



Warwickshire
POLICE AUTHORITY

The authority behind the force

STATEMENT OF ACCOUNTS

2010-2011

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EXPLANATORY FOREWORD TO THE STATEMENT OF ACCOUNTS 2010-11

INTRODUCTION

The intention of the Statement of Accounts is to give the reader an overall impression of the finances of Warwickshire Police Authority (Authority) as at the end of 2010-11.

FINANCIAL STATEMENTS

The following is an explanation of the statements, which are contained in the Statement of Accounts, their purpose and relationship between them.

- 1. Explanatory Foreword by the Treasurer**
Provides a summary of the Authority's budget for 2010-11, the final outturn position and an assessment of the Authority's future prospects.
- 2. Auditor's Report**
Under provisions contained in Section 15 & 16 of the Audit Commission Act 1998 and Section 13 & 14 of the Accounts and Audit Regulations 2011 the Statement of Accounts for 2010-11 is available for inspection on 1 August 2011. The formal audit of the Police Authority's accounts commences on 25 July 2011 and the opinion on the accounts is due to be received on 30 September 2011.
- 3. Statement of Responsibilities for the Accounts**
This outlines the responsibility of the Authority and Police Authority Treasurer for the Statement of Accounts.
- 4. Accounting Policies**
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 (Code): Based on International Financial Reporting 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.

5. The Accounting Statements consist of:

Movement In Reserves Statement

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (monies, which can be applied to fund capital expenditure or reduce local taxation) and unusable reserves. The Surplus or (Deficit) on the Provision of services line shows the true economic cost of providing the authorities services, more details of which are shown in the Comprehensive Income and Expenditure Statement.

Comprehensive Income & Expenditure Statement

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

Balance Sheet

This shows the value as at the Balance Sheet date of assets and liabilities recognised by the Authority. The net assets (assets less liabilities) are matched by the reserves held. There are two types of reserves reported; firstly Usable Reserves, these are available for the Authority to use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations. The second category of reserves are Unusable Reserves, these cannot be used to provide services and exist through application of accounting standards under the Code, for example the pension reserve, which matches the pension liability

Cash Flow Statement

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

6. Notes to the Accounts

Additional information, which further explains items included within the main financial statements, with an aim of improving the readers understanding of the main financial statements.

7. Pension Fund Account

Regulation 8 of The Police Pension Fund Regulations 2007 requires the Authority to maintain a separate police pension fund account. The pensions fund account sets out the income and expenditure during 2010-11 relating to police pensions. The account shows the top up grant owed by the Authority to the pension fund account. Subsequently the Home Office reimburse the Authority for money paid over to the pension fund account and effectively underwrite the deficit on the pension fund account. This practice would work in reverse if the pensions fund account were showing a surplus at the end of the year.

8. Annual Governance Statement

This contains the findings from the annual review of the effectiveness of our systems of internal control.

SIGNIFICANT CHANGES IN ACCOUNTING POLICY

The following is an explanation of significant changes in the Authority's accounting policies, which are followed in preparing the Statement of Accounts, the reason for the change and the impact on the accounts.

International Financial Reporting Standards

During 2010-11 the Authority completed the mandatory transition of the Statement of Accounts to comply with International Financial Reporting Standards (IFRS). The international standards govern the way financial transactions are brought into accounts and how they are reported. The appearance of the Statement of Accounts and financial position have both been affected by this transition.

The Financial Statements are set out in the IFRS compliant format, however, the adoption of IFRS has also meant several other changes including changes to existing disclosure notes, the inclusion of new disclosure notes, new policies, accounting treatment and new terminology. The section 'Accounting Policies' sets out our current policies, which are IFRS compliant. To assist readers further please refer to the Glossary at the end of the accounts, this explains some of the more technical terms used within the accounts.

In accordance with the Code based on International Financial Reporting Standards, figures in the accounts have been restated for 2008-09 & 2009-10 back to the date of implementation, this also provides the reader with more meaningful comparative information, the impact of restating prior years accounts is set out later in the foreword.

Whilst the changes required to comply with the requirements of IFRS are far reaching the following is a summary of the most significant changes, which affect the Authority. Unless stated otherwise these changes are retrospective and require prior year adjustment to the accounts:

- Employee Benefits Payable During Employment (IAS¹19) – Concerns the recognition and treatment of time off in lieu and unpaid annual leave in the Comprehensive Income and Expenditure Statement
- Government and Non-Government Grants (IAS20) – Concerns the recognition of grants through the Comprehensive Income and Expenditure Statement
- Property, Plant and Equipment (IAS16) - The treatment of revaluations and impairment have been brought into line with IFRS requirements and componentisation of assets has been considered, the latter is a non-adjusting change, which means that there are no retrospective adjustments to prior years figures.
- Define Benefit Pensions Schemes (IAS19) – specifically the treatment of potential future injury awards on the pension liability.
- Cash and Cash Equivalents (IAS7) – Reclassify short-term investments as cash and cash equivalents.

The following is a summary of the impact on the Statement of Accounts of the changes in accounting policies to comply with the Code and IFRS.

¹ International Accounting Standards (IAS)

Income and Expenditure Account (CIES) 2009-10		
	Movement	Restated
	£'000	£'000
Deficit on the CIES		26,427
IAS 19 – Employee Benefits		
Employee Benefits – Compensated Absence	2,342	
Injury Award - Current Cost of Service	310	
IAS 20 – Grants & Contributions		
Reverse Amortisation	2,001	
IAS 16 – Property, Plant & Equipment		
Depreciation of Buildings	227	
Movement in the Cost of Services		4,880
IAS 20 – Grants & Contributions		
Reverse entries made under the SORP	(7,930)	
Recognition of income where conditions have been satisfied	(9,778)	
IAS 19 – Employee Benefits		
Interest Cost – Injury Award IAS19	690	
Movement in the (Surplus)/Deficit on the Provision of Services		(17,018)
IAS 16 – Property, Plant & Equipment		
Impairment of Buildings	(795)	
Actuarial (Gain)/Loss on Assets & Liabilities	229,106	
Movement Other Comprehensive income & Expenditure		228,311
		242,600

The impact on the Comprehensive Income and Expenditure Statement is adjusted through the Statement of Movement on the General Fund Balance to negate the impact on council tax for items that by statute cannot be charged against tax, the amounts are subsequently transferred to the Balance sheet.

Statement of Movement on General Fund Balance 2009-10		
	Movement	Restated
	£'000	£'000
Deficit on the CIES – Previously Stated		(26,427)
Amounts Included in the CIES Required By Statute to be Excluded When Determining Movement on the General Fund Balance		
IAS16 Property, Plant & Equipment	(227)	
IAS19 Compensated absences	(2,342)	
IAS19 Injury Award	(1,000)	
IAS20 Grants and Contributions	15,707	
IAS20 Property, Plant & Equipment	795	
Actuarial (Gains)/Losses on Assets & Liabilities	(229,106)	
Net Movement		(216,173)
Deficit on the CIES – Restated		(242,600)

The impact on the 2009-10 Balance Sheet is as follows.

Balance sheet 2009-10			
	Restated	Movement	Restated
	£'000	£'000	£'000
Net Assets Pre Restated			(692,605)
IAS19 Employee benefits			
Long Term Liability – Pension Liability	(757,008)	(17,570)	
Current Liabilities–Short-term Creditors	(14,544)	(2,342)	
IAS20 Grants and Contributions			
Government Grants Deferred Account	0	59,991	
Unapplied Capital Grants and Contributions	0	680	
Capital Grants Receipts in Adv	(441)	(441)	
IAS7 Cash and Cash Equivalents			
Current Assets – Short-Term Investments	0	(19,000)	
Current Assets - Cash and Cash Equivalents	19,000	19,000	
IAS 20 Property, Plant and Equipment			
Non-current Assets	106,826	(1,497)	
Total Movement			38,821
Net Assets Restated			(653,784)
Total Net Worth Pre Restated			692,605
IAS19 Employee benefits			
Unusable Reserves - Pension Reserve	757,008	17,570	
Unusable Reserves - Short-term Accumulated Compensated Absences Account	2,342	2,342	
IAS20 Grants and Contributions			
Unusable Reserve - Capital Adjustment Account	(81,486)	(60,133)	
Usable Reserves – Earmarked Reserves	(18,443)	(680)	
Usable Reserves – Capital Receipts in Adv	0	441	
IAS 20 Property, Plant and Equipment			
Revaluation Reserve	(5,995)	1,639	
Total Movement			(38,821)
Total Net Worth Restated			(653,784)

The 2009-10 net worth (restated) in the Balance Sheet on page 27 is £653,988 this also includes an additional accrual for compensated absences of £204k.

An unusable Pensions Reserve matches the Pension Liability. The movement in the Pension Liability can be further explained in the following table.

Pensions Liability 2009-10			
	Previously Stated	Restated	Movement
	£'000	£'000	£'000
Balance 1 April 2009	(492,284)	(502,304)	(10,020)
Deficit on the CIES – IAS19	(44,612)	(45,612)	(1,000)
Actuarial Gains and Losses	(222,556)	(229,106)	(6,550)
Other Movement in Current Service Cost	20,014	20,014	0
Balance 31 March 2010	(739,438)	(757,008)	(17,570)

The Authority is required by the Code to set out reconciliation between the net cost of services in the Comprehensive Income and Expenditure Statement and the information used internally for decision-making, which is known as segmental reporting. The impact of this is set out in Note 15 to the Statement of Accounts. Whilst this is not a change in accounting policy it is informative to summarise all changes in one place.

REVENUE SPENDING COMPARED TO BUDGET AND POLICING PRIORITIES

The Medium Term Financial Planning Strategy (MTFPS) including the 2010-11 Revenue Budget, 2010-11 – 2014-15 Capital Programme and Reserve Strategy, supporting the Policing Plan 2010-11, was approved by the Police Authority on the 22nd February 2010.

The detailed Policing Plan is available on the Authority and Force websites. The following summarises key points of the Policing Plan before considering the financial context in which the plan was developed.

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

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

The 2010-11 Policing Plan was developed around three themes; Delivering Protection, Inspiring Confidence, and Maximising Value. Each theme seeks to address a major concern:

- Maximising the protection delivered within the resources available
- Inspiring increasing community trust and confidence that we will address the issues that matter most locally
- Tackling the financial pressures faced so we remain acceptable, affordable and sustainable

The Plan also includes the Policing Priorities and supporting measures that have been the focus of our effort over 2010-11. In developing the policing priorities we have taken into account:

- Our vision – protecting our communities together and our continuing commitment to protect people from the risk of harm
- Our 2010-11 Control Strategy, which identifies the primary operational-policing threats that we face in policing our county
- The Home Secretary's Policing Priorities, specifically focussing on inspiring confidence and delivering value for money
- Our Medium Term Financial Planning Strategy, which identifies the need to reduce expenditure if we are to be able to develop a good and balanced budget, that underpins affordable, acceptable and sustainable policing services.
- The priorities agreed by our multi-agency Community Forums. This provides the focus locally to address those issues and concerns, which adversely impact upon the quality of life being experienced locally

The following principles have also been taken into consideration:

- A focus on preventing harm and, where this is not possible, taking positive action to minimise its impact
- Continuing to focus effort on reducing the disproportionate harms that occur in our three priority policing areas

- Delivering more protection (against our policing priority measures) during 2010-11 than we did during 2009-10
- Focusing our resources on dealing with those people who cause the most harm, rather than on crime-specific detection rates

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

In 2010-11 the Authority received a 2.7% (£1.441m) 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). This increase lagged behind the average 2010-11 increases in the Consumer Price Index (CPI) and was insufficient to cover the cost of pay and price inflationary increases (£2.331m). In addition the Authority faces the cost of unavoidable commitments and the revenue consequences of the capital programme.

In setting the budget the Authority increased council tax by 1.68%, which was well below the rate of inflation. 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 set a maximum budget requirement for the Authority of £90.297m for 2010-11, which the Authority appealed against on technical grounds, the outcome of which was that the budget requirement was increased to £90.395m.

The Authority also receives funding through government grants awarded for specific purposes. The most significant of these are Crime Fighting Fund (CFF) (£1.685m), originally provided to increase and sustain the number of serving police officers, and the Neighbourhood Policing Fund (£2.609m), used to meet some of the cost of Police Community Support Officers (PCSO's).

The Authority set a net revenue budget for 2010-11 of £95.069m, supported, in part, by the use of £4.674m of reserves set aside in previous years. The 2010-11 budget contains savings targets of £5.700m as part of the medium term plan to save a total of £12.000m.

The budget included £0.518m of one off investments outlined below

- | | |
|-------------------------------------|---------|
| • Repair and Maintenance Backlog | £0.300m |
| • Invest to Save initiatives | £0.178m |
| • Body Armour Replacement programme | £0.040m |

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

Table 1 Budget Movement	Police Authority Meeting Date	£'000
2010-11 Original Budget	Feb-10	95,069
Brought forward from 2009-10	Jul-10	613
Use of Specific Insurance Reserve	Jul-10	125
Use of Specific Insurance Reserve	Feb-11	65
Carry forwards to 2011-12	Feb-11	(480)
Use of Specific Reserve for PCSO budget support	May-11	158
Transfer Westbere special grant to reserves	May-11	(700)
2010-11 Revised Budget		94,850

Expenditure for the year was £87.507m, compared to the revised budget of £94.850m, giving an overall variance of £7.343m. The variance against the budget across all areas of the force is a result of managers reducing expenditure wherever possible as a consequence of the financial situation following the 2010 Comprehensive Spending Review (CSR). Table 2 shows where the Authority's money came from.

Table 2 Where the Money Came From	Budget £m	Actual £m	%
Central Government Funding			
Police Grant	33.634	33.634	38.44
Non-Domestic Rate Income business rates	19.169	19.169	21.90
Revenue Support Grant	2.783	2.783	3.18
	55.586	55.586	63.52
Locally Raised Funding			
Precepts	34.743	34.743	39.70
Collection Fund Surplus - (Deficit) unadjusted	0.066	0.066	0.08
	34.809	34.809	39.78
Funding Before Use of Reserves	90.395	90.395	103.30
Use of Reserves	4.455	(2.888)	(3.30)
Total Funding	94.850	87.507	100.00

Table 3 shows how the Authority spent the money.

Table 3 Income - Expense	Budget £m	Actual £m	%	Over-Under Spend £m
Total Income	(14,422)	(13,348)	(15.3)	1,074
Police Pay	49,477	48,590	55.6	(887)
Police Overtime	1,903	1,694	1.9	(209)
Net Police Pay and Overtime	51,380	50,284	57.5	(1,096)
Staff Pay	28,479	26,845	30.7	(1,634)
Staff Overtime	392	425	0.5	33
Agency	386	599	0.7	213
Net Police Staff and Overtime	29,257	27,869	31.9	(1,388)
Pensions	782	1,040	1.2	258
Employee Related (Indirect)	2,308	1,946	2.2	(362)
Premises	4,048	2,977	3.4	(1,071)
Transport	3,269	2,923	3.3	(346)
Supplies & Services	9,674	6,967	8.0	(2,707)
Third Party Payments	5,130	4,677	5.3	(453)
Capital Financing	3,424	2,172	2.5	(1,252)
Total Expenditure	109,272	100,855	115.3	(8,417)
Net Expenditure	94,850	87,507	100.00	(7,343)

Table 3 shows an under spend of £7.343m, 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 most significant reasons for the under spend.

Income & Savings Targets £1.074m over spend

The Authority has generated £0.544m of additional income over that which was budgeted. Most notably from undertaking vetting checks for other forces, fees and charges from providing policing services and receipts from the seizure of criminal's assets under the Proceeds of Crime Act.

There is a £1.820m over spend, which relates to the in-year savings for the 150plus change programme that was not delivered during 2010-11. Against a target of £5.700m, £3.880m was delivered in year; the full year effect of these savings is £4.970m. The full £5.658m of identified savings has been removed from the base budget at the start of 2011-12, along with £6.117m relating to the new policing model.

A further £0.108m relates to the savings target for Workforce development that has not been achieved as the programme was halted during the year following the CSR announcement and development of the Workforce Management Strategy.

Police Pay and Overtime £1.096m under spend

The under spend on police officer pay of £0.887m has arisen through turnover and subsequently holding budgeted posts vacant. Every opportunity has been taken to take savings in police officer pay and move towards the appropriate resource level required under the new policing model implemented in May 2011. During 2011-12, and beyond, the deployment of the Workforce Management Strategy will support the force through the transition to match resources to those required by the new policing model and manage the interim position where the Force has more police officers than is required to resource the new policing model.

Also where operational requirements allow a number of police officers have elected to work part time, also contributing towards the saving.

Tight control over police officer deployment by the Central Resources Team has reduced the requirement to use overtime working, which has resulted in an under spend of £0.209m.

Police Staff and Overtime £1.388m under spend

Following the CSR announcement and in light of the requirement to make significant savings in line with the MTFPS every opportunity has been taken to reduce the workforce through natural wastage with the limited use of redundancy in 2010-11. A comprehensive review of services, to identify where it is possible to do things differently or reduce services without significantly reducing the level of protection the Force delivers to our communities, will result in further progress towards our savings targets. This process will continue during 2011-12 to ensure that the Force is on an acceptable, sustainable and affordable footing.

Premises £1.071m under spend

This is mainly related to the backlog maintenance programme, energy cost reductions and planned maintenance programmes that have been re-prioritised as the work to move to the new policing model has taken priority. Accommodation for Safer Neighbourhood teams has been reviewed as the decision was taken not to introduce any further accommodation as part of the Estates Strategy.

Supplies and Services £2.707m under spend

The review of services has resulted in different ways of doing business and a reduction in areas of business that do not contribute as much as other higher priority areas do towards delivering protection from harm. Specific areas where savings have been made are for example through managing demand for legal services, reductions in insurance costs for the vehicle fleet, bringing mobile phone checks in-house, improving the control over forensic referrals, the mainstreaming into daily work the issue of public confidence rather than undertaking specific one off activities and changes in the way anti-social behaviour initiatives are operated.

The review of services combined with the subsequent reductions in the workforce has resulted in a reduced need for consumables including uniform to equipment purchases, IT equipment renewals and the need for training.

Capital Financing £1.252m under spend

This relates mainly to savings in loan costs of £1.444m, which has arisen because no new borrowing has been taken out to support the Authority's 2009-10 or 2010-11 Capital Programme. Note however, that the Authority has borrowed £6.0m, on behalf of the partner agencies, to finance the construction of the Southern Justice Centre, which is included in long-term liabilities on the Balance Sheet. Capital expenditure had slowed considerably against the original budget whilst the new Estates Strategy was approved in light of the new policing model, and the need for one off savings has been taken into consideration when taking the decision to postpone borrowing. In addition there are contributions from revenue to capital of £0.192m.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT DEFICIT

The Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement shows a surplus of £67.648m in 2010-11 compared to a £242.600m deficit (Restated) in 2009-10. This includes the requirement to account for the cost of future pension benefits giving rise to a liability in the Statement of Accounts. Whilst the inclusion of the pensions liability provides a complete financial picture, based on estimation techniques, however this liability is not directly chargeable against national or local taxation. The Statement of Movement on the General Fund Balance reconciles the Comprehensive Income and Expenditure Statement to the statutory requirements for raising Council Tax. This shows contributions totalling £2.974m to earmarked reserves. The deficit carried forward in the Comprehensive Income and Expenditure Statement 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 2010-11. Also the exceptional Non-distributed costs of (£80.768m) relate to the change in the indexation basis for pension increases. The basis used, subsequent to the Chancellor's budget statement in June 2010, is now the Consumer Price Index (CPI) rather than the Retail Price Index (RPI). The transaction is credited to the CIES and has significantly reduced the pension liability held on the Balance Sheet. Whilst this item needs to be included to comply with the Code under IFRS it does not impact on the need to raise general taxation.

CAPITAL SPENDING IN 2010-11

As well as spending on day-to-day activities the Authority also spend money on assets (capital spending) including buildings, IT systems and vehicles. In 2010-11 £11.094m was spent on capital projects, which is analysed in Table 4.

Table 4 How the Authority spent the money	£m	%
Southern Justice Centre	6.625	59.7
Property	1.746	15.7
IT Replacement-IM Strategy	1.953	17.6
Vehicles	0.642	5.8
Equipment	0.128	1.2
Total	11.094	100.00

The Southern Justice Centre has been completed and opened in September 2010, this has been a significant project undertaken over several years. . Built on the site of Leamington Police Station the Southern Justice Centre enhances the delivery of justice in South Warwickshire by enabling 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 the Authority is confident that the Southern Justice Centre will provide similar benefits.

As well as spending on the Southern Justice Centre major work has been undertaken at several police buildings during the year, including works to facilitate the implementation of the new policing model. The latter has resulted in delays to some other major work on the estate, which will now be completed during 2011-12.

The Capital Programme and underpinning strategies have been reviewed during the year in light of the new policing model and subsequent to the CSR announcement and the requirement to make significant savings. This has resulted in reductions in all areas of the Capital Programme.

CAPITAL RESOURCES 2010-11

The £11.094m capital spending identified in Table 4 was funded as shown in the following table:

Table 5 Where the money came from	£m	%
Borrowing (External)	6.000	54.1
Borrowing (Internal)	2.708	24.4
Government grants and contributions	1.501	13.5
Capital receipts	0.582	5.2
Revenue Contributions	0.211	1.9
Earmarked Reserves	0.030	0.3
Specific Grants	0.062	0.6
Total	11.094	100.00

The resources used to meet the capital programme in 2010-11 are predominantly made up of borrowing, which has been funded, in part, through internally in the short-term. The £6.000m of external borrowing relates to the Southern Justice Centre, the various partner agencies contribute their share towards the cost of servicing the loan. In addition £0.537m of internal borrowing and £0.044m of partner contributions has been used to fund the Southern Justice Centre. All existing external borrowing as at the 31 March 2011 is held with the Public Works Loans Board (PWLB). The capital receipts in Table 5 relate predominantly to the sale of premises.

RESERVES

As at the 31 March 2011 the level of cash backed reserves, at the disposal of the Authority, was £21.370m. As part of the 2010-11 budget setting process the Authority decided to support the budget with £4.674m of reserves.

The significant changes in reserves are as follows:

Budget Reserve

The movement during the year represents the requirement for revenue support approved in 2010-11 and the addition of the net revenue under spend. Further transfers into the Budget Reserve at the end of the year will provide resilience during the coming years whilst the force makes the transition necessary to achieving the savings set out in the MTFPS.

Budget Reserve - Westbere

During the year the Authority received an additional £0.700m towards the cost of the investigation into the warehouse fire at Atherstone on Stour. The opportunity has been taken at the end of the year to transfer £0.450m of this into the Budget Reserve, since, in the first instance; all costs of the investigation were met from general funding. The balance of £0.250m in the Westbere reserve will meet the cost of the on-going work during 2011-12.

Budget Reserve - Insurance

The reserve has been drawn down during the year to meet the cost of specific claims and related legal costs. Subsequent to a review of the Insurance Reserve at the end of the year £0.593m has been transferred into the Budget Reserve.

Budget Reserve – Invest To Save

The Invest to Save reserve of £0.500m 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 2011 is £0.126m

Police Community Support Officers (PCSO) Reserve

The cost of PCSOs over above the grant, third party contributions and our own budget provision is met from the PCSO 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.

Table 6 Revenue Reserves	£m
Earmarked Reserves	
Budget Reserve	13.959
Body Armour Reserve	0.120
Invest to Save Reserve	0.126
Westbere	0.250
Carry Forward Reserve	0.685
Learning & Development Centre Dilapidation Reserve	0.296
Insurance Reserve	0.780
PCSO Reserve	1.187
Repairs & Maintenance Reserve	1.029
General Revenue Reserve	2.000
Justice Centres	0.938
Total	21.370

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, carry forwards have been limited to those that have to be carried forward for specific purposes.

All those cost centres that would have been entitled to carry forward their in year under spends to 2011-12 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, which are already committed and have been reported to the Authority during the year.
- Externally funded projects where the income is ring fenced and must be carried forward under the terms of the grant/funding.
- Directorate requests for specific purposes

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 £0.685m.

VALUE OF OUR ASSETS

Bruton Knowles Property Assets Consultancy (chartered surveyors) was appointed to value the freehold properties, fixed plant and machinery, which comprise the Authority's portfolio. A five-year rolling programme of valuations has been put in place, and as part of that programme, four properties have been valued as at 31

March 2011, the Northern Justice Centre, Southern Justice Centre, Shipston Police Station and Rugby Police Station.

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 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.

The valuation for Leek Wootton site has been restated following identification of a valuation error in 2009-10. The valuation has reduced by £1.5m

LOOKING AHEAD (Current Economic Climate of the Authority)

Following the election of a new Government in May 2010, an emergency budget was announced that included a reduction of £0.768m of in year government funding in the form of Rule 2 Grant. This, with other changes, increased the budget gap to £13.400m over 4 years, from the £12.000m over three years, which had been included, in the MTFPS approved in February 2010. This presented an additional financial challenge to the Authority.

In October, the Government announced the CSR, which outlined significant funding reductions to the police service between 2011-12 and 2014-15. These reductions are “front loaded” with 6% to be delivered in 2011-12, a further 7% in 2012-13 and the remaining 7% over 2013-14 and 2014-15.

The Provisional Local Government Finance Settlement was announced in December and the final settlement issued in early February. The effect of this settlement was to increase the Authority’s budget gap to £22.900m over the four-year period 2011-12 to 2014-15.

As part of the CSR, a grant will be offered to local authorities, including police authorities equal to the equivalent of 2.5% increase on council tax. This is conditional on the Authority maintaining Band D council tax at 2010-11 levels, and equates to £0.872m for Warwickshire Police Authority, based on the 2011-12 Council Tax Base. The Authority has participated in this scheme and built in future increases in Council Tax of 2.5%, however this will be reviewed in light of the budget requirement, communities’ views and the financial regime in place at the time.

The 2011-12 budget was set at £93.588m, including a savings target of £3.600m, the budget is supported by a further £2.970m of reserves. 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. Further information is available in the Council Tax leaflet, which was delivered to all Warwickshire households.

Looking ahead there is uncertainty as to the economic environment effecting our cost base as well as a lack of clarity over the precise level of settlement the Authority will receive in the latter years of the current CSR period 2011-12 to 2014-15. The MTFPS has been developed on the basis of the information provided by the Home

Office and the Department of Communities and Local Government (DCLG), using indicative information to form a view of possible funding in the latter years of the four-year CSR period.

In addition to the challenges set out above the government have received both the Winsor review of police terms and conditions and the Hutton review of public sector pensions, the consequences of which will need to be built into the MTFPS once the full impact and timings are known with some certainty. Because pay and associated costs makes up the majority of the Authority's budget the recommendations from these reviews, especially those from the Winsor report will have a significant impact on the Authority's budget. However, it is of note that the budget gap set out in this foreword has already taken into account the proposed two year freeze in public sector pay announced by the government. Assumptions have been made that pay increases will be around the 1.5% mark in the latter years of the CSR period.

At the time of writing the foreword the rate of inflation measured through the Consumer Price Index is continuing to exceed government targets and be a source of some concern, particularly the increases in fuel prices. In developing the MTFPS the future cost of the goods and services purchased by the Force will be monitored and the impact of price changes assessed.

As reported elsewhere in the foreword significant progress has been made, through the 150Plus programme and the development of the new policing model towards achieving the savings required. However, significant savings are still to be made and the internal review process and change programme will identify further savings under the direction of the Deputy Chief Constable. At the same time work is underway to explore opportunities for a strategic alliance with our neighbour force West Mercia Police, this alliance has the potential to make savings through efficiencies, create more resilient services and improve levels of protection to our communities.

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 the Authority are required to provide by statute) in the financial year 2010-11.

CONTINGENT LIABILITIES

Contingent liabilities, in this instance, are obligations that have arisen from past events that will be confirmed by the occurrence or non-occurrence of one or more uncertain future events. As at the 31 March 2011 there are contingent liabilities relating to potential voluntary redundancies and employers national insurance contributions. Further explanation is provided at note 27 to the Statement of Accounts.

MATERIAL EVENTS AFTER THE 31 MARCH 2011

Subsequent to preparing the Statement of Accounts as at 31 March 2011 some £0.281m of outstanding debt has been repaid. In light of this the bad debt provision of £0.183m will be reviewed in 2011/12 and substantially reduced.

David Clarke
Treasurer to Warwickshire Police Authority

AUDITORS REPORT

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

Opinion on the Authority and Pension Fund accounting statements

I have audited the accounting statements and the police pension fund accounting statements of Warwickshire Police Authority for the year ended 31 March 2011 under the Audit Commission Act 1998. The accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes. The police pension fund accounting statements comprise the Fund Account, and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Warwickshire Police Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Treasurer and auditor

As explained more fully in the Statement of the Treasurer's Responsibilities, the Treasurer is responsible for the preparation of the Authority's Statement of Accounts, including the police pension fund accounting statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements sufficient to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority and Pension Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authority and the Pension Fund; and the overall presentation of the accounting statements. I read all the information in the explanatory foreword to identify material inconsistencies with the audited accounting statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on accounting statements

In my opinion the accounting statements:

- give a true and fair view of the state of Warwickshire Police Authority's affairs as at 31 March 2011 and of its income and expenditure for the year then ended;
- give a true and fair view of the financial transactions of the police pension fund during the year ended 31 March 2011; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

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

Matters on which I report by exception

I have nothing to report in respect of the governance statement on which I report to you if, in my opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

Conclusion on Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Basis of conclusion

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, I am satisfied that, in all significant respects, Warwickshire Police Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

Certificate

I certify that I have completed the audit of the accounts, including the police pension fund accounting statements, of Warwickshire Police Authority in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

John Gregory
District Auditor

1st Floor, No.1 Friarsgate, 1011 Stratford Road, Shirley, Solihull, West Midlands, B90 4BN

29 September 2011

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 the United Kingdom 2010-11 (the Code.)

In preparing this Statement of Accounts, the Treasurer to the Police Authority has:

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

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 28th September 2011 by Authority of the Treasurer to Warwickshire Police

I certify that the Statement of Accounts for the year ended 31 March 2011 required by the Accounts and Audit Regulations 2011 (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 2011 and its income and expenditure for the year then ended.

Signed:



Date: 28th September 2011

David Clarke

Treasurer to the Police Authority

ACCOUNTING STATEMENTS

RESTATED 2009-10 MOVEMENT IN RESERVES STATEMENT

	General Fund Balance £'000	Earmarked Reserves £'000	Capital Grants Unapplied £'000	TOTAL USABLE £'000	TOTAL UN-USABLE £'000	TOTAL RESERVES £'000
Balance as at 31 March 2010	(2,000)	(15,763)	0	(17,763)	710,368	692,605
Restate Opening Balance					(31,988)	(31,988)
Surplus or (deficit) on provisions of services	242,600	0	0	242,600	0	242,600
Total Comprehensive Expenditure & Income	242,600	0	0	242,600	(31,988)	210,611
Adjustments between accounting basis & funding basis under regulations	(242,106)	0	0	(242,106)	(6,594)	(248,700)
Net Increase- Decrease before Transfers to Earmarked Reserves	494	(0)	0	494	(38,582)	(38,088)
Transfer to - from Earmarked Reserves	(494)	(240)	0	(734)	0	(734)
Increase - Decrease in Year	0	(240)	0	(240)	(38,582)	(38,822)
Balance as at 31 March 2010	(2,000)	(16,003)	0	(18,003)	671,786	653,783

2010-11 MOVEMENT IN RESERVES STATEMENT

	General Fund Balance £'000	Earmarked Reserves £'000	Capital Grants Unapplied £'000	TOTAL USABLE £'000	TOTAL UN- USABLE £'000	TOTAL RESERVES £'000
Balance as at 31 March 2010	(2,000)	(16,003)		(18,003)	671,786	653,783
Restate Opening Balance					0	0
Surplus or (deficit) on provisions of services	(67,648)	0	0	(67,648)	0	(67,648)
Total Comprehensive Expenditure & Income	(67,648)	0	0	(67,648)	0	(67,648)
Adjustments between accounting basis & funding basis under regulations	64,673	0	0	64,673	(66,976)	(2,303)
Net Increase- Decrease before Transfers to Earmarked Reserves	(2,975)	0	0	(2,975)	(66,976)	(69,950)
Transfer to - from Earmarked Reserves	2,975	(3,367)	0	(392)	0	(392)
Increase - Decrease in Year	0	(3,367)	0	(3,367)	(66,976)	(70,343)
Balance as at 31 March 2011	(2,000)	(19,370)	0	(21,370)	604,810	583,440

COMPREHENSIVE INCOME & EXPENDITURE STATEMENT 2010-2011

2009-10 Actual £'000	2009-10 Actual Restated £'000		Gross Expenditure £'000	Gross Income £'000	2010-11 Net Expenditure £'000
Continuing Operations					
31,649	33,966	- Local Policing	51,143	(6,255)	44,888
9,471	10,051	- Dealing with the Public	9,816	(207)	9,609
10,721	11,329	- Criminal Justice Arrangements	15,592	(4,514)	11,078
5,972	6,383	- Road Policing	10,671	(1,182)	9,489
5,181	5,275	- Specialist Operations	4,322	(399)	3,923
5,319	5,588	- Intelligence	6,421	(484)	5,937
14,923	15,380	- Specialist Investigations	11,873	(1,358)	10,515
2,632	2,737	- Investigative Support	3,645	(214)	3,431
136	174	- National Policing	2,198	(1,686)	512
2,553	2,553	- Corporate and democratic core	1,681	(8)	1,673
0	0	- Non distributed costs ¹	(80,768)	0	(80,768)
88,557	93,436	Cost of Services	36,594	(16,307)	20,287
(155)	(155)	Other operating expenditure			(200)
795	795	Interest Payable			1,001
36,055	36,055	Pensions Interest Costs			43,149
(2,113)	(1,423)	Expected Return on Pension Assets			(2,998)
(214)	(214)	Investment Interest			(111)
34,523	35,213	Financing and Investment Income & Expenditure			41,041
(34,074)	(34,074)	Council Tax Income			(34,912)
(17,465)	(17,465)	National Non-Domestic Rates (Business Rates)			(19,169)
(32,649)	(32,649)	Police Grant			(33,634)
(4,032)	(4,032)	Revenue Support Grant			(2,783)
(8,278)	(8,278)	Home Office Pension Top Up Grant			(8,413)
0	(17,707)	Capital Grants & Contributions			(1,713)
(96,498)	(114,205)	Taxation and Non-Specific Grant Income			(100,624)
26,427	14,289	(SURPLUS) OR DEFICIT ON PROVISION OF SERVICES			(39,496)
0	(795)	Surplus or deficit on revaluation of non current assets			(3,379)
0	229,106	Actuarial gains - losses on pension assets - liabilities			(24,773)
	228,311	OTHER COMPREHENSIVE INCOME & EXPENDITURE			(28,152)
26,427	242,600	TOTAL COMPREHENSIVE INCOME & EXPENDITURE			(67,648)

¹ Exceptional Non-distributed costs relate to the change in the indexation basis for pension increases. The basis used, subsequent to the Chancellor's budget statement in June 2010, is now the Consumer Price Index (CPI) rather than the Retail Price Index (RPI). The transaction is credited to the CIES and has significantly reduced the pension liability held on the Balance Sheet.

BALANCE SHEET AS AT 31 MARCH 2011

Restated 2008-09 £'000	Restated 2009-10 £'000		31 st March 2011		Note
			£'000	£'000	
85,015	105,617	- Property, Plant and Equipment	114,174		8
885	1,209	- Intangible Assets	1,264		9
30	35	- Long-term Debtors	22		13
85,930	106,861	Long Term Assets		115,460	
0	0	- Short-Term Investments	0		
11	30	- Inventories and Work in Progress	0		
7,902	7,457	- Short term Debtors	6,351		14
		Cash and Cash Equivalents			
1,593		- Cash	141		
33,331	19,000	- Short Term Investments	18,000		10
42,837	26,487	Current Assets		24,492	
0	(40)	- Cash and Cash Equivalents	0		
(811)	(820)	- Short-term borrowing	(969)		10
(14,175)	(14,544)	- Short-term Creditors	(12,057)		15
(14,986)	(15,404)	Current Liabilities		(13,026)	
(15,304)	(14,484)	- Long-term Borrowing	(19,380)		10
(502,304)	(757,008)	- Other Long-term Liabilities	(690,593)		32
(9,832)	(440)	- Capital Grants Receipts in Adv	(393)		
(527,440)	(771,932)	Long Term Liabilities		(710,366)	
(413,659)	(653,988)	NET ASSETS		(583,440)	
(2,000)	(2,000)	- General Fund	(2,000)		
(17,222)	(16,003)	- Earmarked Reserves	(19,370)		6
(190)	0	- Capital Grants Unapplied	0		
(19,412)	(18,003)	Usable Reserves		(21,370)	
59	(82)	-Collection Fund Adjustment AC	(186)		16
(5,424)	(6,063)	- Revaluation Reserve	(9,257)		17
(66,137)	(81,419)	- Capital Adjustment Account	(79,124)		18
502,304	757,008	- Pensions Reserve	690,593		19
2,269	2,547	- St Accumulating Comp Absences	2,784		20
433,071	671,991	Un usable Reserves		604,810	
413,659	653,988	TOTAL RESERVES		583,440	

CASH FLOW STATEMENT

31 March 2010		31 March 2011
£'000		£'000
	OPERATING ACTIVITIES	
	Cash Inflows	
(33,933)	Council Tax	(34,809)
(17,465)	National Non-domestic Rates (Business Rates)	(19,168)
(4,032)	Revenue Support Grant	(2,783)
(48,959)	Home Office Specific Grant	(49,385)
(11,051)	Cash Received for Goods and Services	(14,236)
(570)	Interest Received	(110)
(116,010)	Cash Inflows Generated From Operating Activities	(120,491)
	Cash Outflows	
91,722	Cash Paid To and On Behalf of Employees	94,751
24,196	Other Operating Costs	21,564
795	Interest Paid	1,001
116,713	Cash Outflows Generated From Operating Activities	117,316
703	NET CASH FLOWS FROM OPERATING ACTIVITIES	(3,175)
	INVESTING ACTIVITIES	
24,795	Purchase of Fixed Assets	11,326
(478)	Sales of Fixed Assets	(582)
(9,823)	Capital Grant Received	(1,523)
14,494	NET CASH FLOWS FROM INVESTING ACTIVITIES	9,221
	FINANCING ACTIVITIES	
812	Repayments of Amounts Borrowed	954
0	New Loans Raised	(6,000)
(401)	Other Capital Receipts	(181)
411	NET CASH FLOW FROM FINANCING ACTIVITIES	(5,227)
15,608	NET (INCREASE) - DECREASE IN CASH AND CASH EQUIVALENTS	819
34,568	Cash and Cash equivalents at the beginning of the reporting period	18,960
18,960	Cash and Cash equivalents at the end of the reporting period	18,141

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 1: ACCOUNTING POLICIES

Accounting policies are the specific principles, bases, conventions, rules and practices applied by the Authority in preparing and presenting the financial statements.

1. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2010-11 financial year and the position at the year-end of 31st March 2011. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2003, further to this the Statement of Accounts are required to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010-11 (Code) and the Best Value Code of Practice 2010-11 (BVACOP), supported by and statutory guidance issued under section 12 of the 2003 Act.

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, financial performance and cash flows. This requires a faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the Code.

2. Changes in Accounting Policies

The 2010 Code details changes to the requirements for the 2010-11 accounts to ensure that they comply with International Financial Reporting Requirements (IFRS). These changes require an adjustment to prior periods through adjusting the opening balances and comparative amounts for the prior period as if the new policy had always been applied. Those, which are relevant to Warwickshire Police Authority, are as follows: -

- Employee Benefits Payable During Employment (International Accounting Standard (IAS19)) – Concerns the recognition and treatment of time off in lieu and un paid annual leave in the Comprehensive Income and Expenditure Statement
- Government and Non-Government Grants (IAS20) – Concerns the recognition of grants through the Comprehensive income and Expenditure Statement
- Property, Plant and Equipment (IAS16) - The treatment of revaluations and impairment has been brought into line with IFRS requirements and componentisation of assets has been considered, the latter is a non-adjusting change, which means

that there are no retrospective adjustments to prior years figures.

- Defined Benefit Pensions Schemes (IAS19) – specifically the treatment of potential future injury awards on the pension liability
- Cash and Cash Equivalents (IAS7) – Short-term investment held for less than three months are regarded as readily convertible to cash without a significant penalty and are therefore classified as cash and cash equivalents.

The prior year's financial statements have been restated to show the impact of the changes made under IFRS. A summary of the impact of these changes is set out in the foreword to the Statement of Accounts. The Accounting Policies contained in these notes to the Statement of Accounts sets out the treatment the Authority has adopted, which comply with IFRS.

3. Best Value Accounting Code of Practice (BVACOP)

To aid comparability and understanding of the Comprehensive Income and Expenditure Statement 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 Code.

In accordance with the requirements of BVACOP the costs of support services are allocated or apportioned, on an appropriate basis, to the nine service divisions. The accounting policy 'Overheads and Support Services' provides more information on the treatment of these items.

4. 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.

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 CODE 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.

5. 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, at the point the risks and rewards of ownership have transferred and it is probable that the economic benefits associated with the transaction will flow to the relevant party, 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. The policy includes services provided by employees.

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 rather than the actual cash flows.

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.

6. Cash & Cash Equivalents

Cash is presented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in (specified period, no more than three months) or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of a change in value.

7. Charges to Revenue for Non-Current Assets

The Comprehensive Income and Expenditure Statement is debited with the real cost of holding assets each year in respect of:

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

The 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, this is calculated on a prudential basis and will be as a minimum equal to the minimum revenue provision. Depreciation, impairment losses and amortisation are therefore replaced by contribution in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement 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, "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 2010-11 the Authority has adopted the Asset Life (Equal Installment Method) for capital expenditure incurred in 2009-2010. 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.

8. Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as paid annual leave, paid rest days, time off in lieu and Flexi-time hours for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end, which employees can carry forward into the next financial year. The accrual is made at the salary rates applicable in the following accounting year, plus the cost of Employer National Insurance contributions, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy and are charged on an accruals basis to the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of employment of an employee or group of employees. Termination payments have not included the enhancement of pensions.

Post Employment Benefits

The Authority is required under IFRS to make disclosures in line with IAS19 rather than IFRS17. IAS19 requires the Authority to value the expected, injury awards (long-term disability benefits) for active members, who are currently un-injured but who may become injured in the future, and include the value in the Statement of Accounts. By contrast IFRS17 only required the Authority to value the long-term benefits of those police officers actually injured and in receipt of injury awards. This amounts to a change in accounting policy. Therefore, the closing balance of the Pension Liability and the Pension Reserve has been restated from the date of the transition 1 April 2009.

The Police Authority supports two pension schemes one for police officers and one for 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 scheme under the Code. As a principle IAS19 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.

Defined benefit schemes are accounted for as follows:

- The liabilities of the pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method, i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 5.5% for the Local Government Pension Scheme (LGPS) (police staff and PCSOs). And 5.8% for the police pension scheme.
- Assets of the LGPS fund attributable to the Authority are included in the Balance Sheet at their value. Quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value.

The closing Balance Sheet for 2010-11 includes a pension liability of £691m, which is matched by a Pension Reserve. 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 change in the net pensions liability is analysed into seven components:

- ◆ **Current cost of Service** - the increase in liabilities as a result of years of service earned this year, allocated in the Comprehensive Income and Expenditure Statement.
- ◆ **Past Cost of Services** - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years, debited to the surplus or deficit on the Comprehensive Income and Expenditure Statement.
- ◆ **Interest Cost** - the expected increase in present value of liabilities during the year as they move one year closer to being paid, debited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement.
- ◆ **Expected Rate of 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 the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement.
- ◆ **Gains or Losses on Settlement 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 or credited to the surplus or deficit on the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs.
- ◆ **Actuarial Gains and Losses** – changes in the net pension liability that arises because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions, debited to the Pensions Reserve.
- ◆ **Contributions Paid to the Pensions Fund** – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

Charges to the Comprehensive Income and Expenditure Statement associated with IAS19 entries total (£45.876)m and consists of:

- Current cost of service £19.514m
- Past cost of service (£80.768)m
- Return on assets (£2.998)m
- Interest costs £43.149m
- Actuarial (Gain)/Losses (£24.773)m

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as employees earn the benefits.

The Authority did not award any discretionary benefits during 2010-11.

The actuarial assumptions used to produce the figures used to value pension assets and liabilities disclosed under IAS19 are declared at note 33 to the Statement of Accounts.

9. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provision of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income & Expenditure Statement 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 Comprehensive Income and Expenditure Statement 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 recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and 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 the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, the Authority 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 2010-11 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 CODE.

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 Comprehensive Income and Expenditure Statement.

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 the Authority bought them for. Interest paid on money the Authority has borrowed, as well as interest earned on money the Authority lent out, 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 Comprehensive Income and Expenditure Statement.

Available for Sale Assets

The Authority does 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 CODE.

10. Government and non-Government Grants and Contributions

Grants and contributions are recognised as due to the Authority when there is reasonable assurance that:

- The Authority will comply with the conditions attached to the payments, and
- The grant or contribution will be received

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that the grant or contribution must be spent on goods, services or assets for specific purposes or in pursuit of specific outcomes set out in the accompanying agreement. Otherwise the monies must be returned to the body that paid the grant or made the contribution to the Authority.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors in the Capital Receipts in Advance Account. Where conditions are satisfied, the grant or contribution is credited to the Comprehensive Income and Expenditure Statement.

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

11. Intangible Assets

Intangible assets relate to the purchase of computer software for which the Authority holds and controls the licenses but does not acquire a physical asset. The intangible asset is capitalised when it is expected that the software will come into service. Intangible assets are carried at amortised cost and therefore the value is written down in the accounts over the life of the asset.

Any gain or loss that might arise on the disposal or abandonment of an intangible asset is posted to the Comprehensive Income and Expenditure Statement. Amortisation, impairment losses and disposal gains or losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and posted to the Capital Receipts Unapplied Account.

12. Inventories (Stocks held in Store)

The Police Authority does not hold any Inventories (Stocks held in Store).

13. Operating Leases

The Police Authority has no finance leases. Rentals payable under operating leases are charged to the Comprehensive Income and Expenditure Statement 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. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments.

14. Overheads and Support Services

The costs of overheads and support services are charged to the Comprehensive Income and Expenditure Statement. The BVACOP presentation of the Comprehensive Income and Expenditure Statement down to the net cost of services is presented as nine main business areas where the cost of overheads and support services has been allocated across these main business areas in accordance with the principles of the BVACOP (total absorption costing principle), 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 Comprehensive Income and Expenditure Statement, as part of Net Cost of Services.

15. Property, Plant and Equipment (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 during 2010-11 and on a continuing basis.

Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment capitalised on an accruals basis, provided the work has been carried out or when the asset has been delivered to us and becomes serviceable, 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 Comprehensive Income and Expenditure Statement as it is incurred.

Measurement

Assets are initially measured at cost, comprising:

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

- The cost of dismantling and removing the item and restoring the site on which it was located

The Authority has not capitalised borrowing costs incurred whilst assets are under construction

The Authority has not acquired any assets by way of an exchange and do not hold any donated assets.

Assets are then carried in the balance sheet using the following principles:

- Operational property and assets that the Authority does not use in day-to-day operations are included in the balance sheet at fair value based on Existing Use Value (EUV)
-
- Non-property assets that have a short useful life and-or low values Historical Cost is used as a proxy for fair value.

Expenditure on incomplete capital works is shown as Assets Under Construction on the Balance Sheet, and is valued at cost

Bruton Knowles Property Assets Consultancy has valued the freehold properties, fixed plant and machinery, which comprise the Warwickshire Police Authority's portfolio. A five-year rolling programme of valuations has been put in place. In line with this programme four properties have been valued at 31 March 2011 by Bruton Knowles and all other property valuations have been reviewed as part of a desktop exercise.

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 the Authority does 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

Increases in value are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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

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

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

The Revaluation 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

Impairment

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

Where impairment losses are identified, they are accounted for by:

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

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

Depreciation

Depreciation is charged on all property, plant and equipment assets, over their useful economic lives, using the straight-line method, in order to reflect in the Comprehensive Income and Expenditure Statement the cost of the use of fixed assets in the financial year reported, with the exception of Land which is not depreciated. 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, and costs have occurred in a previous accounting period, these amounts are depreciated in the year of transfer.

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

- Buildings 10 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.

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

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

Componentisation

The Authority has adopted a policy of componentising property into land and buildings. Under the requirements of IFRS and in accordance with the Code, buildings have been further componentised with effect from 1 April 2010 under the following policy.

- a) Acquired on or after 1 April 2010
- b) Enhanced (including replacing components) on or after 1 April 2010, or
- c) Revalued on or after 1 April 2010

The Authority has decided to break down Land and Buildings into the following components:

- Land
- Buildings (Substructure & Superstructure)
- Plant (including heating, lifts, lighting, boilers, air conditioning and uninterrupted power supplies (UPS))

All components of an asset are valued at fair value as set out in this policy under the section titled measurement.

Componentisation will only be applied to assets over £2.000m, which, the Authority has judged is the threshold after which componentisation of assets might have a material impact on the Statement of Accounts. The value of each component is considered individually in relation to the overall value of the asset and the impact that componentisation will have on the Comprehensive Income and Expenditure Statement, in terms of depreciation, before reaching a decision on making the entries into the Statement of Accounts.

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.

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.

16. Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

17. Reserves

The Authority sets aside specific amounts as reserves for future, specific purpose or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the Comprehensive Income and Expenditure Statement against the surplus or deficit on the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back to the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority as follows:

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying amounts of precept from collection funds of billing authorities (District and Borough Councils).

Capital Adjustment Account

This includes amounts the Authority had 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 the Authority has sold.

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increase in the value of our property, plant and equipment. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised.

Pensions Reserve

The pension reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employee's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit on the Pensions Reserve therefore shows a shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. Statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not yet taken in the year, e.g. toil, annual leave, rest days. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

18 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.

19 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.

20 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.

21. Joint Arrangements

Warwickshire Police is the accounting body for the Warwickshire Justice Centres. Partnership members contribute to the running costs of both the Northern and Southern Justice Centres. Ownership of both the Northern and Southern Justice Centres remains with Warwickshire Police.

NOTE 2: ACCOUNTING STANDARDS ISSUED BUT NOT ADOPTED

The following sets out the accounting standards that have been issued on or before 1 January 2011 but not yet adopted by the Code.

- **Financial Reporting Standard 30 Heritage Assets**
The intention is to enhance the disclosure around heritage assets and report the value in the Balance Sheet. A heritage asset is a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture. It is anticipated that this standard will have not impact on the Authority's Statement of Accounts on the grounds that the Authority do not own any heritage assets, however, in the event of acquiring a heritage asset the Authority would comply with the requirements of FRS 30.

NOTE 3: CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in note 1 the Authority may have to exercise judgement about complex transactions or uncertainty about future events. There are still uncertainties about the future funding that the Authority will receive from the government and the precise steps that will be taken to balance the budget over the medium term. The Statement of Accounts reflect the transactions during the financial year 2010-11 and show a picture of the assets and liabilities of the current operations as at the 31 March 2011.

NOTE 4: ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

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

The items in the Authority's Balance Sheet as at the 31 March 2011 for which there is potentially a risk of a material adjustment in the future are:

Property, Plant and Equipment

Assets are depreciated over their Useful Economic Lives (UEL), as determined by our valuers based on judgements, which include assumptions about the level of repairs and maintenance that will be incurred on individual assets. For example if the UEL is reduced depreciation, charged to the Comprehensive Income and Expenditure Statement, would increase and the carrying value of the asset fall.

Pensions Liability

Estimation of the pensions liability depends on a number of complex judgement and assumptions relating to the discount rate, the future value of the assets and liabilities of the pension schemes, the rate of increase in pay, changes in retirement ages and mortality rates. Two actuaries are engaged to provide the Authority with expert advice about the assumptions to be applied to the police pension and Local Government Pension Scheme.

A variance in the assumptions compared to reality can produce material changes to the assets and liabilities of the pensions schemes. The actuary produces sensitivity analysis to show the impact of a plus or minus 1% variation in key assumptions. The impact of these changes is dampened by the fact that only employers contributions, the cost of ill health retirements and injury awards are charged against the General Fund. The impact on the employer's contributions is smoothed over time by the valuation of the schemes, which is undertaken every three years.

NOTE 5: ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total comprehensive income expenditure recognised by the Authority in the year in accordance with proper accounting practice to resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

2009-10	General Fund Balance	Unusable Reserves
	£'000	£000
Adjustments to the Capital Adjustment Account		
Depreciation and impairment of non-current assets	(4,812)	4,812
Revaluation gain on property, plant and equipment	795	(795)
Amortisation of intangible assets	(363)	363
Gain on the disposal of non-current assets	155	(155)
Items Not Debited or Credit to the CIES		
Statutory provision for the financing of capital investment	811	(811)
Capital expenditure charged against the General Fund	505	(505)
Adjustments Involving Deferred Capital Receipts Reserve		
Transfer of deferred sale proceeds	17,708	(17,708)
Adjustments to the Pensions Reserve		
Reversal of items relating to retirement benefits credited to the CIES	(45,612)	45,612
Actuarial gains and losses	(229,106)	229,106
Employer's pension contributions and direct payments to pensioners payable in year – Police Officers	9,442	(9,442)
Employer's pension contributions and direct payments to pensioners payable in year – Police Staff	2,294	(2,294)
Pension Fund Account contribution	8,278	(8,278)
Adjustments involving the Collection fund Adjustment Account		
Amount by which council tax credited to the CIES is different from the actual amount	142	(142)
Adjustments involving the Accumulated Absences Accounts		
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(2,342)	2,342
Total Adjustments	(242,105)	242,105

2010-11	General Fund Balance	Unusable Reserves
	£'000	£000
Adjustments to the Capital Adjustment Account		
Depreciation and impairment of non-current assets	(5,076)	5,076
Revaluation gain on property, plant and equipment	3,379	(3,379)
Amortisation of intangible assets	(468)	468
Gain on the disposal of non-current assets	200	(200)
Items Not Debited or Credit to the CIES		
Statutory provision for the financing of capital investment	979	(979)
Capital expenditure charged against the General Fund	211	(211)
Adjustments Involving Deferred Capital Receipts Reserve		
Transfer of deferred sale proceeds	1,713	(1,713)
Adjustments to the Pensions Reserve		
Reversal of items relating to retirement benefits credited to the CIES	21,103	(21,103)
Actuarial gains and losses	24,773	(24,773)
Employer's pension contributions and direct payments to pensioners payable in year – Police Officers	9,685	(9,685)
Employer's pension contributions and direct payments to pensioners payable in year – Police Staff	2,442	(2,442)
Pension Fund Account contribution	8,412	(8,412)
Adjustments involving the Collection fund Adjustment Account		
Amount by which council tax credited to the CIES is different from the actual amount	103	(103)
Adjustments involving the Accumulated Absences Accounts		
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(2,784)	2,784
Total Adjustments	64,673	(64,673)

NOTE 6: TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from the earmarked reserves to meet General Fund expenditure.

Reserve	Balance 1 April 2009	Transfers to Reserves	Transfers From Reserves	Balance 31 March 2010	Transfers to Reserves	Transfers From Reserves	Balance 31 March 2011
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Budget	12,483	3,327	(5,444)	10,366	8,463	(4,374)	14,455
Carry Forward	1,095	737	(1,195)	637	660	(612)	685
LDC	0	240	0	240	56	0	296
Dilapidations							
Insurance	866	697	0	1,563	0	(783)	780
PCSO	0	1,346	0	1,346	641	(800)	1,187
Repair & Maintenance	1,579	200	(450)	1,329	0	(300)	1,029
Total	16,023	6,547	(7,089)	15,481	9,820	(6,869)	18,432

Note 1. The Learning and Development Centre contribution was previously held as Unapplied Grants and Contributions and has been restated as a Usable Reserve, classified as Unapplied Grants and Contributions.

Justice Centre Reserves:

Reserve	Balance 1 April 2009	Transfers		Balance 31 March 2010	Transfers		Balance 31 March 2011
		To	From		To	From	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Sinking Fund	305	187	0	492	200	(57)	635
General Reserve	0	0	0	0	292	0	292
Interest on Balances	699	30	(699)	30	11	(30)	11
Total	1,004	217	(699)	522	503	(87)	938

NOTE 7: FINANCING AND INVESTING INCOME AND EXPENDITURE

	2009-10 £'000	2010-11 £'000
Interest and similar charges	795	1,001
Pensions interest cost expected return on pensions	34,632	40,151
Interest received and similar income	(214)	(111)
Other investment income		
Total Financing and Investment Expenditure	35,213	41,041

NOTE 8: PROPERTY, PLANT AND EQUIPMENT**Restated 2009-10 Property, Plant and Equipment**

	Operational Assets					Non Operational Assets	
	Land £'000	Buildings £'000	Vehicles £'000	Equipment £'000	Helicopter £'000	Assets Under Construction £'000	Total £'000
Opening Balance NBV @ 1 Apr 2009	7,982	46,573	2,293	3,143	1,168	23,856	85,015
Additions	0	300	1,018	548	0	23,123	24,989
Transfers from AUC	0	777	0	290	0	(1,559)	(492)
Revaluation Mvt to I&E	(96)	(461)	0	0	0	0	(557)
Revaluation Loss	(177)	(219)	0	0	0	0	(397)
Revaluation Gain	40	1,162	0	0	0	0	1,203
Disposals to I&E	0	0	(24)	0	0	0	(24)
Disposal to Reval Rsrv	0	0	0	0	0	0	0
HC Charge	0	(1,117)	(893)	(1,809)	(146)	0	(3,965)
RV Charge	0	(155)	0	0	0	0	(155)
Closing Balance NBV @ 31 Mar 2010	7,749	46,860	2,394	2,172	1,022	45,420	105,617

The valuation for the Leek Wootton site has been restated in the above figures following identification of a valuation error in 2009-10. The valuation has reduced by £1.5m

2010-11 Property, Plant and Equipment

	Operational Assets					Non Operational Assets	
	Land £'000	Buildings £'000	Vehicles £'000	Equipment £'000	Helicopter £'000	Assets Under Construction £'000	Total £'000
Opening Balance NBV @ 1 Apr 2010	7,749	46,860	2,394	2,172	1,022	45,420	105,617
Additions	0	15	641	0	0	10,438	11,094
Transfers from AUC	0	43,965	0	2,332	0	(46,818)	(521)
Revaluation Mvt to I&E	(35)	(600)	0	0	0	0	(635)
Revaluation Loss	(8)	(1,272)	0	0	0	0	(1,280)
Revaluation Gain	340	4,399	0	0	0	0	4,739
Disposals to I&E	(101)	(98)	(22)	0	0	(8)	(229)
Disposal to Reval Rsrv	(1)	(79)	0	0	0	0	(80)
HC Charge	0	(1,690)	(925)	(1,583)	(146)	0	(4,344)
RV Charge	0	(185)	0	0	0	0	(185)
Closing Balance NBV @ 31 Mar 2011	7,944	91,315	2,088	2,921	876	9,032	114,176

Number of Assets held at 31 March	2009-2010	2010-2011
Police Stations	18	19
Motorway Posts	4	3
Police Houses and Other Sites	5	3
Radio Aerial Sites	1	1
Vehicles: Capitalised (Includes capital funded de minimis vehicles)	384	348
De minimis (Purchased from revenue funds, not depreciated)	15	12

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

NOTE 9: 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.

The useful lives assigned to major software used by the Authority are 5 years. The carrying amount of intangible assets is amortised and charged to the Comprehensive Income and Expenditure Statement on a straight-line basis.

The following table shows the movement in the intangible assets during the year.

Intangible assets	£'000
Balance at 1 April 2010 - Cost	3,138
Balance at 1 April 2010 - Accumulated Provision for Amortisation	(1,929)
Balance at 1 April 2010 - NBV	1,209
Software purchases	0
Transfer from Assets Under Construction	523
<i>Less</i>	
<i>In Year Adjustments</i>	0
Charge to revenue in year	(468)
Balance at 31 March 2011	1,264

NOTE 10: 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 2011 £'000	Long Term on 31 March 2010 £'000	Current on 31 March 2011 £'000	Current on 31 March 2010 £'000
Financial Liabilities at amortised cost	19,380	14,484	13,026	15,364
Total Liabilities	19,380	14,484	13,026	15,364
Loans and receivables	0	0	24,492	26,457
Total Assets	0	0	24,492	26,457

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 2010	881	14,423	15,303
Add: new loans	0	6,000	6,000
Less: principal payments-loans redeemed	(196)	(758)	(954)
Balance as at 31 March 2011	685	19,665	20,349

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

Financial Liabilities - Loans profile	31 March 2010 £'000	31 March 2011 £'000
Short term borrowing (Current)		
Maturity within 1 year	820	969
Total short term borrowing	820	969
Long term borrowing		
Maturity within 1 to 2 years	830	986
Maturity within 2 to 5 years	2,454	2,770
Maturity within 5 to 10 years	3,512	4,533
Maturity within 10 years or more	7,688	11,091
Total long term borrowing	14,484	19,380
Total loans outstanding	15,304	20,349

The Financial Liabilities at amortised cost is entirely for Public Works Loan Board (PWLB) borrowings and the Code states "No adjustments required to amounts in Balance Sheet. Interest chargeable to Comprehensive Income and Expenditure Statement remains amounts payable under the loan agreements"

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	Financial Liabilities – measured at amortised cost	Financial Assets – Loans and Receivables	Total
	£'000	£'000	£'000
2010-11			
Interest Expense	1,001	0	1,001
Interest Payable and Similar Charges	1,001	0	1,001
Interest Income	0	(111)	(111)
Interest and investment income	0	(111)	(111)
2009-10			
Interest Expense	795	0	795
Interest Payable and Similar Charges	795	0	795
Interest Income	0	(214)	(214)
Interest and investment income	0	(214)	(214)

The Authority does not hold any assets held for sale. 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 the Authority has made the following assumptions: -

- The Authority only has PWLB loans; fair value is calculated and provided by the PWLB for inclusion in the Statement of Accounts.
- 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 2011 Carrying Amount £'000	31 March 2011 Fair Value £'000	31 March 2010 Carrying Amount £'000	31 March 2010 Fair Value £'000
Financial Liabilities	20,349	22,135	15,303	16,402
Loans and receivables	18,000	18,000	19,000	19,000

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 the Authority 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. The Authority 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 the Authority will not engage in such activity.

The following analysis summarises our potential maximum exposure to credit risk relating to investments, based on experience of default and uncollectability over the last five financial years. Trade debtors have been reviewed and a bad debt provision of £183,000 has been set aside to cover specific and general bad debt.

	Amount at 31 March 2011	Historical experience of Default	Historical experience adjusted for market conditions as at 31 March 2011	Estimated maximum exposure to default & uncollectabil ity £'000
	£'000	%	%	£'000
Deposits with financial institutions	18,000	0.0	0.0	18,000

The Authority do not expect any losses from non-performance by any of our counter parties in relation to deposits, our investments are spread across a range of approved organisations.

Liquidity Risk

As the Authority has ready access to borrowings from the PWLB, there is no significant risk that the PWLB will be unable to raise finance to meet commitments under financial instruments. Instead the risk is that the Authority 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, if it is appropriate to do so the Authority may fund this internally in the short-term. The Authority use cash reserves that have been set aside to support future years' revenue budgets to invest in the short term. The Authority has 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 exposure to interest rate movements on its investments and the fall in interest rates in recent years has adversely effected our returns. Existing loans have been taken out at fixed interest rates and therefore the Authority is insulated from market fluctuations on our borrowing. 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 Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement 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 Comprehensive Income & Expenditure Statement. However, changes in interest payable and receivable on variable rate investments and borrowings, should the Authority have any in the future, will be posted to the Comprehensive Income and Expenditure Statement and affect the General Fund Balance £ for £. Movements in the fair value of fixed rate investments will be reflected in the Comprehensive Income and Expenditure Statement. 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 Medium Term Financial Plan and annual budget, which is used to update the budget quarterly during the year. This process allows for any adverse changes to be accommodated.

NOTE 11: INVENTORIES

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

Analysis of Stock and Stores	2009-10 £'000	2010-11 £'000
Stationery	8	0
Fuel	22	0
Total stock and stores	30	0

NOTE 12: CAPITAL COMMITMENTS & CONSTRUCTION CONTRACTS

As at the 31 March 2011 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 £1.245m, are as follows:

Information Technology & IM Strategy - Remaining Commitment £0.243m

A number of schemes have been undertaken during 2010-11, as part of the Information Technology programme, for which a commitment remains at the end of the financial year.

Property Development Plan - Remaining Commitment £0.883m

A number of Property related schemes were ongoing during 2010-11, for which a commitment remains at the end of the financial year. The majority of this is a commitment to develop Rugby Police Station to create a storage facility.

Vehicle – Remaining Commitment £0.000m

There were no vehicle related commitments at 31st march 2011.

Justice Centre Partnership £0.119m

£0.119m of retention payments remain on the completed Warwickshire Justice Centre building at Leamington. These are due for payment in 2011/12, subject to satisfactory building inspections.

NOTE 13: LONG TERM DEBTORS

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

Long term debtors	2009-10 £'000	2010-11 £'000
Car Loans due in greater than 1 Year	11	4
Pay Loans due in greater than 1 Year	6	1
Payroll Recovery	18	17
Total Long Term Debtors	35	22

NOTE 14: SHORT TERM DEBTORS

Analysis of Debtors	2009-10 £'000	2010-11 £'000
Council Tax Debtor	1,104	1,235
Salary and allowances prepayments	4	2
Other prepayments	497	606
Sundry debtors	5,989	4,674
Car, payroll and Cycle to work scheme Loans due within 1 year	36	17
Less: Provision for doubtful debts	(173)	(183)
Total Debtors	7,457	6,351

The Authority has made provision for bad or doubtful debts of £183,000 based on an analysis of outstanding income due from customers who have received services such as policing of events.

NOTE 15: CREDITORS

Analysis of Creditors	2009-10 £'000	2010-11 £'000
Council Tax Creditor	1,021	1,050
Police payroll creditors	381	238
Civilian payroll creditors	82	70
Pension creditors	299	301
Sundry creditors (including Police Property Act Fund)	8,922	6,758
Receipts In Advance	1,292	856
Employee Benefits Accrual	2,547	2,784
Total Creditors	14,544	12,057

NOTE 16: COLLECTION FUND ADJUSTMENT ACCOUNT

	£'000
Closing Balance 2009-10	(82)
Collection fund adjustment	(104)
Balance at 31 March 2011	(186)

NOTE 17: REVALUATION RESERVE

Restated Revaluation Reserve 2009-10		£'000
Closing Balance 2008-09		(5,424)
- Upward Revaluations	(1,191)	
- Downward Revaluation of Assets & Impairment losses not charged to the Surplus/Deficit on the Provision of Services	397	
		(794)
- Difference between fair value depreciation and historical cost depreciation	155	
		155
Balance at 31 March 2010		(6,063)

Revaluation Reserve 2010-11		£'000
Restated Closing Balance 2009-10		(6,063)
- Upward Revaluations	(4,739)	
- Downward Revaluation of Assets & Impairment losses not charged to the Surplus/Deficit on the Provision of Services	1,279	
		(3,460)
- Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services	81	
- Difference between fair value depreciation and historical cost depreciation	185	
		266
Balance at 31 March 2011		(9,257)

NOTE 18: CAPITAL ADJUSTMENT ACCOUNT

Restated Capital Adjustment Account 2009-10		£'000
Balance at 31 March 2009		(22,054)
IFRS Restatements – Government Grants Deferred Account		(59,991)
Restated 2008-09 Closing Balance		(82,045)
<u>Reversal of items relating to capital spend debited/credited to the CIES</u>		
- Charges for depreciation of non-current assets	3,964	
- Charges for downward revaluation of non-current assets	557	
- Revaluation losses on Property, Plant & Equip	0	
- Amortisation of Intangible Assets	363	
- Revenue Contribution to Capital Expenditure	(339)	
- Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	24	
		4,569
- Adjusting amounts written out of the Revaluation Reserve		0
Net written out amount of the cost of non-current asset consumed in the year		(77,476)
<u>Capital financing applied in the year:</u>		
- Use of the Capital Receipts Reserve	(344)	
- Use of the Justice Centre Reserve	(699)	
- Use of the Carry Forward Reserve	(88)	
- Capital spend charged against the General Fund	(811)	
		(1,942)
- Amortisation of Grants		(2,001)
Balance at 31 March 2010		(81,419)

Capital Adjustment Account 2010-11		£'000
Balance at 31 March 2010		(81,419)
<u>Reversal of items relating to capital spend debited/credited to the CIES</u>		
- Charges for depreciation of non-current assets	4,343	
- Charges for downward revaluation of non-current assets	635	
- Revaluation losses on Property, Plant & Equip	0	
- Amortisation of Intangible Assets	468	
- Revenue Contribution to Capital Expenditure	(211)	
- Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	228	
		5,463
- Adjusting amounts written out of the Revaluation Reserve		0
Net written out amount of the cost of non-current asset consumed in the year		(75,956)
<u>Capital financing applied in the year:</u>		
- Use of the Capital Receipts Reserve	(428)	
- Capital grants & contributions credited to the CIES	(1,743)	
- Capital spend charged against the General Fund	(979)	
		(3,150)
- Insignificant Balancing item		(18)
Balance at 31 March 2011		(79,124)

NOTE 19: PENSION RESERVE

	£'000
Original Balance 2009-10	739,438
Restatements	17,570
Restated Balance 2009-10	757,008
- Actuarial gains or losses on pension assets & liabilities	(24,773)
- Reversal of items relating to the retirement benefits debited or credited to the Surplus or Deficit on Provisions of Services in the CIES	(21,103)
- Employer's pensions contributions and direct payments to pensioners payable in the year	(20,539)
Balance at 31 March 2011	690,593

NOTE 20: SHORT TERM ACCUMULATING ABSENCES ACCOUNT

	£'000
Original Balance 2009-10	0
Restatements	2,547
Restated Balance 2009-10	2,547
- Accrual for ST Accumulating Absences	237
Balance at 31 March 2011	2,784

NOTE 21: AMOUNTS REPORT FOR RESOURCE ALLOCATION DECISIONS

Segmental Reporting

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Accounting Code of Practice. However, the Authority on the basis of Financial Management Reports analysed across directorates takes decisions about resource allocation. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made in relation to capital expenditure, whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement.
- The cost of retirement benefits is based on cash flows, payment of employer's pension contributions, rather than current service cost of benefits accrued in the year.
- Support service costs are apportioned across the services in the Comprehensive income and Expenditure Statement but are reported independently for the purpose of decision making.

The income and expenditure of the Authority's principal directorates recorded in the budget reports for the year is shown in the following tables. Omitted from the tables below are the interest received from short-term investments and interest paid on borrowing, which are reported to management, however they do not form part of the net cost of services and are reported as corporate amounts in arriving at the surplus/deficit on the Comprehensive income and Expenditure Statement. Financial Management reports presented to the Force Executive Board and Police Authority do not apportion support services across the directorates they are instead recorded and reported within the Resources Directorate.

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2010-11	Police Authority £'000	Performance & Standards £'000	Local Policing £'000	Protective Services £'000	Resources £'000	Corporate Finance £'000	Total £'000
Fees, Charge & Other	0	(410)	(1,008)	(2,450)	(575)	(1,344)	(5,787)
Government Grants	0	(210)	(3,383)	(1,264)	(9)	(2,597)	(7,463)
Total Income	0	(620)	(4,391)	(3,714)	(584)	(3,941)	(13,250)
Employee Expenses	297	3,114	40,117	29,155	5,902	2,482	81,067
Other Operating Expenses	611	229	2,462	3,506	11,171	808	18,787
Total Operating Expenses	908	3,343	42,579	32,661	17,073	3,290	99,854
Net Cost of Services	908	2,723	38,188	28,947	16,489	(651)	86,604

2009-10	Police Authority £'000	Performance & Standards £'000	Local Policing £'000	Protective Services £'000	Resources £'000	Corporate Finance £'000	Total £'000
Fees, Charge & Other	0	(288)	(2,963)	(2,427)	(545)	(668)	(6,891)
Government Grants	0	(214)	(4,759)	(1,122)	(18)	(3,364)	(9,477)
Total Income	0	(502)	(7,722)	(3,549)	(563)	(4,032)	(16,368)
Employee Expenses	224	3,169	38,519	28,911	6,037	4,991	81,851
Other Operating Expenses	676	712	4,784	3,884	12,363	655	23,074
Total Operating Expenses	900	3,881	43,303	32,795	18,400	5,646	104,925
Net Cost of Services	900	3,379	35,581	29,246	17,837	1,614	88,557

Reconciliation of directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

The following table shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2009-10 £'000	2010-11 £'000
Net expenditure in the directorate analysis	88,557	86,604
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis	18,497	(53,279)
Amounts included in the analysis not included in the comprehensive Income and Expenditure Statement	(13,617)	(13,038)
Cost of Services in Comprehensive income and Expenditure Statement	93,437	20,287

Reconciliation to Subjective Analysis

For the purpose of the Comprehensive Income and Expenditure Statement support services are apportioned across service headings, therefore they are also apportioned across subjective heads.

2010-11	Service Analysis £'000	Not Reported to Management £'000	Not Incl. In CIES £'000	Net Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, Charge & Other	(5,787)	(3,037)	0	(8,844)	0	(8,844)
Interest and investment income	0	0	0	0	(111)	(111)
Income from council tax	0	0	0	0	(34,912)	(34,912)
Government grants and contributions	(7,463)	0	0	(7,463)	(65,712)	(73,175)
Total Income	(13,250)	(3,037)	0	(16,307)	(100,735)	(117,042)
Employee expenses	81,067	(58,729)	(11,867)	10,471	40,150	50,621
Other services expenses	18,787	2,963	(1,171)	20,579	0	20,579
Depreciation, amortisation and impairment	0	5,544	0	5,544	0	5,544
Revaluation of Property	0	0	0	0	(3,379)	(3,379)
Actuarial Gains/(Losses) on pension Assets & Liabilities	0	0	0	0	(24,773)	(24,773)
Interest payments	0	0	0	0	1,001	1,001
Gain or loss on disposal of fixed assets	0	0	0	0	(199)	(199)
Total Expenditure	99,854	(50,222)	(13,038)	36,594	12,800	49,394
Surplus-deficit on the provision of services	86,604	(53,279)	(13,038)	20,287	(87,935)	(67,648)

2009-10	Service Analysis £'000	Not Reported to Management £'000	Not Incl. In CIES £'000	Net Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, Charge & Other	(6,891)	0	0	(6,891)	0	(6,891)
Interest and investment income	0	0	0	0	(214)	(214)
Income from council tax	0	0	0	0	(34,074)	(34,074)
Government grants and contributions	(9,477)	0	0	(9,477)	(80,131)	(89,609)
Total Income	(16,368)	0	0	(16,368)	(114,419)	(130,788)
Employee expenses	81,851	10,980	(12,466)	80,365	34,632	114,997
Other services expenses	23,074	0	(1,151)	21,923	0	21,923
Depreciation, amortisation and impairment and revaluation adjustment	0	7,517	0	7,517	0	7,517
Revaluation of Property	0	0	0	0	(795)	(795)
Actuarial Gains/(Losses) on pension Assets & Liabilities	0	0	0	0	229,106	229,106
Interest payments	0	0	0	0	795	795
Gain or loss on disposal of fixed assets	0	0	0	0	(155)	(155)
Total Expenditure	104,925	18,497	(13,617)	108,005	263,583	373,388
Surplus-deficit on the provision of services	88,557	18,497	(13,617)	91,637	149,164	242,600

NOTE 22: AGENCY SERVICES

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

NOTE 23: POOLED BUDGETS AND JOINT ARRANGEMENTS

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.

Partners contribute to the Northern Justice Centre building costs on the basis of floor area as follows:

- 46.0% Police
- 39.9% Her Majesty's Courts Service
- 9.9% Probation
- 3.8% Youth Justice Service
- 0.4% Victim Support

Partners contribute towards the loan to build the Southern Justice Centres in the following proportions:

- 55.0% Police
- 19.0% Probation
- 17.0% Youth Justice Service
- 9.0% Crown Prosecution Service

The operational costs, including building maintenance, for the Northern Justice and Southern Justice Centre, the latter being completed in September 2010, are met through contributions from the participating agencies. Minor surpluses and deficits are carried forward and taken into account in setting the following years budget. A sinking fund was created in 2007-08 to meet future building maintenance costs of the Northern Justice Centre, this fund is ring fenced in the Authority's Accounts as part of the Earmarked Reserves, the balance on the sinking fund was £653,000 as at 31 March 2011. This amount will build up to £700,000 as the partners make contributions to the fund. The same arrangements for the provision of a sinking fund will be in place for the Southern Justice Centre during 2011-12.

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

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 Area Based Grant (ABG) replaced Local Area Agreement Grant. The ABG has been reduced in 2010-11 in line with government reductions in public sector funding. Other sources of funding, for example the Basic Command Unit Fund have also been pooled as part of this arrangement. Warwickshire Police received £281,022 of funding, 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.

NOTE 24: MEMBERS ALLOWANCES

Members are not included in the table under note 1 because no single Member was paid more than £50,000 during the year. The Authority paid the following amounts to members’:

	2009-10	2010-11
Allowances	231,821	237,876
Travel	7,894	8,888
Subsistence	602	300
Total Members Allowances	240,317	247,064

NOTE 25: OFFICERS' REMUNERATION

Regulation 7 of the Accounts and Audit 2011 (SI 2011 No. 533) as amended by SI 2009 No 332 introduced a legal requirement to increase transparency and accountability in Local Government for reporting remuneration of senior employees and senior police officers. The provisions require that the Authority include remuneration information as follows.

(A) Employee Pay Bands

The following table details the number of police officers and police staff, including PCSOs, whose remuneration was £50,000 or more, grouped in £5,000 bands. The figures include senior officers, whose remuneration is detailed further in note (B). The figures also include terminations benefits

Pay Band	Number of Employees	
	2009-2010	2010-2011
£50,000 - £54,999	69	59
£55,000 - £59,999	35	38
£60,000 - £64,999	13	8
£65,000 - £69,999	2	8
£70,000 - £74,999	2	3
£75,000 - £79,999	6	2
£80,000 - £84,999	2	5
£85,000 - £89,999	1	0
£90,000 - £94,999	1	4
£95,000 - £99,999	1	0
£100,000 - £104,999	0	1
£105,000 - £109,999	1	0
£110,000 - £114,999	1	1
£115,000 - £119,999	0	0
£120,000 - £124,999	0	0
£125,000 - £129,999	1	0
£130,000 - £134,999	0	0
£135,000 - £139,999	0	0
£140,000 - £144,999	0	0
£145,000 - £149,999	0	1
£150,000 - £154,999	1	0
Total	136	130

(B) Senior Employee Remuneration

The Authority is required, by the Code, to show individual remuneration details for senior employees whose salary is £150,000 or whose role meets specific criteria, in relation to Police Authorities the only relevant specified post is that of Chief Constable, for transparency the Authority has voluntarily disclosed all Association of Chief Police Officer (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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2010-11 Remuneration Details

Post Title	Salary (incl allowances)	Bonuses	Expense Allowances	Benefits in Kind	Total Remuneration excl. pension contributions 2010-11	Employers Pension Contributions	Total Remuneration incl. pension contributions 2010-11
	£	£	£	£	£	£	£
Chief Constable (Keith Bristow)	144,339	0	2,150	1,781	148,270	31,145	179,415
Deputy Chief Constable (Andy Parker)	112,664	0	0	1,979	114,643	26,074	140,717
Director - Protective Services (Note 1)	92,233	0	0	1,902	94,135	19,428	113,563
Director - Local Policing (Note 2)	12,406	0	0	83	12,489	2,022	14,511
Director - Local Policing (Note 3)	89,004	0	372	945	90,321	20,274	110,595
Director of Resources	92,782	0	0	2,820	95,602	12,154	107,756
Finance Director	68,089	0	0	0	68,089	8,920	77,009
Chief Executive of the Police Authority (Note 4)	4,719	0	0	0	4,719	680	5,399
Chief Executive of the Police Authority (Note 5)	69,685	0	0	0	69,685	9,129	78,814
Total 2009-10	685,921	0	2,522	9,510	697,953	129,826	827,779

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	0	3,207	125,183	25,851	151,034
Director - Protective Services	110,490	0	0	2,741	113,231	24,546	137,777
Director - Local Policing	107,154	0	0	1,659	108,813	23,766	132,579
Director of Resources (Note 6)	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 7)	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

Note 1 – The Director of Protective Services retired on 7 January 2011 and he was not replaced, the annualised salary was £110,405

Note 2 – The Director of Local Policing was seconded out of Force with effect from 19 April 2011; his annualised salary was £109,500

Note 3 – The replacement Director of Local Policing started on 19 April 2010, his annualised salary was £99,483 and he received a vehicle during 2010-11

Note 4 – The Chief Executive to the police Authority was temporarily filled for April 2010, the annualised salary was £56,600

Note 5 – The replacement Chief Executive to the Police Authority was permanently filled with effect from May 2010; the annualised salary was £75,917

Note 6 – For 2009-10, the Director of Resources received a vehicle during March 2010.

Note 7 – The Chief Executive to the Authority left during January 2010. The annual salary was £74,719.

During 2010-11 The Treasurer and Monitoring Officer to the Authority were not directly employed by the Authority, the service was provided under agreement with Warwickshire County Council. Therefore, the relevant information for these posts will be reported in the Statement of Accounts of Warwickshire County Council.

NOTE 26: EXTERNAL AUDIT COSTS

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

Audit fees	2009-10 £'000	2010-11 £'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	79.0	85.9
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	0.5
Total fees payable to the appointed auditor for external audit services carried out	79.0	86.4

The figure above represents what is in the Authority's accounts. This may differ to the Auditors Statement of Fees due to timing and accruals.

NOTE 27: GRANT INCOME

The Authority has credited the following government grants to the Comprehensive Income and Expenditure Statement. These figures are the amounts due to the Authority on an accruals basis and allowance has been made for any monies that have to be paid back to the government.

Details of Government Grants received	2009-10 £	2010-11 £
Pension Top-Up Grant	8,277,930	8,412,816
Community Support Officers-Neighbourhood Policing Fund	2,700,021	2,680,136
Crime Fighting Fund	1,684,768	1,684,768
Rule 2 Grant	1,495,189	727,360
Home Office Special Grant	0	700,000
Security Funding	672,520	380,755
Basic Command Unit Fund	283,750	283,750
Prevent Programme	79,191	195,344
ACPO Business Crime Portfolio	1,993	167,858
Debt Charges Grant	128,517	123,153
Area Based Grant	189,847	101,451
Regional Asset Recovery	81,219	98,416
Local Criminal Justice Board	87,296	76,654
Tackling Knife Crime	55,399	61,364
G8 Law Enforcement	11,586	42,833
Safer Neighbourhoods Marketing	9,456	8,784
Customer Confidence Project	0	5,000
Operational	8,186	133
Violent Crime Portfolio	179,999	0
Counter Terrorism	128,000	0
Protection Of Children From Sex Offenders	75,177	0
Neighbourhood Confidence	123,167	0
Local Surveys	18,400	0
Special Constabulary	10,807	0
Ezone	6,701	0
Tackling Violent Crime	615	0
Community Volunteers	482	0
Total Specific Government Grants	16,310,216	15,750,575

NOTE 28: RELATED PARTIES

The Authority is required to disclose material transactions with related parties – bodies or individuals that have potential to control or influence the Authority or to 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 Director of Finance has written to Chief Officers, relevant members of the Resources Directorate and all staff members involved in the procurement of goods and services to obtain the required declarations. For the financial year 2010-11. The Authority has received no declarations from Chief Officers or members of Staff that would necessitate disclosure.

Three members of the Police Authority were members of District Councils. There was no influence over financial or contractual arrangements between the District Councils and the Authority as a result of this membership.

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.

The table below summarises the money owed from and money owed to Related Parties as at the 31 March 2011:

Related Party Transactions	Money Owed to Warwickshire Police	Money Owed by Warwickshire Police	Net
	£'000	£'000	£'000
<u>Government Departments:</u>			
Home Office	2,598	(374)	2,224
UK Immigration Service	32		32
Criminal Records Bureau	14		14
Foreign and Commonwealth Office	25		25
	2,669	(374)	2,295
<u>Council</u>			
County Council	229	(391)	(162)
District Councils	343	(125)	218
	572	(516)	56
<u>Other</u>			
East Midlands Air Support	0	(28)	(28)
Warwickshire Probation Board	0	(17)	(17)
Forensic Science Service	0	(55)	(55)
Coventry & Warwickshire Community Safety Scheme	0	(0)	0
	0	(100)	(100)
Grand Total	3,241	(990)	2,251

In the last year, an analysis of creditor payments shows there are 25 organisations with which the Authority has spent £250,000 or more. These are broken down as follows:

Value of Payments Made	2009-10 Number of Companies	2010-11 Number of Companies
£'000		
250 - 499	10	12
500 - 749	8	4
750 - 999	4	3
1,000 - 1,999	2	5
2,000+	3	1

During 2010-11 there were six 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	4,830
John Sisk & Son Ltd	1,611
Warwickshire County Council	1,576
KCOM Group Plc	1,450
Vinci Construction UK Ltd - Building	1,285
Serco Shared Services	1,099

NOTE 29: CAPITAL EXPENDITURE AND CAPITAL FINANCING

Investment	2009-10 £'000	2010-11 £'000
Operational assets	1,867	8,651
Non operational assets	23,123	1,921
Intangible assets	195	523
	25,185	11,094
Sources of Finance	2009-10 £'000	2010-11 £'000
Capital receipts	344	582
Government grants and contributions	17,512	1,563
Reserves	0	30
Borrowing Internal Funding	5,816	8,708
Earmarked Reserves	787	
Specific Grants	386	
Revenue Contributions	340	211
	25,185	11,094

Change in Capital Financing Requirement	2009-10 £'000	2010-11 £'000
Opening Capital Financing Requirement (CFR)	16,094	21,099
Increase in Supported Borrowing	486	486
Increase in Unsupported Borrowing	5,330	8,222
Less: MRP	(811)	(979)
Closing Capital Financing Requirement (CFR)	21,099	28,828

NOTE 30: OPERATING LEASES**Authority as a Lessee****Equipment**

The Authority has a contract for hire of Photocopiers and Franking Machines. In 2010-11 £38,060 was spent on rental payments (£48,695 in 2009-10)

As at 31st March 2011, outstanding commitments in respect of Equipment leases were:

Within 12 months	£42,386
Between 2 & 4 years	£126,463

Land & Buildings

The Authority leases a number of buildings, which have been accounted for as an operating lease. In 2010-11 £248,437 was paid for the lease of land and buildings (£253,876 in 2009-10)

As at 31st March 2011, outstanding commitments in respect of Land & Buildings leases were:

Within 12 months	£203,260
Between 2 & 4 years	£189,333
5 years and over	£10,801

Authority as a Lessor

Warwickshire Police acts as a lessor for 2 properties where the arrangement is accounted for as an operating lease. The rent received in 2010-11 was £86,881 (£99,270 for 2009-10).

The value of assets held for use in operating leases was £16,010,000 broken down as follows:

Rugby Police Station	£9,333,000
Bedworth Police Station	£6,345,000
Ilmington Radio Mast	£115,000

It should be noted that none of the above sites are rented out in full and that rental agreements are in place for site sharing or rental of part of the site. All sites were valued on 31st March 2011.

Warwickshire Police does not have any Finance Leases

NOTE 31: TERMINATION BENEFITS

The Authority has and is undertaking a series of internal reviews of services to identify savings that will contribute towards the savings targets whilst delivering the maximum protection from harm from the resources at our disposal. As a consequence of the need to change the way that we do things it has been necessary to terminate the contracts of 18 employees in 2010-11, incurring liabilities of £259,982.

NOTE 32: DEFINED BENEFIT PENSIONS SCHEMES

The Police Authority supports pension schemes for police officers, police staff and Police Community Support Officers (PCSO); these 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 Code. As a principle IAS19 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 Authority has followed the approach set out in the joint Government Actuary's Department (GAD)-CIPFA paper Assessment of Pension Liabilities Disclosures as realised in the GAD model, in order to satisfy the disclosure requirements of the Code. This has produced a best estimate of the net Police Pension Scheme and LGPS liability of £691m (£757m restated 2009-10).

In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Price Index (CPI) rather than the Retail Price Index (RPI). The Statement of Accounts has been prepared in accordance with the Urgent Issues Task Force (UITF) Abstract 48. The impact of the change to CPI is considered to be a change in benefit entitlement under Abstract 48, this has had the effect of reducing the Authority's liabilities, which has been recognised as a past cost of services gain. There is no impact on the General Fund.

The majority of police officers, police staff and PCSOs contribute to their respective pensions schemes. Whilst the recommendations from the Hutton report into public sector pension provision is likely, in the future, to change the nature of these pension schemes the following is a brief outline of each scheme as it operated during 2010-11.

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 OPSS). 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. The employer's rate will remain at 24.2% during 2011-12 but may change in the future.

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

Police Staff and PCSOs are eligible to join the Local Government Pension Scheme (LGPS). 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 3-80th 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, for example to the benefits paid to scheme participants, on the future assets and liabilities of the scheme are taken in to account in the actuarial review, which is carried out every three years. In recent years the actuary has recommended a smooth increase over time in the employers contribution rate, which stood at 13.1% during 2010-11 and will rise to 13.2% in 2011-12.

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.

Changes in Accounting Policy

The 2010-11 Statement of Accounts complies with the Code and therefore International Financial Reporting Standards (IFRS). The main accounting standard relevant to the preparation of figures in relation to pension assets and liabilities for inclusion in the 2010-11 Statement of Accounts is International Accounting Standard 19 (IAS19).

IAS19 requires that the long-term disability benefits, specifically the injury awards element of police pensions, includes an estimate of the liability arising from the

expected injury awards for active members i.e. members who are currently not injured but might be expected at some time in the future to become injured. Previously under the SORP (Statement of Recommended Practice and the requirements of Financial Reporting Standard 17 (FRS17) only injury awards actually in payment were included within the FRS17 valuation of future benefits. The impact of this change is to increase the total injury award liability as at the 1 April 2010 by £17.6m reducing to £14.0m as at the 31 March 2011, this forms part of the total liability on injury award pensions of £23.8m as at the 31 March 2011, which is explained further in this note.

The change in the definition of the liability under IAS19 represents a change in accounting policy arising from the first time adoption of IFRS. Therefore, it is reflected by an increase in the opening value of the pension liability and the pensions reserve at the 1 April 2009. The impact of the changes, as a consequence of the adoption of IAS19, is set out in the foreword to the Statement of Accounts under the section significant Changes in Accounting Policy.

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, police staff and PCSOs, rather than when the benefits are eventually paid as pensions. However, the charge the Authority 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 IAS19, are reversed out in the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement during the year:

Income and Expenditure Account	Local Government Pension Scheme £'000		Police Pension Scheme £'000	
	2010-11 £'000	2009-10 £'000	2010-11 £'000	2009-10 £'000
Net Cost of Services:				
• Current service cost	3,394	1,890	16,120	9,090
• Past service costs	(4,408)	0	(76,360)	0
Net Operating Expenditure				
• Interest costs	4,139	3,305	39,010	33,440
• Expected return on scheme assets	(2,998)	(2,113)	0	0
Net Charge to the Comprehensive Income and Expenditure Statement	127	3,082	(21,230)	42,530
Movement in Reserve Statement:				
• Reversal of net charges made for retirement benefits in accordance with IAS19	(127)	(3,082)	(21,230)	(42,530)
Actual amount charged against the General Fund Balance for pensions in the year:				
• Employers' contributions payable to scheme	2,479	2,294		
• Retirement benefits payable to pensioners			22,020	21,660

The current cost of service was £10.670m before restatement, which was increased by £0.310m and restated to £10.980m (£1.890m + £9.090m) as part of the restatement of the accounts under IFRS (Summary set out in the Foreword to the Statement of Accounts).

In addition to the recognised gains and losses included in the Comprehensive Income and Expenditure Statement, an actuarial gain, on assets and liabilities, of £24.8m (£229.1m restated gain 2009-10) was included in the Comprehensive Income and Expenditure Statement. The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement is £266.8m.

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

Income and Expenditure Account (CIES)	Police Pension Scheme 2010-2011				Police Pension Scheme 2009-2010			
	Police 1987 Scheme	Police Injury Awards	Police New Scheme	TOTAL POLICE	Police 1987 Scheme	Police Injury Awards Restated	Police New Scheme	TOTAL POLICE
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Net Cost of Services:								
• Current service cost	14,600	470	1,050	16,120	8,370	310	410	9,090
• Past service costs	(72,700)	(3,090)	(570)	(76,360)	0	0	0	0
Net Operating Expenditure								
• Interest costs	37,210	1,500	300	39,010	32,040	1,260	140	33,440
Net Charge to the CIES	(20,890)	(1,120)	780	(21,230)	40,410	1,570	550	42,530
Statement of Movement on General Fund Balance:								
• Reversal of net charges made for retirement benefits in accordance with IAS19	20,890	1,120	(780)	21,230	(40,410)	(1,570)	(550)	(42,530)
Actual amount charged against the General Fund Balance for pensions in the year:								
• Retirement benefits payable to pensioners	21,460	560	0	22,020	21,140	520	0	21,660

Assets and liabilities in relation to retirement benefits

Reconciliation of present value of the scheme liabilities

	Funded Liabilities: Local Government Pension Scheme		Un-funded Liabilities: Police Pension Scheme	
	2010-11	2009-10	2010-11	2009-10
	£'000	£'000	£000	£000
1 April	(71,115)	(45,396)	(732,140)	(488,960)
Current Service Cost	(3,394)	(1,890)	(16,120)	(9,090)
Interest Cost	(4,139)	(3,305)	(39,010)	(33,440)
Contributions by scheme participants	(1,225)	(1,174)	(3,810)	(3,850)
Transfers In	0	0	(150)	(90)
Actuarial gains and losses	6,426	(20,114)	19,160	(218,370)
Benefits paid	1,624	764	22,020	21,660
Past service costs	4,408	0	76,360	0
31 March	(67,415)	(71,115)	(673,690)	(732,140)

Police Pension Scheme Reconciliation of present value of scheme liabilities:

	Police Pension Scheme 2010-11				Police Pension Scheme 2009-10			
	Police 1987 Scheme	Police Injury Awards	Police New Scheme	TOTAL POLICE 2010-11	Police 1987 Scheme	Police Injury Awards	Police New Scheme	TOTAL POLICE 2009-10
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
1 April 2010	(698,930)	(28,280)	(4,930)	(732,140)	(468,800)	(18,500)	(1,660)	(488,960)
Current Service Cost	(14,600)	(470)	(1,050)	(16,120)	(8,370)	(310)	(410)	(9,090)
Interest Cost	(37,210)	(1,500)	(300)	(39,010)	(32,040)	(1,260)	(140)	(33,440)
Contributions by scheme participants	(3,560)	0	(250)	(3,810)	(3,620)	0	(230)	(3,850)
Transfers In	(20)	0	(130)	(150)	(40)	0	(50)	(90)
Actuarial gains and losses	16,230	2,830	100	19,160	(207,200)	(8,730)	(2,440)	(218,370)
Benefits paid	21,460	560	0	22,020	21,140	520	0	21,660
Past service cost	72,700	3,090	570	76,360	0	0	0	0
31 March 2011	(643,930)	(23,770)	(5,990)	(673,690)	(698,930)	(28,280)	(4,930)	(732,140)

The 2009-10 figures contained in the table above relating to the Police Injury Awards element of the Police Pension Scheme have been restated to comply with the requirements of IFRS, as set out earlier in this note. The 2010-11 and 2009-10 figures are prepared on the same principles and are therefore comparable.

Reconciliation of fair value of the scheme assets:

	Local Government Pension Scheme	
	2010-11	2009-10
	£'000	£'000
1 April 2010	46,247	32,052
Expected rate of return	2,998	2,113
Actuarial gains & losses	(813)	9,378
Employer Contributions	2,479	2,294
Contributions by scheme participants	1,225	1,174
Benefits paid	(1,624)	(764)
31 March 2011	50,512	46,247

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 £3.5m

Scheme History

	2006-07	2007-08	2008-09	2009-10	2010-11
	Restated £'000	Restated £'000	£'000	Restated £'000	£'000
<u>Present value of liabilities:</u>					
• LGPS	(47,477)	(53,224)	(45,396)	(71,115)	(67,415)
• Police Scheme	(568,690)	(509,580)	(478,940)	(732,140)	(673,690)
Fair value of assets in the LGPS	36,262	37,581	32,052	46,247	50,512
<u>Surplus- (Deficit) in the scheme:</u>					
• LGPS	(11,215)	(15,643)	(13,344)	(24,868)	(16,903)
• Police Scheme	(568,690)	(509,580)	(478,940)	(732,140)	(673,690)
Total	(579,905)	(525,223)	(492,284)	(757,008)	(690,593)

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £690m 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 required by statute 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 2012 are £2.5m. Expected contributions for the Police Pension Scheme in the year to 31 March 2012 are £8.5m.

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, and estimates 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 the Government Actuaries Department; Mercers, 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 2011. 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:

	Local government Pension Scheme		Police Pension Scheme	
	2010-11	2009-10	2010-11	2009-10
<u>Long-term expected rate of return on assets in the scheme (%)</u>:				
Equity investments	7.50%	7.50%	-	-
Government Bonds	4.40%	4.50%	-	-
Other Bonds	5.10%	5.20%	-	-
Property	6.50%	6.50%	-	-
Cash-Liquidity	0.50%	0.50%	-	-
Other	7.50%	7.50%	-	-
<u>Mortality assumptions (yrs):</u>				
Longevity at 65 for current pensioners:				
Men	22.0	21.2	24.1	23.9
Women	23.7	24.1	27.3	27.1
Longevity at 65 for future pensioners:				
Men	22.9	22.2	26.1	26.0
Women	26.0	25.0	29.2	29.1
Rate of inflation	3.00%	3.50%	3.00%	3.90%
Rate of increase in salaries	5.00%	5.25%	5.30%	5.40%
Rate of increase in pensions	3.00%	3.50%	3.10%	3.90%
Rate for discounting scheme liabilities	5.50%	5.70%	5.70%	5.80%
Take-up of option to convert annual pension into retirement lump sum	50.00%	50.00%	50.00%	50.00%

The value of the pension fund assets at 31st March 2011 is based on the market value at 31st December 2010. The actuary has made an assumption about the movement in the investment market to arrive at the valuation at the balance sheet date. Information that became available after the 31 March 2011 showed that the market value of investments was 0.59% - being £298K --, higher than stated in the accounts, so the IAS19 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 2011 £'000	Split of Assets between Investment categories	Total as at 31 March 2010 £'000	Split of Assets between Investment categories
Equities	33,337	66.0%	30,986	67.0%
Government Bonds	2,526	5.0%	4,162	9.0%
Other Bonds	6,567	13.0%	6,012	13.0%
Property	5,051	10.0%	1,850	4.0%
Cash-Liquidity	505	1.0%	925	2.0%
Other	2,526	5.0%	2,312	5.0%
Total Assets	50,512	100.0%	46,247	100.0%

History of experience gains and (losses)

The actuarial gains identified as movements on the Pension Reserve in 2010-11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011:

	2006-07 Restated %	2007-08 Restated %	2008-09 %	2009-10 %	2010-11 %
LGPS - Differences between the expected and actual return on assets	(0.76)	(10.34)	(31.50)	20.30	(1.60)
LGPS -Experience gains and losses on liabilities	0	5.10	0	0	9.50
Experience gains and losses on liabilities – Old Police Pension Scheme	(9.10)	(1.10)	1.00	1.30	1.50
Experience gains and losses on liabilities – New Police Pension Scheme	(6.50)	(65.80)	13.30	(1.00)	(1.70)
Experience gains and losses on liabilities – Injury Awards			6.3	(6.4)	6.50

The experience gains and losses on liabilities – injury awards has been included for the first time in the 2010-11 Statement of Accounts to provide a complete view of the gains and losses.

NOTE 33: 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 2010-11 the total of these costs was £10.532m.

NOTE 34: CONTINGENT LIABILITIES

Contingent liabilities, in this instance, are obligations that have arisen from past events that will be confirmed by the occurrence or non-occurrence of one or more uncertain future events.

Voluntary Redundancy

The Authority launched a scheme prior to the 31 March 2011 requesting individuals to make formal application to be considered for voluntary redundancy. Applications were subject to evaluation by panel of senior managers in May 2011, where it was decided to approve, decline or defer applications. Those that were deferred will be reconsidered in October 2011 after the Warwickshire Police and West Mercia Authorities have considered the business case for a strategic Alliance and further internal reviews have taken place. The liability for Voluntary Redundancies subject to the evaluation panel decision taken in May 2011 is £2.087m.

Employers' National Insurance Contributions

As at the 31 March 2011 the Authority is awaiting determination by Her Majesty's Revenues and Customs (HMRC), on our submission, concerning the amount of arrears of employers' national insurance contributions due on reimbursements for travel paid to employees. Whilst it is not certain of the outcome of this event the maximum liability to the Authority is in the region of £0.170m.

NOTE 35: TRUST FUNDS

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 £16,710.08.

NOTE 36: POLICE PROPERTY ACT FUND

Police Property Act Fund	2009-10 £'000	2010-11 £'000
Balance as at 1 April	4	4
Income from confiscations and property auctions	14	4
Donations for Charitable Purposes	0	3
Payments to charities and auction expenses	(7)	(2)
Transfer allowed to Property Administration	(7)	(2)
Balance as at 31 March	4	7

The Police Property Act requires the Authority to set aside money received 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. The Authority may use up to 50% of the money received to finance property-related administration, the balance held for the purpose of administering property, in addition to the balance in the table above, is £25,265 as at the 31 March 2011.

NOTE 37: 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 2010-11 the Authority received no sponsorship (£0 in 2009-10).

NOTE 38: 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 2010-11 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.

NOTE 35: 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.

NOTE 39: PROCEEDS OF CRIME

The Act gives powers to the Police and Customs to seize cash derived from, or intended for, use in crime, and to secure its forfeiture in civil magistrates' courts proceedings. Warwickshire Police is currently holding cash totalling £277,361.

PENSION FUND

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, Comprehensive Income and Expenditure Statement and the employer's contribution.

PENSION FUND ACCOUNT

2009-10 £'000		£'000	2010-11 £'000
	Contributions Receivable		
	From Employer		
(8,485)	- Normal	(8,465)	
(224)	- Other – Pre 74 Contributions (West Midlands)	(197)	
(211)	- Ill Health Capital Sum Income	(404)	
(8,920)			(9,066)
(3,859)	From Members	(3,825)	(3,825)
	Transfers In		
(84)	Individual Transfers In from other schemes	(151)	
(84)			(151)
	Benefits Payable		
15,469	Pensions	16,210	
5,464	Commutations and Lump Sum retirement benefits	5,166	
0	Lump sum death benefits	74	
20,933			21,450
	Payments to and on accounts of leavers		
3	Refunds of contributions	5	
205	Individual transfers out to other schemes	0	
208			5
8,278	Sub-total for the year before transfer from the police Authority of amount equal to the deficit		8,413
(8,278)	Additional funding payable by police Authority to meet deficit for the year		(8,413)
0	Net Amount Payable-Receivable for the year		0

PENSION FUND

The £8.413m has been transferred from the Police Authority General Fund to Pension fund Account, therefore there are no assets at the end of the financial year in respect of the Pension Fund Account, the debtor for pensions grant is between the Police Authority and the Home Office.

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. The Pension Fund Account is prepared on an accruals basis with the exception of accounting for transfer values to and from other schemes. 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
5. This police pension fund account does not take account of liabilities to pay pensions and other benefits after the end of the 2010-11 financial year, this can be found in the Notes to the Statement of Accounts 'Defined Benefit Pension Scheme'
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.

ANNUAL GOVERNANCE STATEMENT

Warwickshire Police Authority Annual Governance Statement

1. SCOPE OF RESPONSIBILITIES

The Warwickshire Police Authority [“the Authority”] is responsible for ensuring that it conducts its business in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Authority is also responsible for putting in place proper arrangements for the governance of its affairs and facilitating the exercise of its functions, which includes ensuring that a sound system of internal control is maintained through the year and that arrangements are in place for the management of risk. In exercising this responsibility the Authority places reliance on the Chief Constable of the Warwickshire Police Force (“the Force”) to support the governance and risk management processes and to ensure that the Force’s business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.

The Authority has approved and adopted a corporate governance framework, which is consistent with the principles of the CIPFA/SOLACE Framework: *Delivering Good Governance in Local Government*. A copy of the code is on our website at www.warwickshirepa.gov.uk and can also be obtained from the Authority’s offices at Warwickshire Police Authority, 3 Northgate Street, Warwick, CV34 4SP. This statement explains how the Authority has complied with the Framework and also meets the requirements of the Accounts and Audit Regulations 2011 in relation to the publication of an Annual Governance Statement.

A more detailed Statement of Assurance for the Force signed by the Chief Constable and Statements from the Monitoring Officer, Treasurer and Director of Finance and the Chief Executive support this overarching Governance Statement.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems, processes, culture and values by which the Authority is directed and controlled and the activities through which it accounts to and engages with the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services, including achieving value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable and foreseeable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them effectively, efficiently and economically.

This governance framework has been in place at the Authority for the year ended 31 March 2011 and up to the date of approval of the annual report and statement of accounts.

3. THE GOVERNANCE FRAMEWORK – OUTLINE

This section describes the key elements of the systems and processes that comprise the governance arrangements that have been put in place for the Authority and Force. It explains the overarching structures that have been put in place in both Authority and Force to deal with these systems and processes and how they are linked to each other.

A. Identifying and Communicating the Authority's vision of its purpose and intended outcomes for citizens and service users.

The Authority and Force have a joint vision, "*Protecting our Communities Together*" which is set out in the Authority's local policing plan. The vision is re-affirmed in the three-year policing plan. These plans are available to the public on the Authority and Force websites. The vision is also communicated in the Annual Achievement Report and the Council Tax Leaflet.

The vision is informed by an extensive programme of consultation with the public and other stakeholders conducted by the Force and Authority and by making use of consultation outcomes from other sources. In particular, Warwickshire County Council's Observatory, citizens' panel and the "State of Warwickshire" and "Quality of Life" surveys are valuable sources of information. The Authority has also consulted directly with representatives of the business community, young people and the BME community.

The vision is underpinned by a mission and set of values which are focused on delivery of the vision in the context of the four levels of harm; death, injury, loss and distress/fear.

In addition to the joint vision, mission and values, the Authority has a Code of Corporate Governance which outlines the systems, processes and culture by which the Authority is directed and through which it accounts to, engages with, and, where appropriate, leads the community. There is also a Governance Framework which sets out the constitution, aims and objectives for the Authority and its constituent governance streams, committees and panels. This is backed up by an Annual Governance Plan which outlines what action will be taken in the year to maintain, strengthen and enhance governance arrangements.

B. Reviewing the Authority's vision and its implications for governance arrangements.

The vision is reviewed annually as part of the rolling three-year policing plan. Constitutionally, the Chief Constable drafts the policing plan for approval by the Police Authority. However, the Authority plays an active part in the development of the policing plan with members assigned to oversee the content and production of the plan. Implications for governance arrangements would be identified at this stage. The corporate governance framework is designed to show how governance arrangements support the achievement of objectives, primarily by identifying governance roles and responsibilities. In addition the annual governance plan identifies actions for improvements.

C. Measuring the quality of services for users, ensuring they are delivered in accordance with the Authority's objectives and ensuring that they represent the best use of resources.

The performance of the Force is monitored and scrutinised on a regular basis by the Authority. The Chair, Vice-Chairs, Stream Leads, Chief Executive and Treasurer receive performance figures regularly and discuss these at minuted meetings with the Chief Officers of the Force ("The Steering Group"). Budget performance is also discussed at these meetings. Formal performance reports are presented to each Police Authority meeting. Detailed finance reports are presented at every third meeting of the Authority.

The work of the Authority is divided into three governance streams which reflect the management structure of the Force. Each of the governance streams reports in turn to a full Police Authority meeting and this arrangement has not only improved the organisation of the Authority's business but has also allowed for more focused scrutiny of the Force's performance.

The Resources Assurance Group (RAG) scrutinises performance against budgets across the whole Authority on a regular basis and reports to every third meeting of the Authority. There are also independent committees for Audit, Appointments and Remuneration, and Standards and these have responsibilities for overseeing performance within their respective areas of business.

The Authority exercises embedded governance through active participation in a range of Force groups and boards covering such areas as performance management, standards, finance, staff conditions and development, volunteers, diversity and confidence.

The Authority's participation in the Force Executive Board (FEB) illustrates the embedded governance arrangements and provides additional opportunities for scrutiny of performance, particularly in relation to projects, risk, audit, inspection and review activities. The Resources Assurance Group was formed jointly with the Force to oversee the development of the Force budget and medium term financial plan. This was backed up by a series of budget seminars attended by members of the Force and Authority.

The Authority as a whole scrutinises budget performance regularly and in particular, monitors progress on driving out savings and improving efficiency through 150plus. As a result of their audit of the 2009-10 accounts (the last available) the external auditors gave an opinion that the Authority had adequate arrangements to secure value for money.

The Authority monitored progress on the ongoing Financial Management Arrangements Project (FMAP), which reviewed financial procedures to improve alignment between managerial and financial decision making and develop a revised control framework within the Force. The FMAP has been successfully implemented.

The Authority and Force have agreed similar embedded governance arrangements for 150Plus, the Force's ambitious programme to achieve future financial balance. Members of the Authority are on the Programme's Board and will track savings carefully and regularly. Following the Comprehensive Spending Review, additional required savings of over £9m were identified. The Force and Authority have set in motion additional governance arrangements to monitor progress against revised savings targets in 2011-12.

Five Authority Members have been appointed District Partnership Leads. Among their key governance accountabilities is the task of providing links with the public and communities regarding performance. There is now a lead member for the monitoring of performance. Protective Services leads attend performance boards held by the Directorate and the Chair and Vice Chair attend the CONTEST Gold Group. Authority leads also attend key gold groups such as the Bulldog Bash and Westbere.

The aims and objectives of the Force are developed with the Police Authority in consultation with our partners and are contained in the Policing Plan. The Force produces a monthly tactical assessment that identifies the present threats and risks to our communities. Strategic Assessments produced by the Operations Directorate identify the key risks and threats to the communities of Warwickshire. The Strategic Assessments are commissioned and agreed by FEB and are refreshed annually. In response to findings of the strategic assessment, a control strategy is produced and is widely available within the Force including on Bear Connections, the force intranet.

The Corporate Performance Framework is embedded throughout the Force. This framework aligns each function in the Force to the corporate vision and identifies the key strategic objectives and service delivery measures for each function. Each measure has a relevant target to enable monitoring. Performance against these targets is monitored at FEB.

D. Defining and documenting the roles and responsibilities of the Authority and Force and senior members and officers within each, setting out clear

delegation arrangements and protocols for effective communication, and arrangements for challenging and scrutinising Force activity.

The functions and responsibilities of the Authority are set out in the Articles to the Constitution. These functions and responsibilities are discharged by the Authority itself except where the performance of functions is delegated to a Committee, Lead Member or Officer. Details of these arrangements are set out in the Authority's Governance Framework (revised September 2009) and the Schemes of Delegation which form part of the Authority's Constitution.

The Constitution contains details of the arrangements for scrutinising and challenging Force activities. The Governance Framework and Schemes of Delegation explain clearly the purpose and governance accountabilities of the Authority and its committees, panels, lead members and officers. The structure of Police Authority meetings ensures a focused approach to scrutiny and challenge of police performance.

The Governance Framework, underpinned by the Schemes of Delegation, also sets out the roles and responsibilities of Members. There is a members' allowances scheme which is reviewed periodically by an independent remuneration panel. The roles and responsibilities of senior police officers are set out in legislation and by the Authority in their job descriptions.

The Constitution also includes standing orders, along with arrangements for corporate governance and the management and delivery of functions. The Constitution is updated regularly and is available for Authority Members and the public to see on the website.

All papers to be considered by members are scrutinised by the Chief Executive, Monitoring Officer and Treasurer as appropriate for compliance purposes and all decisions made by the Authority are recorded in minutes of meetings. Urgent decisions are noted on future agendas of the Police Authority.

The Authority's approach to performance management is sound and well-documented in the governance framework. This approach is regularly reviewed in the context of a changing delivery landscape. This may include taking account of external inspection regimes and our contribution to joint partnership delivery.

The Authority recognises that in some cases, flexibility must be shown in governance arrangements. The arrangements for the governance of the Westbere operation, where local authority members must leave any Police Authority meeting where Westbere is discussed, demonstrate this.

E. Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members, officers and staff.

The Authority takes a serious and proactive view of securing ethical standards and standards of behaviour and conduct for members, officers and staff.

The Authority adopted a revised and updated code of conduct for members in 2008. Members were offered training in the new code. The Authority's Standards Committee is the Authority's main means of publicly monitoring members conduct.

All new members of the Authority are inducted into the work of the Authority including training on the code of conduct. New members are required to sign a statement agreeing to abide by the terms of the code of conduct. Formal Training

is supplemented by guidance issued from time to time by the Standards Board for England and by the Association of Police Authorities.

At each meeting of the Authority, its committees, groups and panels, there is a standing item on the agenda reminding members to declare any interests in relation to the business being discussed and decisions to be taken. Members of the Authority demonstrate their proactive approaches to standards issues through the declaration of prejudicial interest at Authority meetings and through use of registers of interests and gifts and hospitality. Members are reminded regularly of their duty to disclose such interests, and the Standards Committee has the authority to scrutinise these registers.

The Authority's constitution, which is available on-line, includes the Members' code of conduct. The Authority approved an updated anti-fraud and anti-corruption policy in May 2008. A broader whistle-blowing policy is also in place. All members have voluntarily submitted to police vetting, some to an advanced level of vetting to allow governance of more sensitive operations. The Authority has arrangements for vetting all potential members prior to their appointment.

The Authority approved an updated code of conduct for Authority staff in 2008. Registers are in place for Authority staff to record interests and gifts and hospitality and all staff have submitted to police vetting. The Treasurer and Monitoring Officer are subject to professional codes of conduct.

The Force subscribes to the police service's Statement of Common Purpose and Values, the purpose of which includes the requirement to act fairly with integrity, common sense and sound judgment.

Within the Force, there are two formal codes of conduct; one for police officers and one for police staff. Both codes define the standards of personal behavior expected. The Police Officer and staff codes stress the importance of honesty, integrity, fairness, impartiality, politeness and tolerance. The Officer code also sets out requirements in terms of use of force; performance and execution of duties and other general conduct expectations. The Authority's Professional Standards Committee oversees complaints made against the Force, re-enforced by members "dip-sampling" individual cases.

F. Reviewing and updating standing orders, standing financial instructions, a scheme of delegation, contract/procurement regulations, and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required risks.

The Authority's Constitution sets out how the Authority operates, how decisions are made and the procedures followed to ensure that these are efficient, transparent and accountable to local people.

Responsibilities for decision-making and the roles of individual Members, Committees, Panels and officers are defined in the Constitution. The scheme of delegation specifies the functions of the Authority and its constituent parts.

Standing Orders set out the mechanism by which the Authority regulates the conduct of its formal meetings. The Authority has also adopted Financial and Contract Standing Orders, compliance with the latter having been the subject of considerable scrutiny. Financial Standing Orders were updated in 2009/10. As a result of the Financial Management Arrangement Project (FMAP), schemes of delegation within the Force, finance policies, financial reporting, procurement and delivery of professional services and facilities were reviewed. Successful completion of the review was a key issue for the Force and the Authority and progress was monitored through the risk register and the Authority membership on the Project Steering Group.

The Authority and the Chief Constable are jointly responsible for ensuring that the supply of goods, services (including consultancy and sponsorship) and works are procured in the most cost effective manner to meet the operational policing needs of the Force. The individual responsibilities are defined in standing orders and schemes of delegation. In the control of procurement, the Force has a legal duty to implement Contract Standing Orders governing the tendering and award of contracts for the supply of goods, services and works and to comply with European Union (EU) Procurement Directives for the supply of goods, services and works. On a day-to-day basis the adherence to Contract Standing Orders and the provision of support and advice in procurement is provided through the Contracts and Purchasing Department working closely with its legal advisers.

The entire Constitution has been reviewed on a rolling programme since May 2007 in order to ensure that the Authority's arrangements align fully with the revised governance structure. Almost all of the Constitution's elements have been updated and re-approved by the Authority.

The Authority adopted a risk management policy and framework in September 2007. Strategic risks are monitored and updated regularly and a complete review of risks is undertaken annually. Member workshops ensure that risks are reviewed and re-scored twice a year, in conjunction with quarterly reviews of the highest risks. The Authority reviewed its risk management framework in March 2011 and decided that it remained an effective methodology for risk management.

The Force also has a framework for managing risks. The Corporate Risk Management Group (CRMG) monitors corporate risk but each part of the organisation is required to identify, evaluate and manage risks relating to their own business area. There is a close working relationship between the Force and Authority on risk management, to identify and manage shared risks. Officers of either organisation attend each others risk management groups.

G. Ensuring that the Authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer (CFO) in Local Government 2010.

The Authority's Treasurer is the designated section 151 Officer. He is professionally qualified (CIPFA) and has many year's experience of local authority at a senior level, including over 10 years as Warwickshire Police Authority Treasurer. He is a member of the Police Authority Treasurer's Society (PATS),

including a number of years as Secretary. The Treasurer is a key member of the Senior Leadership Team of the Authority and is a member of the Steering Group. He attends RAG, budget seminars and the Audit Committee where he advises the Authority on all financial management issues. The Treasurer plays a key role in the budget setting process, advising members on the adequacy of reserves and the soundness and deliverability of the budget itself. The Treasurer is responsible for the Authority's financial statements and for the provision of an internal audit service.

H. Undertaking the core functions of an audit committee, as defined in CIPFA's Audit Committee – Practical Guidance for Local Authorities.

The Audit Committee operates to written terms of reference which define its core functions, roles and responsibilities. The terms of reference, and scheme of delegation are part of the Constitution. Training and briefing sessions are organised for Audit Committee Members from time to time. A review of the Audit Committee's effectiveness, using CIPFA guidance, in May 2011 identified no areas of concern.

I. Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.

The key roles in ensuring compliance with relevant laws and regulations are performed by the Authority's Monitoring Officer and Treasurer. Both officers have a duty to report to the Authority any actual, or intended, actions that might lead to a breach of statutory requirements or locally determined policies and procedures.

The Monitoring Officer ensures that reports to the Authority and its committees and panels are checked by legal staff where appropriate for compliance with legislation and with the Authority's policies and procedures.

The Treasurer has delegated authority for ensuring there are arrangements in place for the proper administration of financial affairs and that expenditure is lawful.

The Authority is responsible for ensuring that an adequate and effective internal audit service is undertaken. A summary of audit work is reported to the Audit Committee which has responsibility for monitoring implementation of audit recommendations. External audit and external inspection outcomes contribute to the review of the Authority's compliance with its policies and procedures.

The Authority has introduced a risk-based approach to its internal audit arrangements in order to comply with the CIPFA Code of Practice. A three-year risk-based audit plan was developed during 2008/09 and was in place for 2010 - 11. The plan is re-assessed each year and approved by the Audit Committee. In past years, the Authority has agreed increases in audit capacity in order to support the delivery of the plan and to ensure that sufficient audit coverage is maintained.

The external auditors gave the Authority an unqualified opinion on its 2009-10 accounts.

The Authority is assisted in the process of environmental scanning for potential legislative impacts by the Association of Police Authorities which disseminates information and advice to all police authorities. This is supplemented by the Chief Executive, Deputy Chief Executive and Treasurer being members respectively of the Association of Police Authority Chief Executives (APACE) and the Police Authority Treasurer's Society (PATS).

On a day-to-day basis the Chief Constable is responsible for ensuring the Force complies with the law and operates to high standards of professional conduct.

The Force subscribes to the National Policing Improvement Agency (NPIA) digest, which identifies future legislation. The digest is considered by the Business Intelligence team and included in an Environmental Scanning report circulated on a monthly basis to senior managers. Issues of particular Impact are extracted and more detailed briefs provided.

The Force also uses the services of the Association of Chief Police Officers (ACPO), which provides a professional view on all national policing matters, continuously developing the highest professional knowledge and standards of performance.

Risk management systems are in place, including systems of internal control, which are continually reviewed and developed. The relevant directorate or business area identifies any risk of non-compliance on the tactical risk register which then prompts action to control the risk. The internal audit plan is risked based.

Audit activity, both internal and external, is programmed and reports are considered by senior managers. Areas for improvement are highlighted and action plans put in place to address these.

J. Whistle blowing and arrangements for receiving and investigating complaints from the public and handling citizen and other redress.

Public confidence in the police service is of great importance to the Force and to the Police Authority. An effective and efficient local system for the recording and handling of complaints contributes to maintaining trust and confidence.

The Force has implemented an e-mail system for staff and officers to report any integrity issues. This is publicised through the Force internet. The system allows the investigating officer to have two-way communication with the person who reported the issue, without knowing who they are.

The Authority's anti-fraud and corruption policy includes arrangements for confidential reporting. The Authority also has a whistle blowing policy which includes a process for members and officers to register concerns.

Members of the public can make complaints about individual members of the Force (both officers and staff) via the Police Force complaints procedure which is published on the Force and Authority websites. The Professional Standards Department has central responsibility for the management of local procedures and for recording, handling and reporting such complaints across the Force. More serious complaints may be investigated by the Independent Police Complaints

Commission (IPCC), which is the body with overall responsibility for the police complaints system in England and Wales. The IPCC has responsibility for increasing public confidence in the system and aims to make complaints investigations more open, timely, proportionate and fair.

The Authority handles any complaints about Chief Officers. A review of the Authority's complaints procedure for Chief Officers is taking place, although its completion has been delayed pending the issue of legislation.

Any complaints against the Authority are dealt with under its complaints procedure which is published on the Authority's website. Complaints may also be made to the Monitoring Officer. Complaints regarding allegations of financial impropriety can be made through the channels identified in the anti-fraud and corruption strategy.

K. Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training.

Of the seventeen Authority members, nine are County Councillors appointed by Warwickshire County Council and the other eight are independent Members appointed by reference to their skills and competences. On entry to the Authority, each Member has a discussion with the Chair and Chief Executive to establish their skills and interests. Induction training is also provided to Members to familiarise them with the work of the Authority. Importantly, new Members are trained in the Code of Conduct and must sign a statement agreeing to comply with the terms of the Code. The Authority holds regular budget seminars and either organises or collaborates with other partners to provide specific training and briefing sessions for Members.

The Authority identifies Members' ongoing training and development needs through annual one-to-one discussions conducted by the Chair. One Member has lead responsibility for training. Governance Stream Leads have taken an increasing role in identifying and prioritising training and development needs. A specific budget is identified for member training. The member development programme has been reviewed in light of the Policing Bill. Training will be provided as required, with a focus on transition issues. Once further details are made available in the Bill, a suitable training programme to support the way forward will be implemented. No new members have joined the Authority since May 2010.

The training needs of the Authority's officers are identified through personal development reviews and discussions with the Chief Executive. Members and officers routinely attend conferences and seminars on issues of relevance to their roles. The Authority supports the Force's learning and development programme for its workforce. One Authority Member has a lead responsibility for overseeing Force learning and development arrangements.

The Authority and the Force are committed to reviewing individual performance and development needs in a fair, regular and structured way. This is achieved through the Performance Development Review (PDR) process.

L. Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.

One of the Authority's key functions is to make arrangements for obtaining the views of local people about the policing in their area. The Authority has a joint (with the force) strategy for Consultation and Community Engagement. Work is continuing on the implementation of the strategy and further development of co-ordinated approaches to consultation. A revised strategy was introduced in May 2010. As part of its processes for review of effectiveness in 2010, the Authority abolished the Community Engagement Panel. Overseeing consultation and engagement is now the responsibility of the Policing Communities Stream Lead.

The Authority makes full use of consultation conducted by partner organisations including the County and District Councils and the Force. In this way, a broad picture of community views is established without duplication of effort or cost. The Authority also takes steps to consult with the business community and with minority groups. The Independent Advisory Groups (IAGs) are an important means of engagement for both the Force and the Authority. Regular monitoring of consultation and engagement arrangements takes place. In the autumn of 2010 the Authority conducted a consultation with the BME community through the Warwickshire Race Equality Partnership (WREP).

Authority members have been allocated responsibility for attendance at Community Forums (each member has at least one Forum as their responsibility). These Forums provide the local community to have their say on a variety of local service issues, including policing. In order to ensure that members make a positive and well-informed contribution as possible, they are provided with written briefings by the Chief Executive of the Authority. Examples of briefings include the estates strategy and the new policing model. Members report back to the Authority via a feedback form so that messages from the local community can be reflected upon and, where appropriate, included in the Authority's planning.

The Authority is working on ways to ensure that all aspects of the community have their views heard and this is being addressed in the implementation of the revised strategy.

The Authority and Force have produced combined equality schemes (CES) which will offer a more inclusive and coherent approach to working with diverse and hard to reach groups. Work continues to develop and refine equality impact assessments for the Authority's policies and procedures. The authority has set in motion a self-audit of its processes to ensure compliance with human rights legislation. The Authority monitors national and local initiatives and changes in legislation through its Equalities, Diversity and Human Rights Panel (EDHRP). As a result of the 2010 Equality act, for example, the Authority is replacing its CES with an Equality Plan, as is the Force.

The Force engages with the community through a variety of methods, for example public meetings, telephone surveys, focus groups and working in schools. The Force's Safer Neighbourhood Teams (SNT's) work in partnership with our communities with the aim of improving the quality of life for local people. Each

SNT is an active participant in its community forum meetings at which problems and issues identified by the local community are discussed. Each SNT has its own website page where updates on action to tackle local priorities are communicated, together with details of local events, surgeries and other useful information. Members of the local community can access local crime information and provide feedback to teams or contact them directly. The new policing model, implemented from May 2011, retains SNTs.

The Authority's website, which is updated regularly, was used in between December 2010 and February 2011 to feed into the budget setting process. Visitors to the website were invited to give their comments on the level of council tax they were prepared to pay for policing.

M. Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the Authority's overall governance arrangements.

The Authority and Force are active participants in partnerships at local, regional and national levels and also take part in a number of collaborative arrangements. The Authority is currently working on a strategic alliance with West Mercia.

One of the three Governance Stream Leads has specific responsibility for Warwickshire and local partnerships and the Chair has responsibility for regional and national partnerships. In addition, the Authority has appointed five Members to be District Partnership Leads. Their first responsibility is to ensure that the contribution of the Authority to any local agreements or partnerships in each District is consistent with the policy of the Authority.

The Authority's partnership strategy, introduced in 2009-10, underpins our work with partners and provides assurance to the Authority about governance arrangements and value for money. Work is underway to implement the strategy by updating our list of partnerships and then following through with an assessment and evaluation process targeted initially at our most important partnerships. Coupled with this work is the ongoing development of partnerships at local, regional and national levels.

Regional partnership activity has developed in the governance of the counter-terrorism unit and franchising arrangements for serious crime.

The Force participates actively in a number of partnership and collaborative arrangements, ranging from executive and advisory partnerships, practical working arrangements, through to contractual agreements. Representatives from both the Force and the Authority sit on a number of partnership-based groups.

4. REVIEW OF EFFECTIVENESS

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

- The system of internal audit;
- The system of internal control.

Review of the framework has been informed by the work of internal auditors and the officers within the Authority who have responsibility for the development and maintenance of the governance environment. Comments made by the external auditors and other review agencies have also informed this review.

The Working Group with responsibility for drafting this Annual Governance Statement, comprising the Chair of the Audit Committee, the Chief Executive, Chief Constable, Treasurer, Director of Finance, Monitoring Officer and Chief Risk and Assurance Manager, have considered the governance framework and the system of internal controls as necessary and vital elements in producing the statement including scrutiny of the process by which the various assurance statements were produced.

The Group has involvement in and oversight of the processes involved in maintaining and reviewing the effectiveness of the governance framework. In producing this statement full regard has been made to risk registers. The maintenance and review of the effectiveness of the governance framework extends to the whole Authority. The Authority itself maintains overall control of its governance framework and has been involved, for example, in amending as necessary the Authority's Constitution, considering reports on Risk Management activities, as well as challenging the Force's performance in connection with external audit and HMIC inspection reports.

The Audit Committee has carried out extensive work in performing its terms of reference which are set out in the Constitution. This has included the consideration of external and internal audit reports and reviewing the effectiveness of internal audit. It has also considered reports on issues like the control of Time Off In Lieu.

Internal Audit has carried out a programme of work approved by the Audit Committee. The annual programme of work in 2010 -11 formed the last year of a fully risk-based three year audit plan approved by the Committee in 2008. The Audit Committee reviews the effectiveness of internal audit on a regular basis.

The Audit Committee has concluded that the opinion in the annual report on internal audit work can be relied upon as a key source of evidence. The effectiveness of the system of internal audit includes the effectiveness of the Audit Committee (to the extent that its work relates to internal audit) as well as the performance of internal audit. Areas for improvement in internal control are reported by Internal Audit to management whose responsibility it is to consider them and act appropriately. The results of internal audit reviews are reported to the Audit Committee and plans are put in place to ensure continuous improvement.

The Authority continues to demonstrate adequate and effective controls. Whilst the programme of internal (and external) audit work has identified the need to make certain improvements, overall there are no significant adverse control issues arising in 2010-11. In his annual report to the Audit Committee, the Chief Risk and Assurance Manager states that his opinion for 2010-11 is one of "*substantial*

assurance” i.e. that there is a sound system of internal control with only limited evidence of non-compliance with some of the controls. However, officers remain vigilant about the need to continue to apply effective controls and the Audit Committee members will continue to monitor performance on this.

As a result of their audit of the 2009-10 accounts (the latest available at the time of drafting this AGS) the external auditors judged that the Authority had an adequate internal control environment.

In scrutinising this Annual Governance Statement, the Audit Committee have reviewed the work of the Annual Governance Statement Working Group. In carrying out the review, the Committee has been advised by the Chief Executive, Monitoring Officer and Treasurer.

We have been advised on the implications of the result of the review of effectiveness of the governance framework by the Audit Committee and plans to address areas for improvement and ensure continuous improvement of the system are in place.

5. REVIEW OF SIGNIFICANT GOVERNANCE ISSUES IDENTIFIED IN 2009-10 AGS

In last year’s Annual Governance Statement, the following significant governance issues were identified:-

Issues	Progress
<p>Financial Sustainability – the Medium Term Financial Plan approved by the authority on 22nd February 2010 identified the 150plus programme, allied to a reducing call on reserves, as the main means of addressing funding constraints whilst ensuring the continued delivery of improved policing for Warwickshire and proper governance of the people process. This will require the Authority to test and approve the diversion of resources to agreed priority operations. Allied to this, the Financial Management Arrangements Project (FMAP) has the aim of improving financial accountability and control. A key governance issue for the authority will be the close scrutiny of the Force’s progress throughout the life of both 150Plus and FMAP, allied to the continuation of close monitoring of financial performance through such vehicles as the Resources Assurance Group.</p>	<p>Very close scrutiny of 150plus has been carried out by the Authority throughout the period through:-</p> <ul style="list-style-type: none"> • Member and officer attendance on 150plus board; • Regular reports to members(e.g. savings tracker) • RAG reviews financial position <p>The robustness of the Authority’s governance arrangements for the MTFPS and 150plus have been recognised by the HMIC in its challenge and support inspection.</p> <p>The FMAP has been successfully implemented.</p>

<p>Equality and Diversity Issues – as part of the action plans flowing from the combined equalities scheme and the human rights act, the authority will carry out equality impact assessments of all its functions and policies.</p>	<p>The Authority has also monitored the use of EIAs by the Force. It has produced a number of EIAs for its own policies.</p>
<p>HMIC/Audit Commission Inspection – in March 2010 the authority was subject to an inspection by the HMIC and Audit Commission. As part of an extensive programme of preparation the Authority carried out a thorough self-assessment against the national template for inspections, backed up by suitable evidence. The self-assessment, together with an extensive series of interviews with staff and members and other stakeholders, allied to a full examination of documents and observation of formal meetings formed the basis upon which the inspectors came to their conclusions. The Authority will be drafting an action plan in response to the HMIC/Audit Commission, once the inspection report is issued publicly on 17th June 2010.</p>	<p>In common with 70% of inspections, the Authority was given an overall score of '2', indicating adequate performance. An improvement plan was drafted and progress against it regularly reported to the Audit Committee. All key actions were completed. The inspection plan has since been overtaken by events such as the CSR,150plus and the proposed abolition of police authorities.</p>
<p>Consultation and Community Engagement - the Police Authority (Community Engagement and Membership) Regulations 2010 address, amongst other things, the issue of how police authorities engage with the public. The regulations place a number of new obligations on police authorities regarding whom they consult and engage with (e.g. business community, young people, hard to reach groups). The Community Engagement and Consultation Panel</p>	<p>A joint Community Engagement Strategy was approved by the Authority in 2010, incorporating these new obligations.</p> <p>The development of engagement policies and practices is now overseen by the stream lead for policing communities.</p>

will be working to review these regulations and see how the new obligations can be met in practice.	
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6. SIGNIFICANT GOVERNANCE ISSUES

The following have been identified as significant governance issues for the Authority in terms of risk. In most cases, plans are already in place that will address the issues described in this statement. For the remainder, actions will be considered as part of a review of the Authority's business and governance planning processes and as part of the risk management process.

- Medium Term Financial Planning Strategy (MTFPS) – performance against the requirements and targets of the MTFPS will be closely monitored and scrutinised by regular reports to RAG, budget seminars and the Authority and by member and officer attendance at the 150plus board, steering group and various other working groups. Internal audit have programmed resources in their audit plan for 2011/12 to review controls over 150plus and associated projects.
- Transitional Arrangements – the Authority will maintain a close watch on the governance implications of the proposed abolition of police authorities and their replacement by police commissioners. We will do this through various means, such as APACE and officer attendance on transitional working groups and through the APA. Any issues arising will be fully reported to members through authority meetings, steering group, planning events etc. The risk management seminars for 2011/12 will consider the risks and mitigating controls around transitional arrangements.
- Strategic Alliance – the strategic alliance with West Mercia, if managed effectively, will lead to the delivery of significant efficiencies. In order to facilitate this aim, the Authority is currently exploring putting into place appropriate controls that will deliver strong and robust governance arrangements.
- Olympics – the Authority will continue to monitor the arrangements for the policing of the Olympics, with its associated consequences on policing and financial resources. It will do this through the APA but mostly through discussions and liaison with the Force, who will be on the Gold group.
- Review of Governance Arrangements – the Authority Planning event in August 2011 will review the effectiveness of the Governance Framework in the light of the issues mentioned above.

Statement of Accounts 2010/11

Signed:

	
Phil Robson	Oliver Winters
Chair of Warwickshire Police Authority	Chief Executive of Warwickshire Police Authority
29 th June 2011	29 th June 2011

GLOSSARY

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.

Best Value Accounting Code of Practice (BVACOP)

BVACOP sets out the framework for financial reporting, with the objective of ensuring consistency and comparability of financial information between public sector organisations to inform stakeholders and support organisations in the delivery of value for money services.

Balance Sheet

This shows the value as at the Balance Sheet date of assets and liabilities recognised by Warwickshire Police

Budget

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

Business Rates (National Non-Domestic Rates - NNDR)

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

Capital Spending - Capital Expenditure

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

Capital Creditors

People or organisations the Authority 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.

Cash flow 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.

Code of Practice on Local Authority Accounting in the United Kingdom (Code)

The Code is based on approved accounting standards issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee, except where these are inconsistent with specific statutory requirements. The Code specifies the principles and practices of accounting required to give a 'true and fair' view of the financial position and transactions of the Authority. The Code sets out proper accounting practices required by section 21(2) of the Local Government Act 2003.

Comprehensive Income and Expenditure Statement (CIES)

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 a Comprehensive Income and Expenditure Statement rather than an Income and Expenditure Account, which measures gains and losses through measuring Local Authority performance. Whilst the deficit on the face of the Comprehensive Income and Expenditure Statement 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.

Corporate and Democratic Core

Spending relating to the need to co-ordinate and account for the services provided to the public.

Council Tax

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 the Authority owe for work, goods or services that 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.

Curtailement Costs

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

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 the Authority must show in the accounts under the CIPFA Code of practice.

Earmarked Reserves

Reserves set aside for a specific purpose.

Financial Instruments

The borrowings and investments disclosed in the balance sheet, made up of the loans and investments of the Authority.

Financial Reporting Standard (FRS)

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

General Reserves

Money set aside to be used in the future.

Gross Spending

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

Impairment

Where the carrying amount of an asset is less than the recoverable amount.

Intangible Assets

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

**International Accounting Standard (IAS)
An individual accounting standard**

International Financial Reporting Standards (IFRS)

The accounting rules and principles on which the Code is based.

Leases

A contract whereby the lessee pays the lessor a rental to allow them to use of an item of property, plant or equipment. Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards of ownership of the asset to the Authority. All other leases are classified as operating leases.

Liabilities

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

Minimum Revenue Provision (MRP)

The amount set aside to repay loans.

Movement In Reserves Statement

The statement that shows the movement in year on the usable and unusable reserves held by the Authority.

Net Book Value (NBV)

The value of an asset after depreciation.

Non-Current Assets

These are assets, items of property, plant and equipment that is intended to be used for several years, such as a building or a vehicle.

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 the Authority grant extra retirement benefits that did not exist before, such as when the Authority agrees 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.

Public Works Loans Board (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

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

Reimbursements

Payments received for work the Force do for other public organisations, for example the Government.

Reserves and Funds

Savings the Authority has 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 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 Comprehensive Income and Expenditure Statement surplus or deficit and other unrealised gains and losses.

Transfer Value

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

Trust Fund

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