



Warwickshire
POLICE AUTHORITY

The authority behind the force

STATEMENT

OF

ACCOUNTS

2009/2010

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 Section 13 & 14 of the Accounts and Audit Regulations 2003 the Statement of Accounts for 2009/10 is available for inspection on 2 August 2010. The formal audit of the Police Authority's accounts commences on 26 July 2010 and the opinion on the accounts is due to be received on 30 September 2010.

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| Provides a summary of the Authority's budget for 2009/10, the final outturn position and an assessment of the Authority's future prospects. | |
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| Sets out the accounting practices adopted in preparing the statement of accounts. Wherever possible the accounts and statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009, which is based on issued UK accounting standards, except where these conflict with specific statutory accounting requirements, so that the Authority's accounts 'present a true and fair view' of the financial position and transactions of the Authority. Where full compliance has not been achieved this is explained and further referred to in the accompanying notes to the statement of accounts. | |
| Income and Expenditure Account | 30 |
| This statement is fundamental to the understanding of the Authority's activities, in that it reports the net cost for the year of all the functions for which the Authority is responsible, and demonstrates how that cost has been financed from general government grants and income from local taxpayers. It brings | |

together expenditure and income relating to all of the police authority's functions, in three distinct sections.

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Certain items are reflected in the Income and Expenditure Account in line with the Code of Practice on Local Authority Accounting in the United Kingdom a statement of recommended practice (SORP), which are not in line with statutory provisions that specify the net expenditure that need to be taken into account when setting the council tax. This statement reconciles the Income and Expenditure Account surplus or deficit with the movement on the General Fund balance over the year.

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INTRODUCTION BY THE TREASURER TO THE POLICE AUTHORITY

REVENUE SPENDING COMPARED TO BUDGET & POLICING PRIORITIES (~~WP Ref Section 1.9 – Budget & Outturn Report~~)

The 2009/10 Policing Plan and Budget were approved by the Police Authority on the 23rd February 2009.

The force strategy focuses on protecting people from harm, by which we mean

- Reducing the number of people killed on our roads or by crime
- Reducing crimes of violence and road injuries
- Protecting people from loss, such as having their possessions stolen
- Protecting against distress: giving individuals and communities confidence to go about their lives without fear

In order to improve the quality of life experienced by the public the police need to work together with local people, community groups, businesses and voluntary and statutory agencies. Through effective and focused partnership working we will address those issues that impact most on our communities. Our Safer Neighbourhood Teams and multi agency Localities meetings are integral to us turning our vision of closer working into a reality.

The service plan and resource allocation is prioritised to deliver our policing strategy.

In 2009/10 the Authority received a 2.6% (£1.377m) 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 (£2.537m). In addition the Authority faces the cost of unavoidable commitments and the revenue consequences of the capital programme.

In setting the budget it was necessary to increase the council tax by 3.97%. 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 had previously set a maximum budget requirement for the Authority for 2009/10 of £88.078m and 2010/11 of £90.909m.

The Police Authority set a net revenue budget for 2009/10 of £93.588 million that was in part supported by the use of £5.510 million of reserves set aside in previous years.

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The budget included £0.754 million of one off investments outlined below

- Repair and Maintenance Backlog £0.450 million
- Body Armour Replacement programme £0.304 million

The following amendments were made to the revenue budget during 2009/10.

| | Police Authority Meeting Date | £'000 |
|---|-------------------------------|---------------|
| 2009/10 Original Budget | Feb-09 | 93,588 |
| Carried forward from 2008/09 | Jun-09 | 1,007 |
| Carry forwards to 2010/11 approved in year | Nov-09 | (480) |
| Budget reduction for revenue consequences of capital programme | Feb-10 | (804) |
| Budget reduction for body armour and backlog repair and maintenance programmes (funded from earmarked reserves) | Feb-10 | (454) |
| Use of earmarked reserve for Challenge & Innovation team – one off for 2009-10 | Feb-10 | 80 |
| Westbere – Expenditure funded from reserves for 2009-10 | May-10 | 514 |
| PCSO grant – contribution to earmarked reserve | May-10 | (1,346) |
| Use of earmarked reserve for revenue costs of Financial Management (FM) project | May-10 | 116 |
| Insurance receipt – Operation Westbere | May-10 | (197) |
| 2009-10 Revised Budget | | 92,024 |

The revised budget is therefore £92.024m and is supported by the use of £3.946m reserves.

In order to deliver a balanced budget, a three-year cash savings target of £4.5m was set as part of the Force's Sustainability Strategy.

The Authority also receives funding through government grants awarded for specific purposes. The most significant of these are Crime Fighting Fund (CFF) (£1.685m), provided to increase and sustain the number of serving police officers, and the Neighbourhood Policing Fund (£2.700m), used to meet some of the cost of Police Community Support Officers (PCSO's).

By the end of the financial year to 31 March 2010, the Authority's final spending was £88.788m. Table 1 shows where our money came from and Table 2 shows how we spent the money.

WARWICKSHIRE POLICE AUTHORITY – Statement of Accounts 2009/10

| Table 1 | | | |
|--|------------------|------------------|----------------|
| Where the money came from | Budget | Actual | |
| | £ million | £ million | % |
| Central Government Funding | | | |
| Police Grant | 32.649 | 32.649 | 36.77% |
| Non-Domestic Rate Income (business rates) | 17.465 | 17.465 | 19.67% |
| Revenue Support Grant | 4.031 | 4.032 | 4.54% |
| | 54.145 | 54.146 | 60.98% |
| Locally Raised Funding | | | |
| Precepts | 33.989 | 33.989 | 38.28% |
| Collection Fund Surplus / (Deficit) | (0.056) | (0.056) | (0.06%) |
| | 33.933 | 33.933 | 38.22% |
| Funding Before Use of Reserves | 88.078 | 88.079 | 99.20% |
| Use of Reserves | 3.946 | 0.709 | 0.80% |
| Total | 92.024 | 88.788 | 100.00% |

| Table 2 | | | | |
|--|------------------|------------------|----------------|----------------------------------|
| How we spent the money | Budget | Actual | % | Over/ Under Spend |
| | £ million | £ million | | £ million |
| Income | (14.233) | (14.658) | 16.51% | (0.425) |
| Police Pay | 49.807 | 49.826 | 56.12% | 0.019 |
| Police Overtime | 2.066 | 2.340 | 2.64% | 0.274 |
| Net Police Pay and Overtime | 51.873 | 52.166 | 58.75% | 0.293 |
| Police Staff Pay | 28.146 | 26.517 | 29.87% | (1.629) |
| Police Staff Overtime | 0.348 | 0.443 | 0.60% | 0.095 |
| Net Police Staff Pay and Overtime | 28.494 | 26.960 | 30.36% | (1.534) |
| Ill Health Retirement and Service Injury Benefits | 0.788 | 0.752 | 0.85% | (0.036) |
| Other Employee Costs (incl Training) | 1.552 | 1.423 | 1.60% | (0.129) |
| Premises | 3.808 | 3.835 | 4.32% | 0.027 |
| Transport | 3.506 | 3.096 | 3.49% | (0.410) |
| Supplies and Services | 9.103 | 8.154 | 9.18% | (0.949) |
| Third Party Payments | 4.599 | 5.123 | 5.77% | 0.524 |
| Capital Financing Costs | 2.534 | 1.937 | 2.18% | (0.597) |
| Total Expenditure | 106.257 | 103.446 | 116.51% | (2.811) |
| Total Expenditure and Income | 92.024 | 88.788 | 100.00% | (3.236) |

Table 2 shows an under spend of £3.236m, which is a net position after taking into account both under spends and overspends across a range of activities. The following paragraphs are intended to provide an insight into the main reasons for this position.

Major Investigations

During 2009/10 the Authority and Force undertook a number of major investigations. The force responded promptly and professionally to these incidents and the subsequent investigations. The capacity and capability of Protective Services was enhanced through the expansion of the Major Investigation Unit, which was completed in January 2009.

All investigations undertaken by the force in 2009/10 were different in their requirements and posed individual, and at times, unique challenges.

The investigation into the fatal fire at a warehouse at Atherstone on Stour (Operation Westbere) continued, the cost in 2009/10 was £0.514m. Taking into account the previous years' costs of £3.873m, and the estimated cost of £0.250m for 2010/11, the total estimated cost of the operation is £4.637m.

In 2007/08, the Authority's bid for a Home Office Grant to cover the cost of the Operation was successful and we were awarded £3.045 million in December 2008. Based on the estimated total cost, this leaves a gap of £1.592 million. An additional grant bid has been submitted and the outcome of this bid is still awaited. Home office special grant aid criteria means that the Authority would bear £0.94m 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 and given the reductions to public spending, it is unlikely that any further grant will be received. Therefore there is no basis for accruing any income in the 2008/09 accounts and no accrual has been made in relation to the grant bid.

Sustainability Strategy

Savings of £0.757m were achieved, in the year, compared to a target of £0.750m.

Police Pay and Overtime over spend of £0.293m

There is a small over spend on police pay of £0.019m and an over spend on police overtime of £0.274m, which is, in the main, as a result of responding to major incidents and the subsequent investigations within Protective Services. In 2008/09 this overspend was £1.056m and the reduction is as a result of improved management and deployment of officers Force wide through the Right Service, First Time initiative and improved local management of resources.

Staff Pay and Overtime under spend of £1.534m

This variance is due to vacancies, predominantly in the Local Policing and Resources Directorates. These vacancies are being reviewed as part of the 150Plus programme to identify possible savings that could be delivered

Capital Financing under spend of £0.597m

£0.452m of the variance against budget for this area relates to a budget set aside for loan charges for new loans which were planned in 2009/10 which were not subsequently needed due to delays in the capital programme.

Of the balance £77k relates to additional savings delivered in year through workforce development and the Sustainability Strategy.

Supplies and Services under spend of £0.949m

£0.398m of the under spend against this area relates to savings that have been delivered through re-negotiating contracts with suppliers. There is also a one off saving of £0.517m relating to the revenue costs of delivering the capital programme due to project delays. The balance (£0.034m) relates to smaller variances in a number of business areas.

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 £26.274m in 2009/10 compared to £40.551m (Restated) in 2008/09. This includes the requirement to account for the cost of future pension benefits. 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 totaling £0.494m from earmarked reserves. Gains and losses are brought together in the Statement of Recognised Gains and Losses, which show a net loss of £246.647m. 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 2009/10.

The Income and Expenditure Account and the Statement of Movement on the General Fund Balance are set out on pages 30 and 31.

CAPITAL SPENDING IN 2009/10

As well as spending on day-to-day activities we also spend money on assets (capital spending) including buildings, IT systems and vehicles. In 2009/10 £25.185m was spent on capital projects, which is analysed in Table 3.

| Table 3 How we spent the money | £ million | percentage % |
|---|------------------|---------------------|
| Southern Justice Centre | 22.124 | 87.85 |
| Property | 0.776 | 3.08 |
| IT Replacement/IM Strategy | 0.589 | 2.34 |
| Vehicles | 1.018 | 4.04 |
| Software | 0.678 | 2.69 |
| Total | 25.185 | 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 criminal justice 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.

There was a slowing down of projects contained in the Capital Programme due to the uncertainty following the Government's decision to set a maximum budget target for 2009/10 and 2010/11. This in turn resulted in expenditure on assets being less than was planned when the Capital Programme was agreed in February 2009.

CAPITAL RESOURCES 2009/10

The £25.185m capital spending identified in Table 3 was funded as shown in the following table:

Table 4

| Where the money came from | £ million | percentage % |
|-------------------------------------|------------------|---------------------|
| Government grants and contributions | 17.512 | 69.53 |
| Capital receipts | 0.344 | 1.37 |
| Revenue Contributions | 0.340 | 1.35 |
| Earmarked Reserves | 0.787 | 3.13 |
| Specific Grants | 0.386 | 1.53 |
| Borrowing (Internal Funding) | 5.816 | 23.09 |
| Total | 25.185 | 100.00 |

The resources used to meet the capital programme in 2009/10 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. Capital receipts in Table 4 relate to the sale of vehicles and equipment at the end of its useful life.

RESERVES

As at the 31 March 2010 the level of cash backed reserves was £17.763 million. As part of the 2009/10 budget setting process the Authority decided to support the 2009/10 budget with £5.510m of reserves.

The significant changes are as follows:

The Insurance Reserve has had a specific provision for an uninsured claim of £0.500m and an insurance receipt of £0.197m

Budget Reserve - There has been a transfer out of this reserve of £0.384m to the insurance reserve. The movement on this reserve in the year represents the requirement for revenue support approved in 2009/10 and the addition of the net revenue under spend.

The Invest to Save reserve of £0.5m was set aside at the beginning of 2009/10 as a one off to support the Financial Management Arrangements project, the delivery of the Sustainability Strategy through the Challenge & Innovation team and to increase the capacity of the Financial Investigation Unit to deliver more incentivisation income from the Proceeds of Crime Act. The balance remaining as at 31st March 2010 is £0.304m

The Westbere reserve of £0.9m was set aside to provide for the expected 2009/10 costs of the continued investigation. £0.514m has been spent during 2009/10 to support the investigation and it is expected that a further £0.250m

will be needed. The balance of £0.136m has been transferred to the Budget Reserve.

Justice Centre Sinking Fund – This reserve was set aside by the Justice Centre project to fund repairs and maintenance expenditure in future years and is not available to the Authority.

Justice Centre Interest on balances – This reserve has been set aside from interest earned by the fund held on behalf of the Justice Centre partnership. It is to fund future year's expenditure on the Justice Centre project and it is expected to be used in full in 2010/11 to fund capital expenditure. This reserve is not available to the Authority

Table 5

| Revenue Reserves | £ million |
|---|------------------|
| Earmarked Reserves | |
| Cost Centre Carry Forward Reserve | 0.637 |
| Insurance Reserve | 1.563 |
| Budget Reserve | 9.652 |
| General Revenue Reserve or Repair & Maintenance | 1.329 |
| PCSO Reserve | 1.346 |
| Body Armour Reserve | 0.160 |
| Invest to Save Reserve | 0.304 |
| Westbere Reserve | 0.250 |
| General Revenue Reserve | 2.000 |
| Justice Centre Sinking Fund | 0.492 |
| Justice Centre Interest on Balances | 0.030 |
| Total | 17.763 |

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 retain reserves to support the budget in future years, it is recommended that carry forwards are 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 under spends to 2010/11 have been contacted to outline their intentions for spending the carry forward assuming funding could be identified. These fall into the following categories:

- Service Development projects that are already committed as reported previously to the Authority.
- Externally funded projects where the income is ring fenced and must be carried forward under the terms of the grant.
- Directorate requests

At the recent meetings of the Resources Assurance Group and Police Authority, the Treasurer and members reviewed the draft outturn report including the forecast reserves position for the medium term. In light of this forecast position, the Authority approved carry forwards of £0.637m.

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, and as part of that programme, six properties have been valued this year by Bruton Knowles chartered surveyors, Leek Wootton Police H.Q. and North Lodge Police House, Henley in Arden Police Station, Southam Police Station and Corley and Barn Hill Motorway Services posts.

In addition to the specific valuations, and recognising that the current economic climate may have an impact on property valuations, an additional desktop exercise was completed by Bruton Knowles chartered surveyors for the entire property portfolio which has resulted in some increases (revaluations) and some decreases (Impairments) to asset values which have been reflected in the Statement of Accounts.

LOOKING AHEAD

The 2010/11 budget and Medium Term Financial Planning Strategy (MTFPS) assumed increases in Central Government funding of 2.5% in 2010/11 as the final year of the Comprehensive Spending Review 2007 (CSR07). However, following an announcement on the 27th May 2010, the Authority's Central Government funding has been reduced by £0.768m for 2010/11 and it is likely that this reduced figure will provide the base for future years. A funding increase of 1% in 2011/12 and 2012/13 has been assumed, although the likelihood is that the central funding will at best be frozen at 2010-11 levels and there could be further reductions.

Further reductions are expected in specific grant that the Authority receive, although at present the extent of the reduction is not yet known.

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 2011, although this specific grant will continue for 2010/11.

Following the 12.87% Council Tax increase in setting the 2008/09 budget, the Department of Communities and Local Government (DCLG) have notified the Authority that precept is set at a maximum of £90.395m in 2010/11.

The budget was set at £100.769 million and in order to remain within the maximum budget requirement set, it has been necessary to use a further

£4.765 million of reserves, and increase the Council Tax by 1.7% for a Band D property.

The Authority, in light of this decision, has revisited the service plan and medium term financial plan. The Chief Constable has reassured the Authority that Warwickshire Police would continue to focus on tackling the most serious harms faced by communities in order to deliver the best possible protection with the resources available.

In recent years the Authority has used reserves to support the budget, however as the budget gap is £12m over the three-year budgeting period, it is recognised that it is not possible to continue to support the budget with reserves. As a result, the 150PLUS programme has been developed to deliver £12m of cash savings over three years to ensure financial viability.

The Authority has included the 150PLUS cash savings strategy in its MTFPS as well as efficiency savings at the national target of 9.3% over three years and this will be closely monitored through the Resources Assurance Group to ensure that the delivery of these savings is on target, without adversely affecting the delivery of protection from harm.

Employee costs account for the majority of the total net budget, are influenced by nationally agreed pay awards, and given that the Government has announced that it will honour the final year of the police officer's three year pay deal, whilst at the same time reducing grant funding and freezing Council Tax, pay will exert considerable pressure on the Authority's budget. The Medium Term Financial Planning Strategy (MTFPS) has built in to the base budget the pay awards for police officers of 2.6% from September 2010 (as the final year of a three-year pay deal) and 1% from September 2011 and September 2012. For police staff increases of 2.6% from September 2010 and 1% from September 2011 and September 2012 have been included in the MTFPS.

Currently inflation (Retail Price Index) is running at 5.1% (May 2010). However the future trend for prices and specifically those impacting on the Authority remains uncertain, for example, at the time of writing this introduction the cost of vehicle fuel has just passed the £1.15 per litre mark, an increase of 15% in one year, representing a pressure on the Force. Specific and general prices of the goods and services purchased by the Force will continue to be monitored and fed into the MTFPS.

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

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

CIPFA Best Value Accounting Code of Practice (BVACOP)

BVACOP specifies nine divisions of service across which the cost of police services are analysed. This format came into use from the 1 April 2009 for the Statement of Accounts 2009/10. To aid comparability the 2008/09 figures have been restated in the current BVACOP format, which is different to the single line 'Police Services' used to analyse police costs in 2008/09 Statement of Accounts.

Remuneration Disclosure

Regulation 4 of the Accounts and Audit (Amendment No.2) (England) Regulations 2009 [SI 2009 No. 3322] and Regulation 7 of the Accounts and Audit (Wales) (Amendment) Regulations 2010 [SI 2010 No. 683 (W66)] introduce a new legal requirement to increase transparency and accountability in Local Government for reporting remuneration of senior employees and senior police officers.

The new requirements have been introduced to provide greater transparency and accountability to local taxpayers in respect of the total remuneration package for the senior team charged with the stewardship of the Police Authority and Force. The new provisions require that we include remuneration information of senior employees and relevant police officers in the note accompanying the 2009/10 Statement of Accounts.

This means that with effect from the 2009/10 financial year, the Statement of Accounts must be accompanied by a note of the number of employees and senior police officers whose total remuneration (excluding employers pension contributions) was over £50,000, the disclosure is made a scale in multiples of £5,000 starting with £50,000.

Persons whose salary is £150,000 or more per year must also be identified by name.

Accounting for Council Tax

Up to 2008/2009 the SORP required the Council Tax income included in the Police Authority's Income and Expenditure Account to be the amount that under regulation was paid from the billing authorities (district councils) to the Police Authority.

The billing authorities are acting as agents on behalf of the Police Authority, amongst others, in respect of collecting the Council Tax. The cash collected

by the billing authorities from the council taxpayers belongs proportionately to the billing authority and the Police Authority and other precepting authorities.

From 1 April 2009 the Council Tax income included in the Income and Expenditure Account for the year shall be the accrued income for the year in line with generally accepted accounting practice. The implication of this change on the Statement of Accounts is further explained in the Statement of Accounting Policies.

Minimum Revenue Provision (MRP)

The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 came into force on 31 March 2008. The regulations require the Police Authority to approve an Annual Statement of Minimum Revenue Provision. MRP is the amount set aside from revenue for the repayment of debt principal. Under the old regulations this was 4% of the principal outstanding. The Authority has always set aside a sum greater than 4% and therefore made voluntary contributions towards the repayment of debt. The new regulations require that the Authority determine an amount of MRP, which it considers to be prudent.

The Secretary of State for Communities and Local Government has issued guidance under section 21(1A) of the Local Government Act 2003. This states that “the broad aim of prudential provision is to ensure that debt is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits”

For 2009/10 the Authority has adopted the Asset Life (Equal Installment Method) for capital expenditure incurred in 2008/09. Under the Asset Life (Equal Installment Method) method, where capital expenditure on an asset is financed wholly or partly by borrowing, then MRP is determined by reference to the life of the asset and an equal amount charged in each year.

SIGNIFICANT CHANGES IN ACCOUNTING TREATMENT

Neighbourhood Policing Fund Reserve

The Authority receives an annual Neighbourhood Policing Fund grant from the Home Office that is used to support expenditure on Police Community Support Officers (PCSOs). The grant balance has been approved to be carried forward for several years as ring fenced grant where it has not been spent in full (due to vacancies of PCSO posts.) This has historically been transacted as income in advance and shown within creditors in the balance sheet. In order to ensure transparency over use of the grant, to ensure that the Authority can forecast when the grant will be spent and make timely decisions in the Medium Term Financial Planning Strategy, the grant will be shown as an earmarked reserve and drawn down to the Income & Expense account as it is needed.

OTHER ACCOUNTING ISSUES OF NOTE

The Northern Justice Centre and Southern Justice Centre

The Authority is acting as landlord on behalf of the justice agencies, in respect of the Northern and Southern justice Centres, 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 in 2007/08 to meet future building maintenance costs, this fund is ring fenced, in the Authority's Accounts, and the £492,000 is included in Earmarked Reserves on the Balance Sheet. This amount will build up to £700,000 as the partners make contributions to the fund.

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

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.



David Clarke
Treasurer to Warwickshire Police Authority

STATEMENT OF ACCOUNTING POLICIES

1 General Principles

The Statement of Accounts summarises the Authority's transactions for the 2009/10 financial year and its position at the year-end of 31st March 2010. It has been prepared in accordance with the accounting principles contained within the Code of Practice on Local Authority Accounting in the UK 2009 issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Statement of Recommended Practice (SORP). 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.

The 2009 SORP makes a number of changes to the requirements for the 2009/10 accounts. In summary, these are: -

- The responsible officer is required by regulation 10(2) of the Accounts and Audit regulations to certify that the accounts present a true and fair view of the Authority's financial position and transactions. Previously the Authority was required to "present fairly" and this change has no practical effect on the way that the accounts are put together, but are a recognition of the convergence of local authority accounting requirements with UK GAAP.
- Changes to the accounting treatment of the Authority's share of Council Tax debtors and creditors from billing authorities. The 2009/10 financial statements will show the Authority's share of Council Tax arrears, prepayments and bad debts.
- Regulation 4 of the Accounts and Audit (Amendment No.2) (England) Regulations 2009 [SI 2009 No. 3322] and Regulation 7 of the Accounts and Audit (Wales) (Amendment) Regulations 2010 [SI 2010 No. 683 (W66)] introduce a new legal requirement to increase transparency and accountability in Local Government for reporting remuneration of senior employees and senior police officers. The new provisions require that we include remuneration information of senior employees and relevant police officers in the note accompanying the 2009/10 Statement of Accounts.

2 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. 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

The accounts are kept on an accruals basis reflecting income due to the Authority and expenditure owed by the Authority for goods and services received and provided during the financial year. Activity is therefore 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, a bad debt provision is set aside and a charge made to revenue for the income that might not be collected.

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

4 Best Value Accounting Code of Practice (BVACOP)

To aid comparability and understanding of the Income and Expenditure Account the service expenditure analysis, above the net cost of service line, has been set out in accordance with the BVACOP, which is the recommended treatment laid down by the SORP.

In accordance with the requirements of BVACOP the costs of support services, police authority and income are allocated or apportioned, on an appropriate basis, to the nine service divisions.

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. In line with this programme six properties have been valued at 31 March 2010 by Bruton Knowles and all other property valuations have been reviewed as part of a desktop exercise.

All other fixed assets have been reviewed for impairment. In accordance with SORP guidelines when impairment has been identified, the accounting treatment will depend on the nature of the impairment;

- Where the impairment is caused through a general fall in prices it is treated as a downward revaluation. Where there is a balance on the revaluation reserve relating to the asset, that is called upon first. Any further decrease in the asset's value has an impact on the income and expenditure account that will be reversed through the Statement of Movement in General Fund Balances, in order that the Authority does not raise Council Tax to cover the unrealised loss.
- Where the impairment is identified due to a consumption of economic benefits, e.g. physical damage, it is recognised in the Income and Expenditure Account and the Statement of Movement on the General Fund Balance.

The basis 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 (e.g. police houses) are included in the balance sheet at their open market value.

Expenditure on incomplete capital works (e.g. 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. 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 below.

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 principles outlined above.

Usable Capital Receipts

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 Adjustment Account. Any of the money not used by the end of the year is recorded as “unapplied capital receipts” in the balance sheet. In accordance with the system of capital controls, 100% of capital receipts from the disposal of assets can be used to finance capital expenditure.

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 & IT equipment 5 years

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

Government Grants Deferred Account

Where the acquisition of a fixed asset is financed either wholly or in part by a government grant or other contribution, the amount of grant or contribution should be credited to the Government Grants Deferred account and written off in the service revenue account over the useful life of the asset to match the depreciation of the asset to which it relates.

8 Capital Charges

The Income and Expenditure Account is debited, across each service, with the real cost of holding assets each year in respect of:

- 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 amortisation. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement. Depreciation, impairment losses and amortisation are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance by way of an adjustment transaction with the Capital Adjustment Account for the difference between the two.

The Secretary of State for Communities and Local Government has issued guidance under section 21(1A) of the Local Government Act 2003. This states that “the broad aim of prudential provision is to ensure that debt is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits”

For 2009/10 the Authority has adopted the Asset Life (Equal Installment Method) for capital expenditure incurred in 2008/2009. Under the Asset Life (Equal Installment Method) method, where capital expenditure on an asset is financed wholly or partly by borrowing, then MRP is determined by reference to the life of the asset and an equal amount charged in each year.

9 Operating Leases

The Police Authority has no finance leases. Rentals payable under operating leases are charged to the Income and Expenditure Account on an accruals basis over the term of the lease. Rental income from an operating lease, excluding charges for services such as insurance and maintenance are recognised 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 historical 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. Pre printed stationery stocks have been valued at the 31st March 2010 and included for completeness.

11 Reserves

In addition to the cash reserves there are the following reserves, which are the result of the accounting standards.

Collection Fund Adjustment Account

This relates to the balance of the Authority's share of the outstanding debtor or creditor on the collection funds of billing authorities (District and Borough Councils)

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.

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.

Cash Reserves

Reserves show money set aside to support spending in future years or to meet unexpected payments. Reserves are created by appropriating amounts from the Income and Expenditure Account as increases in the general fund balance and through the Statement of Movement in General Fund Balance as net transfers to earmarked reserves. When expenditure to be financed from a reserve is incurred, it is charged to the Income and Expenditure Account in that year. The reserve is transferred into the Income and Expenditure Account to match the expenditure. Reserves include the following:

Earmarked reserves

There are a number of these reserves and this money is set aside to meet specific future 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. Whilst this does not comply with the SORP, the difference between market value of investments and cost is negligible.

15 FRS17 Disclosure

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 (FRS17).

FRS17 is based on the principle that retirement benefits should be recognised in the Statement of Accounts when the Authority is committed to give them, even if the actual giving will be many years into the future. Finance costs and changes in fund assets and liabilities are accounted for in the year they happen.

The closing balance sheet for 2009/10 includes a pension liability of £739 million, which is matched by a Pensions Reserve of the same value. This arrangement ensures that the charge against Council Tax reflects the actual cash paid in year for employer's contributions, ill health retirements and injury awards.

The SORP requires that 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 £44.612m and consist of:

- ◆ Current cost of service £10.670m
- ◆ Past Service cost £0
- ◆ Return on assets (£2.113m)
- ◆ Interest costs £36.055m

Under the 2008 SORP the Authority has adopted the amendment to FRS17, *Retirement benefits*, as a result, quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value.

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 £44.612m.

The actuarial assumptions used to produce the figures used to value pension assets and liabilities disclosed under FRS17 are declared at note 33 to the Statement of Accounts.

16 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.

17 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.

18 Financial Instruments

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. The Authority has not repaid early any of its outstanding loans during the year.

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 2009/10 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.

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 are written down and a charge made to the Income and Expenditure Account.

Borrowings and Investments consist of relatively straightforward transactions with the Public Works Board (PWLB) and short-term money market deposits. Therefore investments are recorded in the accounts at the price we bought them. Interest we pay on money we have borrowed, as well as interest we earned on money we lent, is shown in the accounts in the year it was due or earned. Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Any gains or losses that arise on de-recognition 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.

19 Accounting for Council Tax

Billing authorities act as agents on behalf of the Police Authority, for the purpose of collecting the council tax, therefore, the cash position at the end of the financial year will not be equal to the Police Authority's share of cash collected, there will either be money owed to or from the billing authorities to the Police Authority. Therefore, the precept shown in the Income and Expenditure Account has been adjusted to reflect either the under or over payment, by the billing authority, of the Police Authority's share of the council tax. To match this adjustment a corresponding debtor or creditor is entered on the Balance Sheet.

The difference between the income included in the income and Expenditure Account and the amount required by regulation to be credited to the General Fund, which is funded by taxation, is taken to the Collection Fund Adjustment Account and included as an item in the

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Statement of Movement on the General Fund Balance. This ensures the adjustments required under this policy have no impact on the overall level of funding raised from the Council Tax.

INCOME AND EXPENDITURE ACCOUNT 2009/2010

| Restated 2008/2009 Actual | Police Service Expenditure Analysis | Gross Expenditure | Gross Income | 2009/2010 Net Expenditure |
|--|--|------------------------------|-------------------------|--|
| £'000 | | £'000 | £'000 | £'000 |
| Service Division | | | | |
| 38,218 | Local Policing | 38,977 | (7,399) | 31,578 |
| 10,076 | Dealing with the Public | 9,682 | (229) | 9,453 |
| 11,652 | Criminal Justice Arrangements | 13,675 | (2,973) | 10,702 |
| 5,982 | Road Policing | 7,576 | (1,617) | 5,959 |
| 5,024 | Specialist Operations | 5,774 | (596) | 5,178 |
| 5,390 | Intelligence | 5,996 | (687) | 5,309 |
| 15,187 | Specialist Investigation | 16,075 | (1,167) | 14,908 |
| 2,600 | Investigative Support | 2,685 | (56) | 2,629 |
| 327 | National Policing | 1,780 | (1,644) | 136 |
| 2,369 | Corporate and Democratic Core | 2,553 | 0 | 2,553 |
| 120 | Non Distributed Costs | 0 | 0 | 0 |
| 96,945 | Net cost of police services | 104,773 | (16,368) | 88,405 |
| (62) | Gain on disposal of fixed assets | | | (155) |
| 895 | Interest payable and similar charges | | | 795 |
| (2,096) | Interest and investment income | | | (214) |
| 35,861 | Pensions Interest and Expected Returns on pension Assets | | | 33,942 |
| 131,543 | Net operating expenditure | | | 122,773 |
| (32,629) | Precept | | | (33,989) |
| 18 | (Surplus) / Deficit on Collection | | | (86) |
| (31,691) | Police Grant | | | (32,649) |
| (2,576) | Revenue Support Grant | | | (4,032) |
| (18,502) | Non-domestic rate income | | | (17,465) |
| (5,612) | Home Office grant payable towards the cost of retirement benefits | | | (8,278) |
| 40,551 | (Surplus) / Deficit for the Year | | | 26,274 |

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

| 2008/2009 £'000 | | 2009/2010 £'000 |
|--------------------|---|--------------------|
| 40,551 | Deficit for the year on the Income and Expenditure Account | 26,274 |
| (40,551) | Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund balance for the Year | (26,274) |
| 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

| 2008/2009 £'000 | | 2009/2010 £'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 | |
| (305) | Amortisation of intangible assets | (265) |
| (12,114) | Depreciation and impairment of fixed assets | (4,531) |
| 1,847 | Government Grants deferred amortisation | 2,001 |
| 62 | Net gain on the sale of fixed assets | 155 |
| (49,737) | Net charges made for retirement benefits in accordance with FRS17 | (44,612) |
| (36) | Charge to the Collection Fund Adjustment Account | 142 |
| (60,283) | | (47,110) |
| | 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 | |
| 802 | Minimum revenue provision for capital financing | 811 |
| 327 | Capital expenditure charged in year to the General Fund Balance | 505 |
| 10,795 | Employers contributions payable to the Pension Fund and retirement benefits payable direct to pensioners | 11,736 |
| 5,612 | Additional contribution to the Pension Fund to balance the deficit on the Fund Account | 8,278 |
| 17,536 | | 21,330 |
| | 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 | |
| 2,196 | Net transfer to or from earmarked reserves | (494) |
| 2,196 | | (494) |
| (40,551) | Deficit for the Year | (26,274) |

STATEMENT OF RECOGNISED GAINS AND LOSSES

| 2008/2009 £'000 | | 2009/2010 £'000 |
|----------------------------|---|----------------------------|
| 40,551 | (Surplus)/Deficit on the General Fund | 26,274 |
| (5,424) | (Surplus)/Loss on revaluation of fixed assets | (2,183) |
| | Other Gains and losses | |
| (66,163) | Actuarial (gains) and losses on pension fund assets and liabilities | 222,556 |
| (31,036) | Total Recognised (Gains) and Losses | 246,647 |

Journals processed in 2008/09 to correct prior year amounts

| | | |
|--------------|--|--|
| (100) | Accrual in 2007/08 should have been contribution to reserves for Insurance Reserve rather than a creditor | |
| (150) | Justice Centre Sinking Fund balance should have been held as a revenue reserve as it is set aside for future year's repair costs. In 2007/08 it was included in Unapplied Capital Grants & Contributions | |
| 23 | Prior Year Adjustment in 2009/10 to re-state Collection Fund Debtor and Creditor | |

| | | |
|-----------------|--|----------------|
| (31,262) | Total Recognised (Gains) and Losses | 246,647 |
|-----------------|--|----------------|

BALANCE SHEET AS AT 31 MARCH 2010

| 31 March 2009 £'000 | | 31 March 2010 £'000 | £'000 | Notes |
|------------------------------------|---|--------------------------------|------------------|---------------|
| | Fixed assets | | | |
| | Operational assets | | | |
| 54,555 | - Land and buildings | 56,092 | | |
| 6,604 | - Vehicles, plant, equipment and helicopter | 5,528 | | |
| 61,159 | | | 61,620 | |
| 23,856 | Non-operational assets – Assets Under Construction | | 45,530 | 17,18,19 & 20 |
| 85,015 | Total fixed assets | | 107,150 | |
| 885 | Intangible assets | | 1,298 | 21 |
| 30 | Long-term debtors | | 35 | 22 |
| 85,930 | Total long-term assets | | 108,483 | |
| | Current assets | | | |
| 11 | - Stocks and stores | 30 | | 23 |
| 7,881 | - Debtors and prepayments | 7,421 | | 24 |
| 21 | - Short term debtors | 36 | | 24 |
| 33,331 | - Investments | 19,000 | | 27 |
| 1,593 | - Cash | 0 | 26,487 | |
| 128,767 | Total assets | | 134,970 | |
| | Current liabilities | | | |
| (11,907) | - Creditors | (11,997) | | 25 |
| 0 | - Cash overdrawn | (40) | | 27 |
| (811) | - Short term borrowing | (820) | | |
| | | | (12,857) | |
| 116,108 | Total assets less current liabilities | | 122,113 | |
| | Long Term Liabilities | | | |
| (15,304) | Long term borrowing | (14,484) | | 27 |
| (492,284) | Liability related to defined benefit pension scheme | (739,438) | | 33 |
| (44,094) | Government grants deferred account | (59,991) | | 29 |
| (10,200) | Unapplied capital grants and contributions | (680) | (814,593) | 33 |
| (445,833) | Total assets less liabilities | | (692,480) | |
| | Financed By: | | | |
| 22,043 | Capital Adjustment Account | 21,506 | | 31 |
| 5,424 | Revaluation Reserve | 7,607 | | 34 |
| (492,284) | Pensions Reserve | (739,438) | | 34 |
| 2,000 | General reserves | 2,000 | | 34 |
| (59) | Collection Fund Adjustment Account | 82 | | 34 |
| 17,043 | Earmarked reserves | 15,763 | | 34 |
| (445,833) | Total net worth | | (692,480) | |

CASH FLOW STATEMENT

| Year ended 31 March 20 09 £'000 | CASH FLOW | Year ended 31 March 2010 £'000 £'000 | |
|---|---|---|----------------------|
| | Revenue Activities: | | |
| | Cash outflows | | |
| 85,898 | Cash paid to and on behalf of employees | 91,722 | |
| 26,785 | Other operating costs | 24,196 | |
| <u>112,683</u> | | <u>115,918</u> | |
| | Cash inflows | | |
| (32,647) | Precept Received | (33,933) | |
| (18,502) | National Non Domestic Rates (Business Rate) | (17,465) | |
| (2,576) | Revenue support grant | (4,032) | |
| (47,952) | Home Office specific grant | (50,273) | |
| <u>(11,865)</u> | Cash received for goods and services | <u>(9,737)</u> | |
| (113,542) | | | (115,440) |
| (859) | REVENUE ACTIVITIES NET CASH OUTFLOW | | 478 |
| | Servicing of Finance: | | |
| | Cash outflows | | |
| 895 | Interest paid | 795 | |
| (2,315) | Interest received | (570) | |
| <u>(1,420)</u> | Total servicing finance cash flow | | 225 |
| | Capital Activities: | | |
| | Cash outflows | | |
| 11,626 | Purchase of fixed assets and intangible assets | 24,795 | |
| <u>11,626</u> | | <u>24,795</u> | |
| | Cash inflows | | |
| (1543) | Sale of fixed assets | (478) | |
| (2617) | Capital Grants Received | (9,823) | |
| (46) | Other contributions received | (401) | |
| <u>(4,206)</u> | | <u>(10,702)</u> | |
| 7,420 | Total capital activities cash flow | | 14,093 |
| <u>5,141</u> | Net Cash Inflow Before Financing | | <u>14,796</u> |
| | Management of liquid resources | | |
| (7,430) | Net increase (decrease) in short term deposits | | (13,975) |
| | Financing | | |
| | Cash outflows | | |
| 803 | Repayments of amounts borrowed | 812 | |
| | Cash inflows | | 812 |
| 0 | New loans raised | 0 | |
| <u>(1,486)</u> | Net (increase) /decrease in cash and cash assets | | <u>1,633</u> |

CASH FLOW STATEMENT NOTES**1 – Reconciliation of revenue cash flow**

| | 1 April 2009 £'000 | 31 March 2010 £'000 | Movement £'000 |
|--------------------------------------|-------------------------------------|--------------------------------------|---------------------------------|
| Deficit for the year | | | (26,274) |
| Interest and Investment Income | | | (214) |
| Interest payable and similar charges | | | 795 |
| Capital financing transactions | | | 4,291 |
| Grant deferred amortisation | | | (2,001) |
| FRS 17 adjustment | | | 44,612 |
| Stock and work in progress | 11 | 30 | (19) |
| Debtors | 6,292 | 7,491 | (1,199) |
| Creditors | (9,313) | (9,013) | (300) |
| Pension adjustment | | | (11,736) |
| Gain on sale of fixed assets | | | (155) |
| Pension top up grant receivable | | | (8,278) |
| Revenue cash outflow | | | (478) |

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

| | Movement £'000 |
|---|---------------------------------|
| Decrease/(Increase) in cash | 1,633 |
| Cash inflow/(outflow) from increase in liquid resources | 13,519 |
| Change in net debt resulting from cash flows | 15,152 |
| Net debt at 1 April 2009 | 18,809 |
| Net debt at 31 March 2010 | 3,657 |
| Movement in net debt in period | 15,152 |

3 – Reconciliation of financing and management of liquid assets

| | 01. 04.2009 £'000 | 31.03.2010 £'000 | Movement £'000 |
|--|------------------------------------|-----------------------------------|---------------------------------|
| Financing | | | |
| Repayment of amounts borrowed: | | (15,303) | |
| Borrowing | (16,115) |) | 812 |
| Management of Liquid resources | | | |
| Temporary investments | 33,331 | 19,000 | (14,331) |
| Net cash inflow from financing and management of liquid resources | 17,216 | 3,697 | (13,519) |

4 – Movement in cash and cash equivalents

| | 01. 04. 2009 £'000 | 31.03.2010 £'000 | Movement £'000 |
|---------------------------------|-------------------------------------|-----------------------------------|---------------------------------|
| Cash | (1,550) | 69 | 1,619 |
| Imprest account | (43) | (29) | 14 |
| Decrease in cash balance | (1,593) | 40 | 1,633 |

NOTES TO THE FINANCIAL STATEMENTS**1. (A) 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 taxable allowances.

| Pay Band | Number of Employees | |
|---------------------|-----------------------|------------|
| | 2008/2009 Restated | 2009/2010 |
| £50,000 - £54,999 | 96 | 69 |
| £55,000 - £59,999 | 38 | 35 |
| £60,000 - £64,999 | 14 | 13 |
| £65,000 - £69,999 | 5 | 2 |
| £70,000 - £74,999 | 6 | 2 |
| £75,000 - £79,999 | 3 | 6 |
| £80,000 - £84,999 | 1 | 2 |
| £85,000 - £89,999 | 2 | 1 |
| £90,000 - £94,999 | 0 | 1 |
| £95,000 - £99,999 | 1 | 1 |
| £100,000 - £104,999 | 1 | 0 |
| £105,000 - £109,999 | 2 | 1 |
| £110,000 - £114,999 | 0 | 1 |
| £115,000 - £119,999 | 1 | 0 |
| £120,000 - £124,999 | 0 | 0 |
| £125,000 - £129,999 | 0 | 1 |
| £130,000 - £134,999 | 0 | 0 |
| £135,000 - £139,999 | 0 | 0 |
| £140,000 - £144,999 | 0 | 0 |
| £145,000 - £149,999 | 1 | 0 |
| £150,000 - £154,999 | 0 | 1 |
| Total | 171 | 136 |

In 2009/10 the pay bandings were adjusted to reflect the gross salary, rather than net and 2008/09 figures have been restated accordingly.

1. (B) EMPLOYEE REMUNERATION

We are required to show individual remuneration details for

- Senior employees whose salary is £50,000 or more but less than £150,000 by post. For any employees whose salary exceeds £150,000, the name of the individual is to be disclosed.
- Relevant police officers per the CIPFA guidance means the Chief Constable, for transparency the Authority is voluntarily disclosing all ACPO rank officers.

Remuneration includes gross salary, bonuses, expense allowances (not reimbursement) and the estimated money value of any other benefits received by an employee or officer other than cash (e.g. benefits in kind).

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2009/10 Remuneration Details

| Post Title | Salary (incl allowances) | Bonuses | Expense Allowances | Benefits in Kind | Total Remuneration excl. pension contributions 2009-10 | Employers Pension Contributions | Total Remuneration incl. pension contributions 2009-10 |
|--|--------------------------|---------------|--------------------|------------------|--|---------------------------------|--|
| | £ | £ | £ | £ | £ | £ | £ |
| Chief Constable (Keith Bristow) | 134,438 | 12,227 | 2,150 | 1,675 | 150,490 | 30,364 | 180,854 |
| Deputy Chief Constable (Andy Parker) | 111,740 | 10,236 | | 3,207 | 125,183 | 25,851 | 151,034 |
| Director - Protective Services | 110,490 | 0 | | 2,741 | 113,231 | 24,546 | 137,777 |
| Director - Local Policing | 107,154 | 0 | | 1,659 | 108,813 | 23,766 | 132,579 |
| Director of Resources (Note 1) | 90,217 | 0 | 5,617 | 67 | 95,901 | 11,638 | 107,539 |
| Assistant Director of Resources (Finance) | 64,525 | 0 | 0 | 0 | 64,525 | 8,324 | 72,849 |
| Chief Executive of the Police Authority (Note 2) | 60,254 | 0 | 0 | 0 | 60,254 | 8,038 | 68,292 |
| Total 2009/10 | 678,818 | 22,463 | 7,767 | 9,349 | 718,397 | 132,527 | 850,924 |

2008/09 Remuneration Details

| Post Title | Salary (incl allowances) | Bonuses | Expense Allowances | Benefits in Kind | Total Remuneration excl. pension contributions 2008-09 | Employers Pension Contributions | Total Remuneration incl. pension contributions 2008-09 |
|--|--------------------------|---------------|--------------------|------------------|--|---------------------------------|--|
| | £ | £ | £ | £ | £ | £ | £ |
| Chief Constable (Keith Bristow) | 131,367 | 10,660 | 2,150 | 2,153 | 146,330 | 29,749 | 176,079 |
| Deputy Chief Constable | 107,282 | 7,933 | | 1,884 | 117,099 | 24,906 | 142,005 |
| Director - Protective Services | 104,268 | 0 | | 1,910 | 106,178 | 23,295 | 129,473 |
| Director - Local Policing | 101,096 | 0 | | 1,060 | 102,156 | 22,590 | 124,746 |
| Director of Resources (Note 3) | 101,709 | 0 | 5,201 | 0 | 106,910 | 11,577 | 118,467 |
| Assistant Director of Resources (Finance) (Note 4) | 12,618 | 0 | 0 | 0 | 12,618 | 1,615 | 14,233 |
| Chief Executive of the Police Authority (Note 5) | 37,477 | 0 | 0 | 0 | 37,477 | 4,984 | 42,461 |
| Total 2008/09 | 595,817 | 18,593 | 7,351 | 7,007 | 628,768 | 118,716 | 747,484 |

Note 1 – For 2009/10, the Director of Resources received a vehicle during March 2010.

Note 2 – The Chief Executive to the Authority left during January 2010. The annual salary was £74,719.

Note 3 – During 2008/09 the Director of Resources left on the 4th March 2009.

Note 4 – During 2008/09 there were three people in the Assistant Director of Resources (Finance) post, from 1st April 2008 to the 18th January 2009, there were two post holders, both of which were not directly employed for the purpose of reporting as they were on temporary interim contracts through an agency. From the 19th January 2009 a permanent post holder was appointed on an annualised salary of £62,584 and this is the only salary disclosed per the guidance.

Note 5 – The Chief Executive was employed from September 2008 on an annual salary of £70,509.

The Treasurer and Monitoring Officer to the Authority are not directly employed by the Authority, as this is a contracted service. The relevant information for these posts will be reported in the Statement of Accounts of Warwickshire County Council.

2. MEMBERS' ALLOWANCES

The Authority paid members allowances and expenses totalling £240,317 in 2009/10 (£214,132 in 2008/09). Members are not included in the table under note 1 because no single Member was paid more than £50,000 during the year. Members' allowances can be broken down in to the following categories:

- Allowances £231,821
- Travel £7,894
- Subsistence £602

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 | 2008/2009 £'000 | 2009/2010 £'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 | 78.5 | 79.0 |
| 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 | 0.5 | 0 |
| Total fees payable to the appointed auditor for external audit services carried out | 79.0 | 79.0 |

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 undertake policing work and support of the agencies listed.

| Charges to other authorities and bodies* | Income £'000 | Spend £'000 | Net £'000 |
|--|-------------------------|------------------------|----------------------|
| 2009/2010 | | | |
| National Crime Squad & Criminal Intelligence Service | 0 | 0 | 0 |
| Special Branch Regional Intelligence | (66) | 78 | 12 |
| Other | (688) | 748 | 60 |
| Totals for 2009/2010 | (754) | 826 | 72 |
| 2008/2009 | | | |
| National Crime Squad & Criminal Intelligence Service | 0 | 6 | 6 |
| Special Branch Regional Intelligence | (148) | 168 | 20 |
| Other | (1,230) | 1,277 | 47 |
| Totals for 2008/2009 | (1,378) | 1,451 | 73 |

*The Authority can only recover the basic salary and overtime costs under the various agreements, in general the difference relates to pension costs.

6. LOCAL AREA AGREEMENT

The Authority is a 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.

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

From 2008/2009 Local Area Agreement Grant was replaced by Area Based Grant (ABG). ABG is non-ring fenced general grant, no conditions on use is imposed as part of the grant determination ensuring full local control over how funding can be used. Warwickshire Police received £189,847 of ABG, which is included in the Income and Expenditure Account and supports the Business Crime Initiative, Priority Prolific Offender management and the employment of Crime Analysts.

7. PROVISION FOR THE REPAYMENT OF EXTERNAL LOANS

| Minimum Revenue Provision | 2008/2009 £'000 | 2009/2010 £'000 |
|---|----------------------------|----------------------------|
| Minimum amount set aside for repaying external Loans | 802 | 811 |
| Depreciation and Impairment | (12,114) | (4,531) |
| Difference transferred to Capital Adjustment Account | (11,312) | (3,720) |

8. SPECIFIC GOVERNMENT GRANTS (Revenue)

| Details of Government Grants received | 2008/2009 £ | 2009/2010 £ |
|--|------------------------|------------------------|
| Pension Top-Up Grant | 5,611,725 | 8,277,930 |
| Community Support Officers-Neighbourhood Policing Fund | 2,503,096 | 2,700,021 |
| Crime Fighting Fund | 1,684,768 | 1,684,768 |
| Rule 2 Grant | 1,495,183 | 1,495,189 |
| Security Funding | 491,842 | 672,520 |
| Basic Command Unit Fund | 306,750 | 283,750 |
| Violent Crime Portfolio | 276,574 | 179,999 |
| Area Based Grant | 205,000 | 189,847 |
| Debt Charges Grant | 133,883 | 128,517 |
| Counter Terrorism | 133,386 | 128,000 |
| Local Criminal Justice Board | 0 | 87,296 |
| Regional Asset Recovery | 110,922 | 81,219 |
| Prevent Programme | 0 | 79,191 |
| Protection Of Children From Sex Offenders | 91,881 | 75,177 |
| Tackling Knife Crime | 0 | 55,399 |
| Neighborhood Confidence | 0 | 123,167 |
| Local Surveys | 0 | 18,400 |
| G8 Law Enforcement | 16,440 | 11,586 |
| Special Constabulary | 0 | 10,807 |
| Safer Neighbourhoods Marketing | 0 | 9,456 |
| Operational | 0 | 8,186 |
| Ezone | 0 | 6,701 |
| ACPO Business Crime Portfolio | 0 | 1,993 |
| Tackling Violent Crime | 20,000 | 615 |
| Community Volunteers | 0 | 482 |
| Domestic Abuse TV Campaign | 15,000 | 0 |
| Crime Manpower System | 10,350 | 0 |
| Operation Stockholm | 282 | 0 |
| Operation Westbere | 3,045,000 | 0 |
| Serious Violent Crime Reduction Unit | 109,000 | 0 |
| Total Specific Government Grants | 16,261,082 | 16,310,216 |

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 8.

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 relevant members of the Resources Directorate to obtain the required declarations. For the financial year 2009/10 we have received no declarations from Chief Officers or members of the Resources Directorate that would necessitate disclosure.

One member of the Police Authority was a member of the Rugby Business Improvement District (BID) Board from 1st April 2009 to the 19th November 2009. There was no influence over financial or contractual arrangements between the Rugby BID and the Authority as a result of this membership.

No other declarations were received from Members of the Police Authority 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 27 organisations with whom the Authority has spent £250,000 or more. These are broken down as follows:

| Value of Payments Made £'000 | 2008/2009 Number of Companies | 2009/2010 Number of Companies |
|---|--|--|
| 250 - 499 | 12 | 10 |
| 500 - 749 | 6 | 8 |
| 750 - 999 | 4 | 4 |
| 1,000 - 1,999 | 1 | 2 |
| 2,000+ | 2 | 3 |

During 2009/10 there were five organisations that provided services to the Authority costing in excess of £1m. These are summarised below:

| Name of Supplier | Value of Payments Made £'000 |
|--------------------------------|---|
| Galliford Try Construction Ltd | 15,350 |
| John Sisk & Son | 2,606 |
| Warwickshire County Council | 2,198 |
| KCOM Group Plc | 1,267 |
| Reed | 1,118 |

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 2010 was £170.08.

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 | 2008/2009 £'000 | 2009/2010 £'000 |
|-----------------------------------|----------------------------|----------------------------|
| Employees and related expenditure | 438 | 456 |
| Advertising job vacancies | 113 | 16 |
| Other spending | 106 | 90 |
| Totals | 657 | 562 |

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 2009/10 we received no sponsorship (£16,454 in 2008/09).

13. EURO COMPLIANCE

Initial work has been done in preparation for a possible changeover and the position is being monitored. At present, costs are minimal but if the country elects to join the Euro, they would escalate. At the time of writing the Conservative Liberal coalition agreement states *“Britain will not join or prepare to join the Euro in this parliament.”*

The force’s finance system is Euro compliant.

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 2009/10 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 the Chartered Institute of Public Finance and Accountancy Treasury Management Code of Practice.

16. PENSION CHARGES

The cost of pensions consists of employers 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 2009/10 the total of these costs was £11.736 million.

17. FIXED ASSETS

| | Operational Assets | | | | Non Operational Assets | Total £'000 |
|---|------------------------------|-------------------|-------------------|---------------------|---------------------------------------|-----------------|
| | Land & Buildings £'000 | Vehicles £'000 | Equipm't £'000 | Helicopter £'000 | Assets Under Construction £'000 | |
| Opening Valuations at 31 March 2009 | 59,715 | 4,738 | 19,480 | 1,460 | 23,856 | 109,249 |
| Movement in 2009/2010 | | | | | | |
| Additions | 776 | 1,018 | 589 | 0 | 22,124 | 24,507 |
| Transfers / Adjustments | 303 | 0 | 147 | 0 | (450) | 0 |
| Revaluations | 2,183 | 0 | 0 | 0 | 0 | 2,183 |
| Impairments | (444) | 0 | 0 | | | (444) |
| Disposals | 0 | (960) | 0 | 0 | 0 | (960) |
| CLOSING BALANCE | 62,533 | 4,796 | 20,216 | 1,460 | 45,530 | 134,535 |
| Depreciation | | | | | | |
| Opening Balance | (5,159) | (2,445) | (16,337) | (292) | 0 | (24,233) |
| Annual charge | (1,282) | (893) | (1,767) | (146) | 0 | (4,088) |
| Transfers/ Adjustments | 0 | 0 | 0 | 0 | 0 | 0 |
| Revaluations / Impairments | 0 | 0 | 0 | 0 | 0 | 0 |
| Disposals | 0 | 936 | 0 | 0 | 0 | 936 |
| CLOSING BALANCE | (6,441) | (2,402) | (18,104) | (438) | 0 | (27,385) |
| NBV B/Fwd 2008/2009 | 54,556 | 2,293 | 3,143 | 1,168 | 23,856 | 85,016 |
| Movement in year (2009/10) | 1,536 | 101 | (1,031) | (146) | 21,674 | 22,134 |
| NBV 2009/10 | 56,092 | 2,394 | 2,112 | 1,022 | 45,530 | 107,150 |

| Number of Assets held at 31 March | 2008/2009 Restated | 2009/2010 |
|---|-----------------------|-----------|
| Police Stations | 18 | 18 |
| Motorway Posts | 4 | 4 |
| Police Houses and Other Sites | 5 | 5 |
| Radio Aerial Sites | 1 | 1 |
| Vehicles: Capitalised (Includes capital funded de minimis vehicles) | 396 | 384 |
| De minimis (Purchased from revenue funds, not depreciated) | 21 | 15 |

The number of vehicles held includes second hand vehicles purchased from revenue funds and contributions from partner agencies. It does not include the 5 sponsored or donated vehicles which we are currently using but do not own.

18. 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 Property Assets Consultancy. A five-year rolling programme of valuations has been put in place. In line with this programme six properties have been valued at 31 March 2010 by Bruton Knowles. All other fixed assets have been reviewed for impairment. In accordance with SORP guidelines when impairment has been identified, the accounting treatment will depend on the nature of the impairment;

- Where the impairment is caused through a general fall in prices it is treated as a downward revaluation. Where there is a balance on the revaluation reserve relating to the asset, that is called upon first. Any additional decrease in the asset's value has an impact on the income and expenditure account that will be reversed through the Statement of Movement in General Fund Balances, in order that the Authority does not raise Council Tax to cover the unrealised loss.
- Where the impairment is identified due to a consumption of economic benefits, e.g. physical damage, it is recognised in the Income and Expenditure Account and the Statement of Movement on the General Fund Balance.

The bases of valuation 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 (e.g. Southern Justice Centre) is shown as Assets under construction on the balance sheet, and is valued at cost

19. USABLE CAPITAL RECEIPTS RESERVE

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

| Usable Capital Receipts Reserve | £'000 |
|--|--------------|
| Balance at 1 April 2009 | 0 |
| <i>Add</i> | |
| Capital receipts in year | 344 |
| <i>Less</i> | |
| Applied in year | (344) |
| Balance at 31 March 2010 | 0 |

20. CAPITAL EXPENDITURE AND FINANCING

| Investment | 2008/2009 £'000 | 2009/2010 £'000 |
|-------------------------------------|----------------------------|----------------------------|
| Operational assets | 1,336 | 2,383 |
| Non operational assets | 10,015 | 22,124 |
| Intangible assets | 252 | 678 |
| | 11,603 | 25,185 |
| Sources of Finance | 2008/2009 £'000 | 2009/2010 £'000 |
| Borrowing (Internal Funding) | 0 | 5,816 |
| Government grants and contributions | 9,636 | 17,512 |
| Revenue Contributions | | 340 |
| Earmarked Reserves | | 787 |
| Capital receipts | 1,677 | 344 |
| Specific Grants | 290 | 386 |
| | 11,603 | 25,185 |

21. 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 2009 - Cost | 2,451 |
| Balance at 1 April 2009 - Accumulated Provision for Amortisation | (1,566) |
| Balance at 1 April 2009 - NBV | 885 |
| Software purchases | 678 |
| <i>Less</i> | |
| <i>In Year Adjustments</i> | |
| Charge to revenue in year | (265) |
| Balance at 31 March 2010 | 1,298 |

22. LONG TERM DEBTORS

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

| Long term debtors | 2008/2009 £'000 | 2009/2010 £'000 |
|--------------------------------------|----------------------------|----------------------------|
| Car Loans due in greater than 1 year | 13 | 11 |
| Pay Loans due in greater than 1 year | 1 | 6 |
| Payroll Recovery | 16 | 18 |
| Total | 30 | 35 |

23. STOCK AND STORES

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

| Analysis of Stock and Stores | 2008/2009 £'000 | 2009/2010 £'000 |
|-------------------------------------|----------------------------|----------------------------|
| Stationery | - | 8 |
| Fuel | 11 | 22 |
| Total stock and stores | 11 | 30 |

24. DEBTORS

| Analysis of Debtors | 2008/2009 £'000 | 2009/2010 £'000 |
|---|----------------------------|----------------------------|
| Council Tax Debtor | 930 | 1,104 |
| Salary and allowances prepayments | 14 | 4 |
| Other prepayments | 473 | 497 |
| Sundry debtors | 6,589 | 5,989 |
| Car, payroll and Cycle to work scheme Loans due within 1 year | 21 | 36 |
| Less: Provision for doubtful debts | (125) | (173) |
| Total Debtors | 7,902 | 7,457 |

The Authority has made provision for bad or doubtful debts of £173,000 based on an analysis of outstanding income due from customers who have received services such as policing of events.

25. CREDITORS

| Analysis of Creditors | 2008/2009 £'000 | 2009/2010 £'000 |
|---|----------------------------|----------------------------|
| Council Tax Creditor | 989 | 1,021 |
| Police payroll creditors | 548 | 381 |
| Civilian payroll creditors | 125 | 82 |
| Pension creditors | 594 | 299 |
| Sundry creditors (including Police Property Act Fund) | 7,383 | 8,922 |
| Receipts In Advance | 2,268 | 1,292 |
| Total Creditors | 11,907 | 11,997 |

26. POLICE PROPERTY ACT FUND

| Police Property Act Fund | 2008/2009 £'000 | 2009/2010 £'000 |
|---|----------------------------|----------------------------|
| Balance as at 1 April | 16 | 4 |
| Income from confiscations and property auctions | 17 | 14 |
| Payments to charities and auction expenses | (3) | (7) |
| Transfer allowed to Property Administration | | |
| Expenditure | (8) | (7) |
| Prior year adjustment | (18) | |
| Balance as at 31 March | 4 | 4 |

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. The table above shows the balance available for charity donations. We may use up to 50% of the money we receive to finance property-related administration, the balance held for the purpose of administering property, in addition to the balance in the table above, is £27,794.

27. FINANCIAL INSTRUMENTS

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

| | Long Term on 31 March 2010 £'000 | Long Term on 31 March 2009 £'000 | Current on 31 March 2010 £'000 | Current on 31 March 2009 £'000 |
|--|---|---|---|---|
| Financial Liabilities at amortised cost | 14,484 | 15,304 | 820 | 811 |
| Total Borrowings | 14,484 | 15,304 | 820 | 811 |
| Loans and receivables | 0 | 0 | 19,000 | 33,331 |
| Total Investments | 0 | 0 | 19,000 | 33,331 |

Financial liabilities can be further analysed as follows:

| Loans outstanding with the Public Works Loan Board (PWLB) | Pre 1990 £'000 | Post 1990 £'000 | Total £'000 |
|--|---------------------------|----------------------------|------------------------|
| Debt as at 1 April 2009 | 1,076 | 15,039 | 16,115 |
| Add: new loans | 0 | 0 | 0 |
| Less: principal payments/loans redeemed | (195) | (616) | (811) |
| Balance as at 31 March 2010 | 881 | 14,423 | 15,304 |

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

| Financial Liabilities - Loans profile | 31 March 2009 £'000 | 31 March 2010 £'000 |
|--|--------------------------------|--------------------------------|
| Short term borrowing (Current) | | |
| Maturity within 1 year | 811 | 820 |
| Total short term borrowing | 811 | 820 |
| Long term borrowing | | |
| Maturity within 1 to 2 years | 820 | 830 |
| Maturity within 2 to 5 years | 2,520 | 2,454 |
| Maturity within 5 to 10 years | 3,547 | 3,512 |
| Maturity within 10 years or more | 8,417 | 7,688 |
| Total long term borrowing | 15,304 | 14,484 |
| Total loans outstanding | 16,115 | 15,304 |

The Financial Liabilities at amortised cost, is entirely for Public Works Loan Board (PWL) 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”

| 2009/2010 | Financial Liabilities – measured at amortised cost £'000 | Financial Assets – Loans and Receivables £'000 | Available for sale assets £'000 | Total £'000 |
|---|---|---|--|------------------------|
| Interest Expense | 795 | 0 | 0 | 795 |
| Interest Payable and Similar Charges | 795 | 0 | 0 | 795 |
| Interest Income | 0 | 214 | 0 | 214 |
| Interest and investment income | 0 | 214 | 0 | 214 |

| 2008/2009 | Financial Liabilities – measured at amortised cost £'000 | Financial Assets – Loans and Receivables £'000 | Available for sale assets £'000 | Total £'000 |
|---|---|---|--|------------------------|
| Interest Expense | 895 | 0 | 0 | 895 |
| Interest Payable and Similar Charges | 895 | 0 | 0 | 895 |
| Interest Income | 0 | 2,096 | 0 | 2,096 |
| Interest and investment income | 0 | 2,096 | 0 | 2,096 |

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 to amortised cost
- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months. The carrying amount is assumed to approximate to fair value
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values are calculated as follows: -

| | 31 March 2010 Carrying Amount £'000 | 31 March 2010 Fair Value £'000 | 31 March 2009 Carrying Amount £'000 | 31 March 2009 Fair Value £'000 |
|--------------------------|--|---|--|--------------------------------------|
| Financial Liabilities | 15,304 | 16,402 | 16,115 | 18,348 |
| Loans and receivables | 19,000 | 19,000 | 33,331 | 33,331 |

Risks associated with Financial Instruments

The Authority has adopted CIPFA's Treasury Management in Public Services code of Practice and set treasury management indicators to control key financial instrument risks in accordance with CIPFA's Prudential Code.

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 program 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 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. The Treasury Management Strategy can be found on the Police Authority website.

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 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.

It is the aim of the authority to achieve an optimum return on its investments but will always seek to maintain the security of its capital over the requirement for an investment return. The borrowing of monies purely to invest or lend on and make a return is unlawful and this Authority will not engage in such activity.

The following analysis summarises our potential maximum exposure to credit risk, based on experience of default and uncollectability over the last five financial years.

| | Amount at 31 March 2010 | Historical experience of Default | Historical experience adjusted for market conditions as at 31 March 2010 | Estimated maximum exposure to default & uncollectability |
|---|-------------------------------|--|---|--|
| | £'000 | % | % | £'000 |
| Deposits with financial institutions | 19,000 | 0.0 | 0.0 | 19,000 |

We do not expect any losses from non-performance by any of our counter parties 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 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, a position which is closely monitored.

Our level of borrowing is due to paying for capital spending. We use cash reserves that 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 (STRGL). 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. All our current borrowings are fixed rate borrowings.

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 process allows for any adverse changes to be accommodated.

29. 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 2009 | 44,094 |
| Applied in year - grants | 17,898 |
| <i>Less</i> Amortisation of deferred grants | (2,001) |
| Balance at 31 March 2010 | 59,991 |

30. 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. £43,573 of the carry forward balance is ring fenced funding for the Justice Centre Project.

| Details Warwickshire Police Element | Government Grants & Contrib's £'000 | Other Contrib's £'000 | LDC Dilapidation Fund | Total £'000 |
|---|--|--------------------------|-----------------------|----------------|
| Amount brought forward at 1 April 2009 | 9,975 | 46 | 179 | 10,200 |
| Received in year | 8,317 | 60 | | 8,377 |
| Less Applied in year | (17,897) | | | (17,897) |
| Total Unapplied Capital grants and contributions | 395 | 106 | 179 | 680 |

31. 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 2009 | 22,043 |
| Add | |
| - usable capital receipts used | 344 |
| - use of Direct Revenue Financing | 340 |
| - use of Reserves | 787 |
| Sub Total | 23,514 |
| Minimum revenue provision (less depreciation and Impairment) | (3,720) |
| NBV of Disposals | (24) |
| Amortisation of intangible assets | (265) |
| Amortisation of Government Grants | 2,001 |
| Balance at 31 March 2010 | 21,506 |

32. FUTURE CAPITAL COMMITMENTS

As at the 31 March 2010 the Authority has entered into various commitments associated with building schemes and major projects undertaken as part of the Capital Programme. The most significant of these commitments, which totalled £3.557m, are as follows:

Information Technology & IM Strategy - Remaining Commitment £0.222m

Various schemes have been undertaken during 2009/10, as part of the Information Technology programme, for which a commitment remains at the end of the financial year.

Property Development Plan - Remaining Commitment £1.892m

The property development plan has a £1.892m commitment at the end of the year. Rugby phase 3 is the most significant of these with £1.087m of commitments outstanding.

Vehicle – Remaining Commitment £0.89m

Several existing vehicles on the replacement list are still in a usable state, which in turn has delayed the purchase of the replacement vehicles.

Justice Centre Partnership £1.354m

The Justice Centre project has a capital commitment at the end of 2009/10 of £1.354m. The Southern Justice Centre is expected to be completed early in 2010/11.

33. FINANCIAL REPORTING STANDARD (FRS) 17 RETIREMENT BENEFITS

The Police Authority supports pension schemes for police officers and police staff; both schemes provide members with indexed linked defined benefits, which are determined by an individual's pensionable pay and service. The costs of providing pensions is charged to the Police Authority accounts in accordance with the statutory requirements governing each scheme. Both schemes are accounted for as a defined benefit schemes under the SORP. As a principle FRS17 requires the authority to show the additional costs arising from pension decisions made in the current year, no matter when the actual financial cost is paid.

The majority of police officers and police staff contribute to their respective pensions schemes; an outline of each scheme is set out below:

Police Officers

- ◆ During 2006/07 serving Police Officers were given the option of joining the New Police Pension Scheme (NPPS) or to continue in the existing scheme (the Old Police Pension Scheme OPPS).

All new recruits from 1 April 2006 were required to join the NPPS. 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 that the actual cost borne directly by the Police Authority, in support of the OPPS and NPPS, each year, are the employer's contribution towards the costs of pensions, the cost of ill health retirements and injury awards. These payments are made into the Pension Fund Account.
- ◆ The Home Office sets the employer's contribution rate for the Police Pension Scheme; rates were reduced from 24.6% to 24.2% from 1 April 2008 for three years until 31 March 2011.

Each police authority is required to operate a Pension Fund. The amounts paid into and out of the Pension Fund and the pension costs included in the Police Authority Statement of Accounts are specified in the Police Pension Fund Regulations 2007. Where the accounting treatment set out in the regulations is inconsistent with the SORP 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.

If amounts receivable into the Pensions Fund for the year are less than the amounts payable from the fund then the police authority must transfer an amount from the police authority's general fund to meet the deficit on the Pension Fund. Subject to parliamentary scrutiny and approval, up to 100% of this cost is met by central government pension top-up grant. If however the Pension Fund is in surplus for the year, the surplus is transferred from the Pension Fund to the police authority's general fund, which in turn must be paid to the Home Office. The scheme has no investment assets.

Both the Old Police Pension Scheme (OPPS) and New Police Pension Scheme (NPPS) are administered by West Midlands Police on behalf of Warwickshire Police.

Police Staff

- ◆ From 1st April 2008 the LGPS was amended by the introduction of the Local Government Pensions Scheme (Amendment) Regulations 2006, amendments include:
 - Banded employee contribution rates
 - Pension benefits accrue on a 1/60th for each year of pensionable service rather than 1/80th as it was under the old scheme.
 - Members can take a higher lump sum rather than the standard 3/80 by commuting part of their pension.
 - Changes to the earliest age at which benefits can be paid to scheme members

The impact of these and other changes to the benefits of scheme participants, could have an impact on the future assets and liabilities of the scheme, the impact will be reflected in future changes to the employers contribution based on the triennial actuarial review of the scheme assets and liabilities.

- ◆ The employer's rate for the LGPS is set by the Administering Body based on a three-year actuarial valuation, during 2009/10 the rate was 12.9%.

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 2009/10 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 £739m (£492m 2008/09).

Statute dictates that Warwickshire County Council administers the Warwickshire Fund of the local Government Pension Scheme (LGPS), Warwickshire Police is an "other scheduled body" to the Warwickshire County Council scheme.

Transactions relating to retirement benefits

The Authority recognise the cost of retirement benefits in the Net Cost of Services when they are earned by police officers and police staff, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the cost of retirement benefits, arrived at for the purpose of FRS17, are reversed out in the Statement of Movement in The General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in The General Fund Balance during the year:

WARWICKSHIRE POLICE AUTHORITY – Statement of Accounts 2009/10

| Income and Expenditure Account | Local Government Pension Scheme £'000 | | Police Pension Scheme £'000 | |
|---|--|-----------|--------------------------------|-----------|
| | 2009/2010 | 2008/2009 | 2009/2010 | 2008/2009 |
| <i>Net Cost of Services:</i> | | | | |
| • Current service cost | 1,890 | 2,636 | 8,780 | 11,120 |
| • Past service costs | 0 | 0 | 0 | 120 |
| <i>Net Operating Expenditure</i> | | | | |
| • Interest costs | 3,305 | 3,329 | 32,750 | 35,060 |
| • Expected return on scheme assets | (2,113) | (2,528) | 0 | 0 |
| <i>Net Charge to the Income and Expenditure Account</i> | 3,082 | 3,437 | 41,530 | 46,300 |
| <i>Statement of Movement on General Fund Balance:</i> | | | | |
| • Reversal of net charges made for retirement benefits in accordance with FRS 17 | (3,082) | (3,437) | (41,530) | (46,300) |
| <i>Actual amount charged against the General Fund Balance for pensions in the year:</i> | | | | |
| • Employers' contributions payable to scheme | 2,294 | 1,977 | | |
| • Retirement benefits payable to pensioners | | | 21,660 | 18,290 |

In addition to the recognised gains and losses included in the Income and Expenditure Account, an actuarial loss, on assets and liabilities, of £222.6m (£66.2m gain 2008/09) was included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses is £285.0m.

The following table further analyses the Income and Expenditure Account entries relating to the Police Pension Scheme.

WARWICKSHIRE POLICE AUTHORITY – Statement of Accounts 2009/10

| Income and Expenditure Account (I&E A/c) | Police Pension Scheme 2009/2010 | | | | Police Pension Scheme 2008/2009 | | | |
|---|---------------------------------|----------------------|-------------------|-----------------|---------------------------------|----------------------|-------------------|-----------------|
| | Police 1987 Scheme | Police Injury Awards | Police New Scheme | TOTAL POLICE | Police 1987 Scheme | Police Injury Awards | Police New Scheme | TOTAL POLICE |
| | £000s | £000s | £000s | £000s | £000s | £000s | £000s | £000s |
| Net Cost of Services: | | | | | | | | |
| • Current service cost | 8,370 | 0 | 410 | 8,780 | 10,680 | 0 | 440 | 11,120 |
| • Past service costs | 0 | 0 | 0 | 0 | 0 | 120 | 0 | 120 |
| Net Operating Expenditure | | | | | | | | |
| • Interest costs | 32,040 | 570 | 140 | 32,750 | 34,330 | 600 | 130 | 35,060 |
| • Expected return on scheme assets | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| <i>Net Charge to the I&E A/c</i> | 40,410 | 570 | 550 | 41,530 | 45,010 | 720 | 570 | 46,300 |
| Statement of Movement on General Fund Balance: | | | | | | | | |
| • Reversal of net charges made for retirement benefits in accordance with FRS 17 | (40,410) | (570) | (550) | (41,530) | (45,010) | (720) | (570) | (46,300) |
| Actual amount charged against the General Fund Balance for pensions in the year: | | | | | | | | |
| • Retirement benefits payable to pensioners | 21,140 | 520 | 0 | 21,660 | 17,780 | 510 | 0 | 18,290 |

Assets and liabilities in relation to retirement benefits

Reconciliation of present value of the scheme liabilities

| | Funded Liabilities: Local Government Pension Scheme | | Unfunded Liabilities: Police Pension Scheme | |
|--------------------------------------|---|-----------------|---|------------------|
| | 2009/2010 | 2008/2009 | 2009/2010 | 2008/2009 |
| | £'000 | £'000 | £000s | £000s |
| Opening Balance | (45,396) | (53,224) | (478,940) | (509,580) |
| Current Service Cost | (1,890) | (2,636) | (8,780) | (11,120) |
| Interest Cost | (3,305) | (3,329) | (32,750) | (35,060) |
| Contributions by scheme participants | (1,174) | (1,030) | (3,850) | (3,810) |
| Transfers In | 0 | 0 | (90) | (50) |
| Actuarial gains and losses | (20,114) | 13,844 | (211,820) | 62,510 |
| Benefits paid | 764 | 979 | 21,660 | 18,290 |
| Past service costs | 0 | 0 | 0 | (120) |
| Closing Balance | (71,115) | (45,396) | (714,570) | (478,940) |

Police Pension Scheme Reconciliation of present value of scheme liabilities:

| | Police Pension Scheme 2009/10 | | | | Police Pension Scheme 2008/09 | | | |
|--------------------------------------|-------------------------------|----------------------|-------------------|----------------------|-------------------------------|----------------------|-------------------|----------------------|
| | Police 1987 Scheme | Police Injury Awards | Police New Scheme | TOTAL POLICE 2009/10 | Police 1987 Scheme | Police Injury Awards | Police New Scheme | TOTAL POLICE 2008/09 |
| 01 April 2009 | (468,800) | (8,480) | (1,660) | (478,940) | (499,200) | (8,830) | (1,550) | (509,580) |
| Current Service Cost | (8,370) | 0 | (410) | (8,780) | (10,680) | 0 | (400) | (11,120) |
| Interest Cost | (32,040) | (570) | (140) | (32,750) | (34,330) | (600) | (130) | (35,060) |
| Contributions by scheme participants | (3,620) | 0 | (230) | (3,850) | (3,650) | 0 | (180) | (3,810) |
| Transfers In | (40) | 0 | (50) | (90) | (50) | 0 | 0 | (450) |
| Actuarial gains and losses | (207,200) | (2,180) | (2,440) | (211,820) | 61,310 | 560 | 640 | 62,510 |
| Benefits paid | 21,140 | 520 | 0 | 21,660 | 17,780 | 510 | 0 | 18,290 |
| Past service cost | 0 | 0 | 0 | 0 | 0 | (120) | 0 | (120) |
| 31 March 2010 | (698,930) | (10,710) | (4,930) | (714,570) | (468,800) | (8,480) | (1,660) | (478,940) |

Reconciliation of fair value of the scheme assets:

| | Local Government Pension Scheme | |
|--------------------------------------|---------------------------------|---------------|
| | 2009-10 | 2008-09 |
| | £000 | £000 |
| 1 April | 32,052 | 37,581 |
| Expected rate of return | 2,113 | 2,528 |
| Actuarial gains & losses | 9,378 | (10,085) |
| Employer Contributions | 2,294 | 1,977 |
| Contributions by scheme participants | 1,174 | 1,030 |
| Benefits paid | (764) | (979) |
| 31 March | 46,247 | 32,052 |

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in year was £11.5m

Scheme History

| | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 |
|---|------------------|------------------|------------------|------------------|------------------|
| | £000 | Restated £000 | Restated £000 | £000 | £000 |
| Present value of liabilities: | | | | | |
| • LGPS | (44,904) | (47,477) | (53,224) | (45,396) | (71,115) |
| • Police Scheme | (515,410) | (568,690) | (509,580) | (478,940) | (714,570) |
| Fair value of assets in the LGPS | 32,267 | 36,262 | 37,581 | 32,052 | 46,247 |
| Surplus/(Deficit) in the scheme: | | | | | |
| • LGPS | (12,637) | (11,215) | (15,643) | (13,344) | (24,868) |
| • Police Scheme | (515,410) | (568,690) | (509,580) | (478,940) | (714,570) |
| Total | (528,047) | (579,905) | (525,223) | (492,284) | (739,438) |

Warwickshire Police has elected not to restate fair value of scheme assets for 2005/06 as permitted by FRS 17.

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £739m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet.

However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy:

- The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.
- Finance is only required to be raised to cover police pensions when the pensions are actually paid.

The total budgeted contributions to be made to the Local Government Pension Scheme by the Police Authority in the year to 31 March 2011 are £3.1m. Expected contributions for the Police Pension Scheme in the year to 31 March 2011 are £8.7m.

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, and estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels, etc. The Police Scheme has been assessed by Government Actuaries Department; Mercer, an independent firm of actuaries, has assessed the Local Government Pension Scheme. Estimates for the two schemes have been based on the latest full valuation of the assets and liabilities of the schemes as at 1 April 2010. 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 principal assumptions used by the actuary have been:

WARWICKSHIRE POLICE AUTHORITY – Statement of Accounts 2009/10

| | Local government Pension Scheme | | Police Pension Scheme | |
|---|---------------------------------|---------|-----------------------|---------|
| | 2009-10 | 2008-09 | 2009-10 | 2008-09 |
| Long-term expected rate of return on assets in the scheme (%): | | | | |
| Equity investments | 7.50% | 7.50% | - | - |
| Government Bonds | 4.50% | 4.00% | - | - |
| Other Bonds | 5.20% | 6.00% | - | - |
| Property | 6.50% | 6.50% | - | - |
| Cash/Liquidity | 0.50% | 0.50% | - | - |
| Other | 7.50% | 7.50% | - | - |
| Mortality assumptions (yrs): | | | | |
| Longevity at 65 for current pensioners: | | | | |
| Men | 21.2 | 21.2 | 23.9 | 23.4 |
| Women | 24.1 | 24.0 | 27.1 | 26.6 |
| Longevity at 65 for future pensioners: | | | | |
| Men | 22.2 | 22.2 | 26.0 | 25.6 |
| Women | 25.0 | 25.0 | 29.1 | 28.6 |
| Rate of inflation | 3.50% | 3.30% | 3.90% | 3.00% |
| Rate of increase in salaries | 5.25% | 5.05% | 5.40% | 4.50% |
| Rate of increase in pensions | 3.50% | 3.30% | 3.90% | 3.00% |
| Rate for discounting scheme liabilities | 5.70% | 7.10% | 5.80% | 6.90% |
| Take-up of option to convert annual pension into retirement lump sum | 50% | 50% | 50% | 50% |

The value of the pension fund assets at 31st March 2010 is based on the market value at 31st December 2009. The actuary has made an assumption about the movement in the investment market to arrive at the valuation at the balance sheet date. Information that became available after 31st March 2010 showed that the market value of investment was approximately 0.39%, being £180K, higher than stated in the accounts, so the FRS17 pension deficit may actually be lower than shown.

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

| Local Government Pension Scheme ASSETS PROFILE | Total as at 31 March 2010 £'000 | Split of Assets between Investment categories | Total as at 31 March 2009 £'000 | Split of Assets between Investment categories |
|--|------------------------------------|---|------------------------------------|---|
| Equities | 30,986 | 67.0% | 20,192 | 63.0% |
| Government Bonds | 4,162 | 9.0% | 3,205 | 10.0% |
| Other Bonds | 6,012 | 13.0% | 4,808 | 15.0% |
| Property | 1,850 | 4.0% | 1,603 | 5.0% |
| Cash/Liquidity | 925 | 2.0% | 641 | 2.0% |
| Other | 2,312 | 5.0% | 1,603 | 5.0% |
| | 46,247 | | 32,052 | |

History of experience gains and (losses)

The actuarial gains identified as movements on the Pension Reserve in 2009/10 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2010:

| | 2005/06 % | 2006-07 Restated % | 2007-08 Restated % | 2008/09 % | 2009/10 % |
|--|---------------------|--|--|---------------------|---------------------|
| LGPS - Differences between the expected and actual return on assets | 1.30 | (-) 0.76 | (-) 10.34 | 31.50 | 20.30 |
| LGPS -Experience gains and losses on liabilities | (-) 5.00 | 0 | 5.10 | 0 | 0 |
| Experience gains and losses on liabilities – Old Police Pension Scheme | 4.30 | (-) 9.10 | (-) 1.10 | 1.00 | 1.30 |
| Experience gains and losses on liabilities – New Police Pension Scheme | 0 | (-) 6.50 | (-) 65.80 | 13.30 | (-) 1.00 |

34. MOVEMENT IN REVENUE RESERVES

| N o t e | Analysis of Revenue Reserves | As at | Contrib to | Contrib from | Contrib to | Movement | As at |
|------------------|---|------------------|--------------|------------------|---------------|------------------|------------------|
| | | 1 April 2009 | Capital | Reserves | Reserves | between Reserves | 31 March 2010 |
| | | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| | Earmarked Reserves | | | | | | |
| 1 | Cost centre c/fwds: - re 2008/2009 - re 2009/2010 | 88 1,007 | (88) 0 | 0 (1,007) | 0 737 | 0 (100) | 0 637 |
| 2 | Insurance Reserve | 866 | 0 | 0 | 197 | 500 | 1,563 |
| 3 | Budget Reserve * | 12,483 | 0 | (5,060) | 3,327 | (384) | 10,366 |
| 4 | S106 Reserve | 16 | 0 | 0 | 0 | (16) | 0 |
| 5 | General Revenue Reserve for Repair & Maintenance | 1,579 | 0 | (450) | 200 | 0 | 1,329 |
| 6 | PCSO Reserve | 0 | 0 | 0 | 1,346 | 0 | 1,346 |
| 7 | Justice Centre Interest on Balances | 699 | (699) | 0 | 30 | 0 | 30 |
| 8 | Justice Centre Sinking Fund | 305 | 0 | 0 | 187 | 0 | 492 |
| | Total Earmarked Reserve | 17,043 | (787) | (5,919) | 5,476 | 0 | 15,763 |
| 9 | General Revenue Reserve | 2,000 | 0 | 0 | 0 | | 2,000 |
| | Total Revenue Reserves | 19,043 | (787) | (5,919) | 5,476 | 0 | 17,763 |
| 10 | FRS17 Pension Reserve | (492,284) | 0 | (247,154) | 0 | 0 | (739,438) |
| 11 | Capital Adjustment Account | 22,043 | 0 | (4,008) | 3,471 | 0 | 21,506 |
| 12 | Revaluation Reserve | 5,424 | 0 | 0 | 2,183 | 0 | 7,607 |
| 13 | Collection Fund Adjustment Account | (59) | 0 | 0 | 141 | 0 | 82 |
| | Total Reserves | (445,833) | (787) | (257,081) | 11,271 | 0 | (692,480) |

* Budget Reserve includes 2009/10 Invest to Save Reserve, Westbere Reserve and Body Armour Reserve

NOTES TO BALANCES ON REVENUE RESERVES

1. The cost centres carry forward provided for £88,000, which has been used in 2009/10 for the purchase of an Armoured Land Rover. Total Carry Forward reserve from 2009/10 to 2010/11 £637k
2. The insurance reserve of £1,563,000 at 31 March 2010 has been assessed to meet outstanding liabilities in respect of employer's and public liability insurance.
3. The budget reserve of £10,366,000 is to support the Medium Term Financial Planning Strategy (MTFPS) whilst 150PLUS savings are delivered.
4. Section 106 reserve has been used to assist the policing of the specific area affected by development.
5. The general revenue reserve for repairs and maintenance has been created in respect of backlog maintenance in the MTFPS.
6. The PCSO grant has been transferred to reserves to improve transparency and decision making.
7. This reserve holds the interest earned on Justice Centre balances.
8. The Justice Centre Sinking Fund is set aside by the partners to the project to pay for future repair and maintenance costs to the Justice Centre buildings.
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 33.
11. Capital Adjustment Account reflects the difference between the cost of fixed assets consumed and the capital financing set aside to pay for them. This reserve is not a cash reserve and cannot be used to support expenditure. For movement see note 31.
12. The revaluation reserve relates to increases in the estimated value of assets held on the balance sheet. This reserve is not a cash reserve and cannot be used to support expenditure.

13. The Collection Fund Reserve relates to the change in accounting policy for Council Tax Debtors and Creditors.

35. 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 cash totalling £224,340.

36. CONTINGENT ASSETS

On 2 November 2007 Warwickshire Police attended a fire at a warehouse in Atherstone on Stour in the south of the County, which unfortunately resulted in the death of four Warwickshire firefighters. The Force has undertaken a major investigation into the cause of the fire and the death of the four firefighters, the investigation is continuing into 2010/11.

The cost of operation Westbere, up to the 31st March 2010, is £4.387 million, £0.514m of which was incurred in 2009/10, the total cost of operation Westbere is currently estimated to be in the region of £4.64 million, a position, which is regularly reviewed. The Authority was successful with a bid to the Home Office for special grant and received £3.045 million, in 2008/09, towards the cost of operation Westbere.

The Authority has submitted a further bid to the Home Office for special grant to meet the cost of operation Westbere. However this is not a guarantee that a further special grant allocation will be forthcoming. Since the initial bid for funding in 2007/08 the UK has entered a recession and public expenditure is being reduced. Therefore there is no basis for accruing any income in the 2009/10 accounts and no accrual has been made in relation to the potential grant income.

The Home office grant aid criteria, means that the Authority would bear 1% of net revenue expenditure, which equates to £0.94 million. Money has been set aside in an operational reserve (*page 64.*) to meet any costs that ultimately fall on the Authority and are not met by Home Office grant.

**37. ACCOUNTING FOR COUNCIL TAX SORP 2009 2008/09
RESTATEMENT**

In order to present comparative figures for 2008/09 to the revised standards, the following entries have been transacted to the 2008/09 Statement of Accounts figures to present the 2009/10 Statements.

| | £'000 | £'000 |
|---|--------------|--|
| INCOME & EXPENDITURE ACCOUNT | | |
| <ul style="list-style-type: none"> • 2008/09 Deficit on the Income & Expenditure Account • Adjust (surplus) / Deficit on collection fund • 2008/09 Restated deficit on the Income & Expenditure Account | | 40,515 36 40,551 |
| STATEMENT OF MOVEMENT IN GENERAL FUND BALANCE | | |
| <ul style="list-style-type: none"> • 2008/09 Deficit on the Income & Expenditure Account • Charge to the Collection Fund Adjustment Account • 2008/09 Restated deficit on the Income & Expenditure Account | | (40,515) (36) (40,551) |
| BALANCE SHEET | | |
| <ul style="list-style-type: none"> • 2008/09 Total Assets less liabilities • Movement in current assets • Movement in current liabilities • Net Movement in current liabilities • 2008/09 Restated Total Assets less liabilities • Financed By • Collection Fund Adjustment Account | 930 (989) | (445,774) (59) (445,833) 59 |

PENSION FUND ACCOUNT

The amounts debited and credited to the Police Pension Fund Account are specified by the Police Pension Fund Regulations 2007.

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.

FUND ACCOUNT

| 2008/2009 £'000 | | 2009//2010 £'000 | £'000 |
|--------------------|--|---------------------|----------------|
| | Contributions Receivable | | |
| | From Employer | | |
| (8,460) | - Normal | (8,485) | |
| 0 | - Early Retirements | 0 | |
| (245) | - Other – Pre 74 Contributions (West Midlands) | (224) | |
| (141) | - Ill Health Capital Sum Income | (211) | |
| (8,846) | | <u> </u> | (8,920) |
| (3,815) | From Members | (3,859) | |
| (3,815) | | <u> </u> | (3,859) |
| | Transfers In | | |
| (48) | Individual Transfers In from other schemes | (84) | |
| 0 | Others | 0 | |
| (48) | | <u> </u> | (84) |
| | Benefits Payable | | |
| 14,318 | Pensions | 15,469 | |
| 3,862 | Commutations and Lump Sum retirement benefits | 5,464 | |
| 138 | Lump sum death benefits | 0 | |
| 0 | Other | 0 | |
| 18,318 | | <u> </u> | 20,933 |
| | Payments to and on account of leavers | | |
| 2 | Refunds of contributions | 3 | |
| 0 | Individual Transfer out to other schemes | 205 | |
| 0 | Other | 0 | |
| | | <u> </u> | 208 |
| 5,611 | Sub-total for the year before transfer from the police authority of amount equal to the deficit | | 8,278 |
| (5,611) | Additional funding payable by police authority to meet deficit for the year | | (8,278) |
| 0 | Net Amount Payable/Receivable for the year | | 0 |

NET ASSET STATEMENT

| 2008/2009 £'000 | | 2009/2010 £'000 |
|--------------------|---|--------------------|
| 536 | Current Assets Funding to meet deficit receivable from Police Authority | 0 |
| (536) | Current Liabilities Unpaid pension benefits – Backdated Commutations | 0 |
| 0 | | 0 |

The Net Asset's Statement does not include liabilities to pay pensions and other benefits after the balance sheet date, it shows in year transactions between the Authority's Income and Expenditure Account and the Pensions Fund Account.

NOTES TO THE POLICE PENSION FUND ACCOUNT

In relation to the Pension Fund Account the use of the word 'Fund' should not be taken to mean the Police Pension Scheme is a funded scheme. Instead the purpose of the Police Pension Fund Account is to provide a basis for demonstrating the balance of cash based transactions taking place over the year and for identifying the arrangements needed to balance the account for that year.

The principles contained in the Police Pension Fund Regulations 2007 (SI 2007 No 1932) have been adopted in preparing 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.
2. 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. Where a deficit has been made good by a transfer from the Police Fund the Home Office reimburses this amount to the Police Authority, however, if the Pension Fund has transferred a surplus to the Police Fund then the surplus is paid by the Police Authority over to the Home Office.
3. 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.
4. The police pension scheme is an un-funded scheme, which means there are no investment assets to provide for future pensions

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5. This police pension fund account does not take account of liabilities to pay pensions and other benefits after the end of the 2009/10 financial year
6. Employers' contributions are calculated at 24.2% of police officer pensionable pay. This rate is set nationally by the Home Office and is subject to triennial revaluation by the Government Actuary's Department.
7. 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. The Home Office sets this rate nationally.
8. 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.

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 in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) / Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Code of Practice on Local Authority Accounting in United Kingdom ("The SORP").

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 SORP.

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.

The statement of accounts for Warwickshire Police is duly authorised for issue on 30th June 2010 by authority of the Treasurer to Warwickshire Police

I certify that the Statement of Accounts for the year ended 31 March 2010 required by the Accounts and Audit Regulations 2003 (amended) are set out on the preceding pages. I further certify that the Statement of Accounts represents a true and fair view of the financial position of the Warwickshire Police Authority at 31 March 2010 and its income and expenditure for the year then ended.

Signed: **Date: 28th June 2010**

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 28 June 2010.

Signed: **Date: 28th June 2010**

Ian Francis
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.

Billing Authority

The local authority, which is responsible for collecting Council Tax. In Warwickshire, the district or borough council is the billing authority.

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.

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)

Government grant provided to support local 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.