used in different statements in our accounts.

Reimbursements

Payments we receive for work we do for other public organisations, for example the Government.

Reserves and Funds

Savings we have built up from surpluses.

Revenue Spending

Spending on the day-to-day running of services, for example salaries, running expenses of buildings and equipment and debt charges. These costs are met from the Council Tax, Government grants, fees and charges.

Revenue Support Grant (RSG)

The Government grant to support Police Authority services.

Specific Grants

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.

Statement of Standard Accounting Practice (SSAP)

Recommendations on the way we should treat certain items in our accounts.

Statement of the Movement on the General Fund Balance

A reconciliation showing how the balance of resources generated and used in the year relates to the statutory requirements for raising council tax.

Statement of Total Recognised Gains and Losses

Demonstration of how the movement in the net worth in the Balance Sheet is related to the Income and Expenditure Account surplus or deficit and other unrealised gains and losses.

Statement of Recommended Practice (SORP)

Guidance issued by CIPFA.

Trust Fund

Money that does not belong to us but is managed by us for its owners.

ANNUAL GOVERNANCE STATEMENT

The Annual Governance Statement (AGS) is a separate item on the agenda. Subsequent to the AGS being approved it will be inserted into the statement of accounts for publication.

Signed: **Date: 30th June 2008**
Phil Blundell
Chair of the Police Authority

Signed: **Date: 30th June 2008**
Eric Wood Chief Executive of the Police Authority