



Warwickshire
POLICE

**Chief Constable of
Warwickshire Police**

**Statement of
Accounts**

2018/19

THE CHIEF CONSTABLE OF WARWICKSHIRE POLICE

STATEMENT OF ACCOUNTS 2018/19

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Message From Martin Jelley the Chief Constable of Warwickshire Police

“Every day I hear inspiring stories where members of Warwickshire Police have helped people and supported those who are most in need. We are a proud force with more than 160 years of history and still today our focus and vision continues to be on ‘protecting people from harm’. This is supported by our overriding ambition ‘to be great at protecting the most vulnerable’.

2019 is also our year of health and wellbeing and in light of this we have also introduced a promise to our workforce to prioritise their health and wellbeing as we recognise the important yet challenging roles our people deliver.

As a force we have a track record that gives me absolute confidence that we live by the national police service values (Public Service, Impartiality, Integrity and Transparency) and our actions are underpinned by the Code of Ethics.

Over the last year our proactive and reactive policing response has resulted in some excellent outcomes meaning our communities can be reassured that we are prioritising and responding appropriately.

2018/19 has been a year of two halves for Warwickshire. The first half was focused on our large change programme working with West Mercia Police as part of our strategic alliance. However in October 2018 the force was notified by West Mercia Police’s Chief Constable and the West Mercia Police and Crime Commissioner of a decision they had taken to terminate the strategic alliance between the two forces. This will now take effect from October 2019.

Since this announcement by West Mercia, a team within Warwickshire Police has been working to evaluate all options available to the force ahead of transitioning to its post-alliance future and this planning is continuing at pace. This will remain a considerable focus for the coming financial year as we seek to rebuild the necessary functions within the force to enable it to in large part stand alone.

In addition I am delighted that our Police and Crime Commissioner increased this year’s precept which will allow the recruitment of an additional 100 extra employees, comprising 85 police officers, five police community support officers and 10 civilian crime investigators, which we would not have otherwise had.

All this investment in rebuilding and strengthening our force means we will be able to provide the most efficient and effective service possible, focussing our resources on tackling the most serious issues and in places where most crimes occur. This will ensure we deliver the best possible protection to the communities of Warwickshire using our available resources.

With the firm foundations we have built and our fantastic workforce, I am confident that we will continue to deliver an extremely professional service to our communities, whilst ensuring that Warwickshire Police is a great place to work.”

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Strategy & Structure

The primary function of the Police and Crime Commissioner (PCC) is to ensure the protection of the public and to hold the Chief Constable to account for the exercise of operational policing duties. Philip Seccombe, the Warwickshire PCC, was elected in May 2016 and developed his Police and Crime Plan covering the period 2016-2021, following extensive consultations with the public and partners. He is now over half way through his term, and work and progress on each of the four main themes from his plan, as outlined below, continues.

- Putting victims first;
- Ensuring efficient and effective policing;
- Protecting people from harm;
- Preventing and reducing crime.

The achievement of these objectives can only be accomplished through effective partnership working at all levels which includes working closely with Local Authorities and Community Safety Partnerships (CSP's) through to national and regional partnerships to address some of the national threats identified in the Home Secretary's National Strategic Policing Requirement which are identified as:

- Terrorism;
- Serious and organised crime;
- Cyber security;
- Threats to public order that cannot be tackled by one force alone;
- Civil emergencies requiring an aggregate response; and
- Child sexual abuse.

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

In discharging this overall responsibility, the PCC is responsible for putting in place proper arrangements for the governance of his office's affairs and facilitating the exercise of its functions, which includes ensuring a sound system of internal control is maintained through the year and that arrangements are in place for the management of risk. In exercising this responsibility, the PCC places reliance on the Chief Constable to support the governance and risk management processes. The PCC is required to formally review the governance arrangements annually, the results of which are contained in the Annual Governance Statement (AGS). There is one item noted in the latest AGS as a significant governance issue, that is:

- As a consequence of the decision of West Mercia Police to terminate the alliance with Warwickshire Police as of the October 2019, there will be a requirement to review the governance arrangements of the organisations to ensure that any such new arrangements are operative at the point of termination.

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Other areas to be considered are:

- Preparation for the changes in the arrangements for dealing with police complaints;
- Implementation of the alliance transformation programme and monitoring of the benefits realisation and delivery of savings until October 2019;
- Ensure a smooth transition from the Alliance beyond October 2019 and develop plans and fully explore opportunities for collaborations with partners.

The AGS, which is published alongside the Accounts and provides a detailed explanation of the PCC's governance framework, is designed to achieve the objectives set out in the Police and Crime Plan and manage risk. A full copy of the Police and Crime Plan can be found on the PCC's website.

The Police and Crime Panel (PCP), composes of locally elected councillors and lay members, who hold the PCC to account through a process of scrutiny and review, which includes scrutinising the Police and Crime Plan, the annual budget and precept. The panel meets formally in open session throughout the year, to undertake their role. Whilst establishing openness in the conduct of police business the intention is that the PCP supports the PCC in the effective exercise of their functions. Further information on the role, responsibility and powers of the PCP can be found on the PCC's website.

The Alliance, between the PCC and Chief Constable and their counterparts in West Mercia is unique, however in October 2018 the West Mercia Chief Constable and Police and Crime Commissioner served notice on Warwickshire to terminate the Alliance in October 2019. Whilst this action was not supported by the Warwickshire PCC and Chief Constable, they have taken this opportunity to fully review options for future service delivery.

Throughout 2018/19, the Alliance has involved extensive collaboration across all aspects of police business in order to enable both forces to meet the challenge of reducing policing budgets, however, work is currently underway and will continue over the coming months to ensure an orderly exit from the Alliance for both forces, and for a smooth transitional period as they each plan for and develop their respective futures.

Both forces under the Alliance arrangements had adopted a shared vision and set of values which provided a unified purpose for the two organisations and a clear direction for the workforce and our stakeholders on how the forces would operate. However, with the ending of the Alliance in October 2019, both forces have now set their own vision and values, which were launched in January 2019. The new vision, values and policing priorities for Warwickshire are shown in diagram 1 below which sets out how our ambition, values and code of ethics support our vision to protect people from harm.

Diagram 1.

Our vision and values

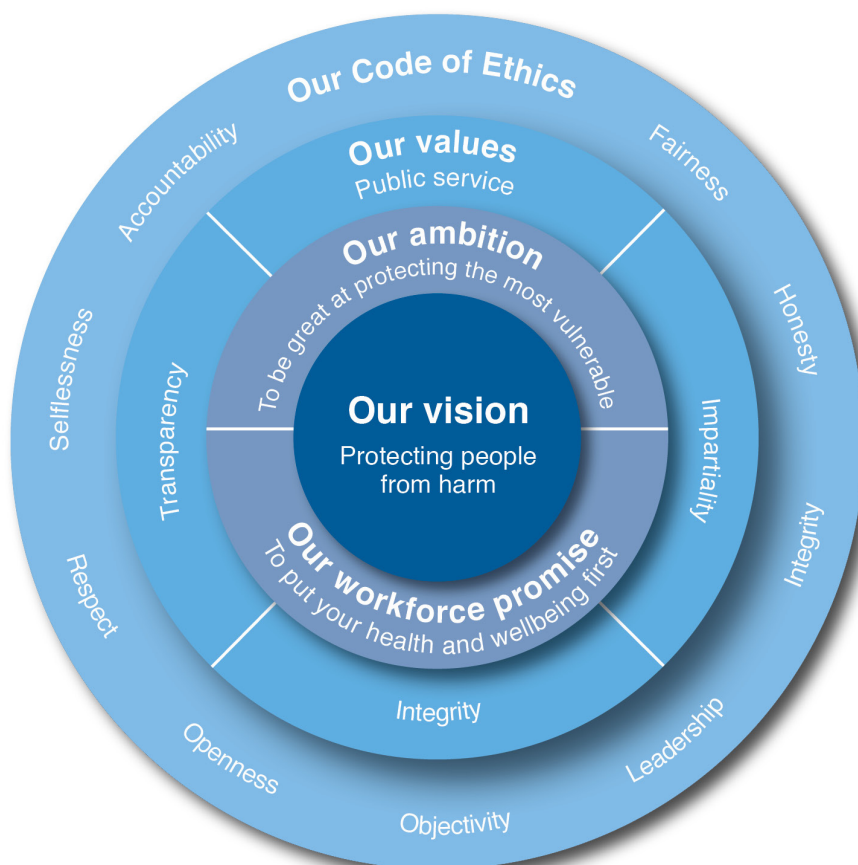


Diagram 2 shows the policing priorities that were re-set in January 2019 for Warwickshire Police. This links in with the overall vision of protecting people from harm, but also refers to specific priorities regarding victims, service levels and the prevention of crime in achieving that vision. The policing priorities are set and led by a Chief Officer team across Warwickshire, with shared resources in finance and enabling services and one shared Assistant Chief Constable with West Mercia.

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Diagram 2:



During 2018/19, the Alliance Governance Group (AGG) has been the main mechanism for overseeing the governance of the Alliance. The key document that sets out the arrangements that govern the Alliance are established under the Police Act 1996 as follows:

- The Section 22 collaboration agreement sets out how the joint Forces' finances will be managed on a day-to-day basis, including the financial arrangements for cost sharing.

This document can be found at: www.warwickshire.police.uk.

However, with the termination of the Alliance the governance arrangements for Warwickshire Police will have to be reset, along with other specific arrangements to be put in place for

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those areas of service which will take longer to transition out of the Alliance beyond the October 2019 timeframe. This work will progress over the coming weeks. Nonetheless throughout 2018/19, the aims of the Alliance remained as:

- To provide a more efficient and effective policing service in the geographical areas for which the Parties are responsible for policing; that is: for the communities of Herefordshire, Telford and Wrekin, Shropshire, Warwickshire and Worcestershire;
- Enhanced capability and capacity;
- Greater resilience and flexibility in the use of skilled specialist staff;
- Reduction in duplication of roles and resources, and;
- Greater opportunity to maximise financial savings.

The Alliance and continuing vision of Warwickshire Police is to ‘Protect People from Harm’ where harm constitutes death, injury, loss and distress. To achieve the vision we rely on our workforce; police officers, police community support officers, police staff, special constables and volunteers. We also value the contribution that the communities of the two policing areas make towards achieving this outcome, whether giving their time as volunteers or engaging with the force in other ways. The PCC supports many of these initiatives through his grant scheme and extensive community engagement work, which includes working particularly closely with the local Community Safety Partnerships. Their main aims include:

- Establishing the levels of crime and disorder in local areas;
- Consulting widely with local residents to make sure that the partnerships’ perception match that of local people, and;
- Devising strategies containing measures to tackle priority problems.

The Alliance workforce is key to the delivery of effective policing, an analysis of which is shown at table 1. A Home Affairs Committee report highlighted the under representation of Black and Minority Ethnic (BME) people in police forces in England and Wales. The force seeks to take positive action to ensure that our force better represents the communities we police. However, the PCC is fully committed to enhancing police officer numbers in their totality to ensure the service is able to deal with the increases in demands it faces and be more effective at protecting people from harm.

Table 1. Workforce Analysis

	Warwickshire	BME %	Female %	Male %
Police Officers	807	4.83	30.85	69.15
PCSOs	86	10.47	59.30	40.70
Police Staff	722	5.96	60.53	39.47
Total	1,615	5.63	45.63	54.37

	West Mercia	BME %	Female %	Male %
Police Officers	1,969	2.49	31.94	68.06
PCSOs	235	2.90	52.77	47.23
Police Staff	1,688	2.55	64.10	35.90
Total	3,892	2.54	47.14	52.86

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	Alliance	BME %	Female %	Male %
Police Officers	2,776	3.17	30.92	69.08
PCSOs	321	4.98	51.83	48.17
Police Staff	2,410	3.56	62.48	37.52
Total	5,507	3.45	45.95	54.05

The PCC, operating as part of the Alliance, identifies, evaluates and controls key risks that if they happened could significantly impact on the ability of the PCC and Chief Constable to achieve the objectives set out in the Police and Crime Plan. Some of the key risks are listed below. However, actions are also put in place to mitigate these risks and various activities flow from these:

- Health and Wellbeing of our workforce – ongoing and consistent monitoring enables a better understanding of factors that affect health and wellbeing and the deployment of a consistent strategy to tackle the causes outlined;
- Financial implications – the delivery of the financial savings will continue to be challenging, particularly so given the uncertain political and economic climate;
- Information quality and data inputted into systems, being used for formulating decisions and must be legally compliant under the recent GDPR changes;
- ICT capacity and capability - infrastructure and systems are being reviewed and updated to ensure that this critical resource and enabler can facilitate change across both forces in operational policing and other support functions;
- Re-organisational work is ongoing across the Alliance and in the respective ‘change’ teams, as the forces transition to their new states post October 2019, when the current Alliance ends.

Financial Performance

The PCC is responsible for setting the annual budget within which the Chief Constable is expected to operate and against which financial performance is measured. The Chief Constable’s only source of income is through the intra-group transfer, where the PCC reimburses the Chief Constable for the cost of day to day policing up to the agreed budget. This is representative of the relationship between the PCC and the Chief Constable, which is underpinned by the governance arrangements and features in the statement of accounts.

Financial information is monitored across the Alliance structure and analysed between Warwickshire and West Mercia, at the top level with no distinction between the PCC and the Chief Constable. The 2018/19 outturn position is presented here in this way. In contrast the statement of accounts makes the distinction between the PCC’s and Chief Constables financial position. The annual budget is funded mainly through government funding and the precept. The expenditure that can be charged against the budget is determined on a statutory basis. By contrast the Statement of Accounts includes income and expenditure that are measured and reported in accordance with proper accounting practice as set out, chiefly, in The Code of Practice on Accounts in the United Kingdom 2018/19 (also known as ‘the Code’). A reconciliation between the figures used to produce the outturn, explained in the following paragraphs and those contained in the Accounts is provided in Note 1. The following table analyses how the budget is funded.

Narrative Report**Table 2. Funding 2018/19**

Where the Money Came From	Budget £m	Actual £m	%
Central Government Funding	52.937	52.937	0.00
Locally Raised Funding – Precept (Council Tax)	41.494	41.494	0.00
Total Funding (excluding reserves)	94.431	94.431	0.00

The PCC agreed a 2018/19 net revenue budget of £98.543m which includes the use of £4.112m of reserves resulting in a budget requirement of £94.431m. The budget is funded by £52.937m of government funding and a further £41.494m comes from the council tax through the precept, which the PCC increased by 6.25% or £12 on a Band D equivalent property in 2018/19. The following table shows the outturn position by comparing the revised budget to the actual for 2018/19, firstly for the Alliance and then for Warwickshire Police.

Table 3. The Alliance Outturn for year ended 31 March 2019

Warwickshire Police & West Mercia Police	Budget £m	Budget Adjustments £m	Revised Budget £m	Actual £m	%	Variance £m
Police officers' pay	153.100	(1.239)	151.861	143.409	5.6	8.452
Police officers' overtime	4.008	0.020	4.028	5.914	(46.8)	(1.886)
Police staff pay	79.472	3.556	83.028	81.115	2.3	1.913
Police staff overtime	0.959	0.001	0.960	1.290	(34.4)	(0.330)
PCSO pay	10.937	0.000	10.937	10.003	8.5	0.934
Police pensions	4.771	0.000	4.771	4.707	1.3	0.064
Other Employee Expenses	1.437	0.366	1.803	3.627	(101.2)	(1.824)
Premises	11.355	0.418	11.773	11.166	5.2	0.607
Transport	6.223	(0.026)	6.197	6.817	(10.0)	(0.620)
Supplies & Services	32.356	1.229	33.585	33.833	(0.7)	(0.248)
Third Party Payments	23.614	(1.838)	21.776	21.700	0.3	0.076
Capital Financing	3.700	0.091	3.791	3.942	(4.0)	(0.151)
Expenditure	331.932	2.578	334.510	327.523	2.1	6.987
Income	(22.236)	(0.676)	(22.912)	(23.016)	0.5	0.104
Net Expenditure	309.696	1.902	311.598	304.507	2.3	7.091
Total Use of Reserves	(8.493)	(1.902)	(10.395)	(3.304)	(68.2)	(7.091)
Net Force Budget Incl. Use of Reserves	301.203	0.000	301.203	301.203	0.0	0.000

Table 3 shows the actual Alliance net expenditure in 2018/19 of £304.507m, which is £3.304m more than the core funding from Government grants and precept. The revised budgeted drawdown from reserves was £10.395m, so this represents a reduction in the planned use of reserves of £7.091m at year end.

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The main causes of this variance are as follows:

- The underspend on police officers pay of £8.452m in 2018/19 is due to a number of issues. These include the time taken to recruit the additional officers following the PCCs' decisions to invest in police officer posts when setting the 2018/19 budget, a higher number of officers leaving the alliance than anticipated, and the non-consolidation of the bonus element of the 2017 pay award into the police payscales in 2018. However, this saving should be considered alongside the increased costs in year of police officer overtime of £1.886m, which has been incurred to maintain capacity. Some additional costs have also been incurred to react to a series of major incidents within the alliance and in other force areas. Overtime costs incurred by the alliance for example in supporting national incidents like the Salisbury nerve agent attack are recovered and shown within income.
- The total underspend on police staff pay of £1.913m has arisen as a result of an overachievement of the target set for vacancies, staff turnover, the extent of fixed term posts and difficulties in recruiting people to these posts and retaining them. This saving has been partly offset by an overspend of £0.33m on overtime for police staff.
- PCSO pay has underspent against budget by £0.934m largely as a result of vacancies at the start of the year.
- Police pensions have underspent by £0.064m due to a lower number of officer medical retirements in 18/19 than anticipated.
- Other employee expenses have overspent by £1.824m mainly due to increased redundancy and associated costs including actuarial strain in 2018/19. Inevitably as the alliance goes through a period of change, such costs will increase and are likely to fluctuate dependent on the timing of decision making and delivery around various phases of the programme of change. Some expenditure is also attributable to police officer advertising in Warwickshire and increased training costs in both Forces.
- Place Partnership Limited manage the estates on behalf of the alliance, and premises costs are non-pooled under the alliance cost sharing model. The total underspend on premise related costs is £0.607m. This is due to lower than estimated costs of removing asbestos encountered in building works on the West Mercia estate. There is an underspend on the maintenance of buildings in part due to deliberate action being taken to meet the overspend on the utilities, rent and insurance budgets arising from delays in the estate rationalisation programme. The budgets for valuation and feasibility studies also underspent. This included the saving on fees for the decommissioning of the Leek Wootton site.
- Transport costs have overspent by a total of £0.620m in year as the costs of repairs as a consequence of collisions increased as did the cost of diesel. The planned reduction in the vehicle fleet could not be achieved as police officer numbers were not reduced as planned in the policing model. The review of essential user car allowances was not implemented after being rejected by the Joint Negotiating and Consultative Committee. These pressures were partially offset by the reduced cost of vehicle maintenance, the use of second hand parts and a better premium on the vehicle insurance.

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- Supplies and services overspent by £0.248m and covers a range of areas of expenditure. However, within this overspend is a significant underspend relating to ICT related costs, including reduced expenditure on software, network infrastructure costs and hardware support and maintenance costs on various contracts. Digital forensics costs are also lower than budgeted, due to specific difficulties with external suppliers and the timely processing of submissions. These were offset by the costs of implementing the Transformation Programme, of designing the future post October 2019, Protective Services equipment, of writing off to revenue of capital costs associated with the Telematics Project and of the costs relating to the recruitment of an increased number of police officers.
- Payments to third parties for services has a total net underspend of £0.076m. This relates primarily to lower expenditure on key areas of spend relating to PCC grants and this underspend will contribute to an earmarked reserve to fund spend in future years. Some additional costs in respect of ROCU have offset this underspending in 2018/19.
- There is an overspend of £0.151m arising from revenue contributions to fund capital expenditure for example in relation to Stuart Ross House in Warwickshire and the Victims Advice Helpline in West Mercia. This is offset in part by the decision to delay long-term borrowing in West Mercia and finance this internally for most of the year. Warwickshire is £0.291m overspent: this relates to the capital expenditure financed directly from revenue for Stuart Ross House in Warwickshire as well as ICT equipment for new recruits.
- There was an overachievement of the income budget in 2018/19 of £0.104m. It is openly acknowledged that there is often volatility with income, often due to the impact of a number of external factors. As a result, an earmarked reserve has been set up to smooth the in-year effect of this volatility risk in future years. The main variations in 2018/19 are attributable to increased income from sales, fees and charges particularly on speed awareness and driver improvement courses, and increased volumes of vetting checks, accident reports and firearms certificates reflecting increased staffing capacity.. Vetting income has been affected by changes in accounting standards following the adoption of (IFRS15) "Revenue from Contracts with Customers". Recoverable income in respect of police officers working on behalf of other forces or on national incidents is below budget, but this will be matched by the costs incurred by the force in expenditure.

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Table 4 provides an analysis of the Warwickshire Police budget:

Table 4. The Warwickshire PCC and Chief Constable Outturn for year ended 31 March 2019

Warwickshire Police	Budget £m	Budget Adjustments £m	Revised Budget £m	Actual £m	Variance £m
Police officers' pay	48.951	(0.441)	48.510	44.999	3.511
Police officers' overtime	1.247	0.020	1.267	1.890	(0.623)
Police staff pay	23.730	1.152	24.882	24.141	0.741
Police staff overtime	0.298	0.001	0.299	0.397	(0.098)
PCSO pay	3.128	0.000	3.128	2.792	0.336
Police pensions	1.215	0.000	1.215	1.380	(0.165)
Other employee expenses	0.431	(0.004)	0.427	0.962	(0.535)
Premises	3.115	0.009	3.124	2.797	0.327
Transport	2.109	(0.008)	2.101	2.278	(0.177)
Supplies & services	9.850	0.378	10.228	10.230	(0.002)
Third party payments	6.067	(0.290)	5.777	5.893	(0.116)
Capital financing	1.471	0.028	1.499	1.790	(0.291)
Expenditure	101.612	0.845	102.457	99.549	2.908
Income	(6.074)	(0.383)	(6.457)	(5.924)	(0.533)
Net Force	95.538	0.462	96.000	93.625	2.375
Office of the PCC	0.984	0.000	0.984	0.945	0.039
PCC – victims commissioning	0.000	0.040	0.040	0.041	(0.001)
PCC Commissioners grant scheme	1.681	(0.162)	1.519	1.438	0.081
PCC – Business, Rural & Cyber Crime	0.000	0.000	0.000	0.000	0.000
Total PCC	2.665	(0.122)	2.543	2.424	0.119
Net Force	98.203	0.340	98.543	96.049	2.494
Use of Reserves	(3.772)	(0.340)	(4.112)	(1.618)	(2.494)
Net Force Budget Incl. Use of Reserves	94.431	0.000	94.431	94.431	0.000

In addition to the spending on day-to-day activities, the PCC incurs expenditure on buildings, information technology, vehicles and other major items of specialist equipment which have a long-term useful life. This type of spend is known as capital expenditure.

Assets are held on the PCC's Balance Sheet and the PCC exercises strategic control over assets to achieve objectives set out in the Police and Crime Plan and the aims of the Alliance with West Mercia Police. The capital programme, which contains projects that lead to the creation of new assets or the enhancement of existing assets, is the responsibility of the PCC, who in turn can draw on a range of options to finance capital expenditure, including borrowing, to meet the cost of the capital programme. The Chief Constable is charged for the use of assets in day to day policing. The PCC is also responsible for cash reserves, which

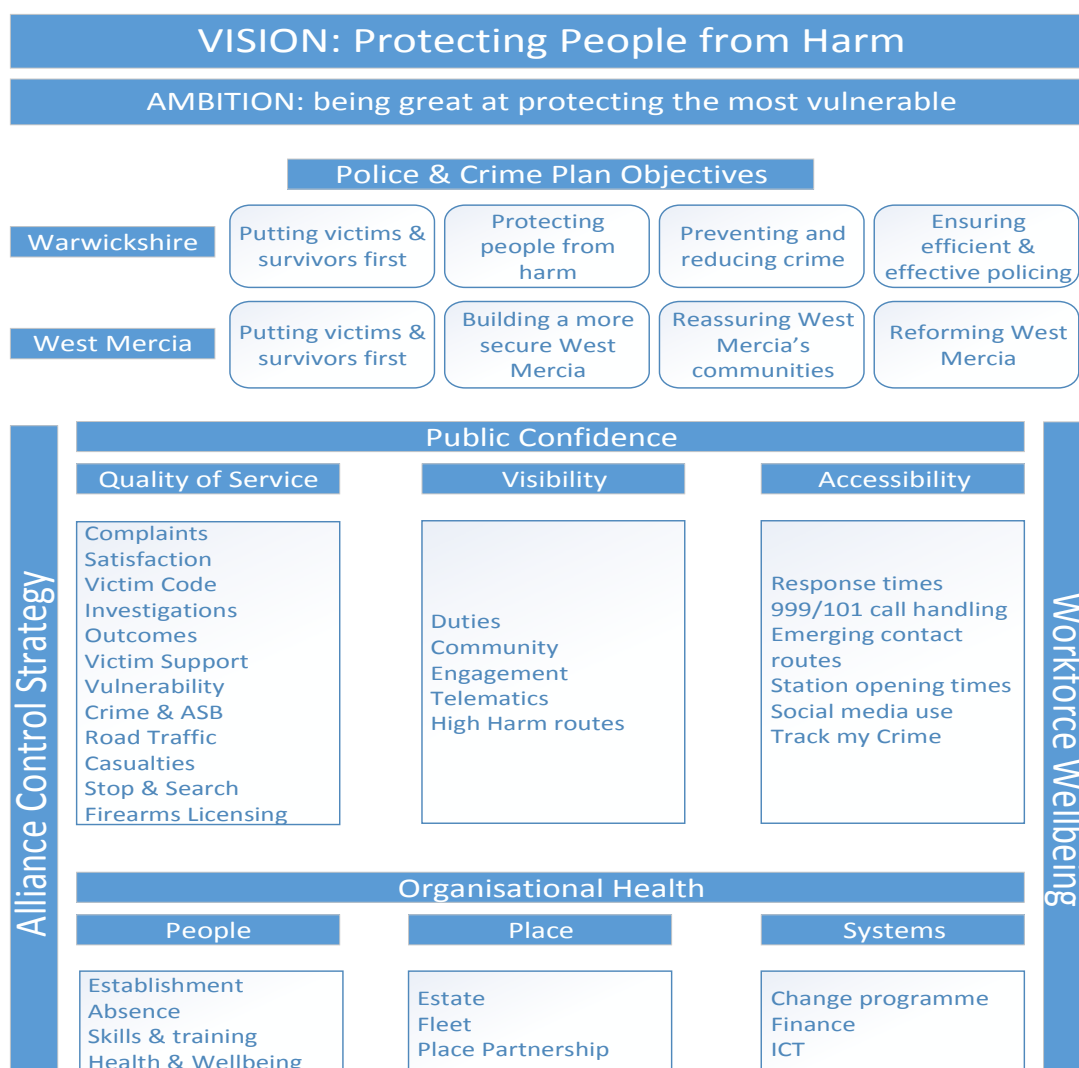
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are a key part of the Medium Term Financial Plan and used to fund the budget gap, other specific initiatives and part fund capital expenditure. The capital outturn position, borrowing and reserves are explained in the narrative report section of the Group and PCC Accounts and the accompanying notes.

Policing Performance

The Warwickshire and West Mercia PCC have set their own objectives, which are monitored under a single Alliance Performance Framework as shown in diagram 3.

Diagram 3.



As an integral part of the Alliance performance framework day to day performance is monitored through the performance dashboard on the force intranet, which is updated daily across a range of crime areas. The information provided by the dash board is used to take corrective action to address emerging issues and adverse trends.

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Daily policing is directed by the Chief Constable, which is informed by the Police and Crime Plan and the Strategic Assessment. The latter is an assessment of the highest risks and harms at national and local level. The Alliance Control Strategy is set in response to the threats identified in the Strategic Assessment, it is a framework used, by operational officers, for decision making and allocating resources. Diagram 4 shows the current Alliance Control Strategy that was in place throughout 2018/19. This has however been updated from April 2019 onwards, with separate control strategies being adopted by each force, given the ending of the Alliance in October 2019.

Diagram 4.



The Chief Constable controls specific actions through various policies and procedures, the behaviours of the workforce and culture of the Alliance are shaped by our values and the national Code of Ethics. We acknowledge that we do not always get it right and that the actions of a few can let down the vast majority of hard working and dedicated people that work to protect people from harm. However, we seek to ensure that high standards of conduct are enforced and the Professional Standards Team seek to proactively address concerns that are raised with them and to ensure that we learn from our experiences. The PCC and his office also hold the Force to account and any arising issues may also be investigated and reported through these channels. During the course of 2018/19 the Joint Audit Committee was merged with the Trust, Integrity and Ethics Committee to create one

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Joint Audit and Standards Committee which scrutinises the two forces and PCCs on all such matters.

Table 5 is a summary of our performance for 2018/19 against the various categories of crime. In 2018/19 total recorded crime increased by 1.5% compared to 2017/18. The increase follows a national trend and reflects a continued focus by all forces on the quality of crime recording, as well as specific activity to encourage victims of domestic abuse and sexual offences to come forward and report crimes to the police. In terms of safety on our roads 2018/19 saw a small decrease in the number of fatalities, with 36 road deaths compared to 39 in 2017/18. As at 31 March 2019 user satisfaction stood at 77%, which is lower than 82% recorded at 31 March 2018. The latest public confidence data for Warwickshire Police up to December 2018 stands at 80%, which places Warwickshire top of its most similar group of forces and seventh nationally.

Table 5. Policing performance 2018/19

	Volume	Compared to 4 Year Trend	Compared to 2017/18
Violent Against the Person with Injury	4,614	+21%	+3.9%
Violent Against the Person without Injury	8,856	+70%	+17.5%
Rape	405	+7%	-22.3%
Other Sexual Offences	890	+20%	-6.2%
Personal Robbery	405	+73%	+20.5%
Business Robbery	62	+22%	-20.5%
Burglary - Residential	2,071	+23%	-6.1%
Burglary – Business and Community	2,011	-5%	-12.8%
Vehicle Offences	4,970	+25%	+1.3%
Bicycle Theft	702	-5%	-26.7%
Theft from Person	450	+33%	+3.2%
Shoplifting	3,296	+4%	-12.5%
All other Theft Offences	4,513	+3%	+1.0%
Criminal Damage and Arson	4,681	+7%	+1.3%
Other Crimes against Society	4,300	+34%	+5.6%
Total Recorded Crime	42,226	+23%	+1.5%
Anti-social behaviour	14,094	-16%	-14%

Value for Money

Both the PCC and Chief Constable have a duty to provide efficient and effective policing at an affordable cost. Her Majesty’s Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) provides an annual independent thematic inspection and assessment of the force’s performance in terms of its effectiveness, efficiency and legitimacy. Assessments were conducted during 2018/19, and covered the 3 specific areas:

- Effectiveness – how effective are the force at keeping people safe and reducing crime;
- Efficiency - does the force provide value for money;
- Legitimacy – treating people with fairness and respect.

The results of the assessments have not yet been published for Warwickshire, however full details of the previous HMICFRS inspection reports for Warwickshire can be found at: www.justiceinspectorates.gov.uk/hmicfrs/peel-assessments/peel-2018/warwickshire/

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The 2017 assessment rated the force as follows:

- Effectiveness – Requires Improvement
- Efficiency – Good
- Legitimacy – Requires Improvement

The inspectors highlighted a number of key areas where the force needs to do more to better protect the public and provide a more effective service, however there was also recognition of the many aspects where the force has improved and of the hard work and dedication of the workforce. In the majority of cases the inspection reports identify a number of areas for improvement. In response, the force has developed an action plan to deliver the required improvements, achieved through core groups of senior officers, police staff, and with PCC representation which is overseen by chief officers.

To achieve the challenging savings targets, the Alliance has already implemented some structural changes particularly across back-office functions and also implemented a new policing model in April 2018 to ensure greater levels of protection from harm, by more closely matching resources to demand for services. Further refinements to the policing model including planning for the break out of local policing across the Alliance in April 2019 were commenced during 2018/19, which will bring local policing under the direct control of Warwickshire based local policing command to bring further efficiencies and make the service more effective. Other main areas of transformation are across ICT and the need to update and deliver a modern flexible and robust ICT infrastructure to support new and compliant information and communication technologies that will support the new ways of working within Warwickshire Police beyond October 2019, when it exits the Alliance.

Throughout 2018/19, the Transformation Board, chaired by the Transformation Director and attended by Chief Officers, programme managers and representatives from across the force and PCC meets monthly to review progress and agree priorities and actions on the key transformation project areas. It oversees the delivery of appropriate outcomes to achieve strategic objectives and to monitor the benefits realisation. The realised benefits from the transformation programme in terms of efficiency and the generation of savings are being monitored as the work develops, as they form a significant proportion of the financial savings targets within the Medium Term Financial Plan and are critical to the future financial sustainability and efficiency of the force. Some of the transformation projects in relation to Warwickshire have been suspended or stopped as a result of the termination of the Alliance, and because of the due diligence work the Warwickshire change team have done to consider options around how Warwickshire Police should operate beyond October 2019.

During 2018/19 the Alliance continued its joint operation with other public sector organisations in the region to collaborate on the provision of estates services through Place Partnership Limited (PPL). The PCC is responsible for setting the estates strategy for Warwickshire police, but this is managed on a daily basis by PPL a public sector company, with the aim of providing economic and regeneration benefits. The PCC does have a detailed estates strategy. The police headquarters at Leek Wootton was being marketed for sale, but given the notice to terminate the Alliance in October 2018, the decision to retain and re-designate it as the Warwickshire Police Headquarters has been taken and the building continues to be shown as an operational asset on the PCC's balance sheet. This will enable more flexibility in decision-making around the future operations of Warwickshire police beyond October 2019. Decisions around rationalising, investing and updating the remaining

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estate have been taken during 2018/19 and further opportunities will be kept under review as part of a longer term strategy to ensure the force remain efficient and effective in protecting people from harm.

During 2018/19, the use of Athena, which is the main police collaboration ICT system has continued to embed across the Alliance, although this has proved challenging. The new Warwickshire OCC – Stuart Ross House was also due to go live in 2018/19, but further work at the site has been undertaken during the year to ensure the building is suitable for occupation, along with ongoing work to the ICT infrastructure and systems that are required for its effective use. Options more widely around ICT infrastructure have formed part of the detailed work undertaken by the Warwickshire Change team to assess the optimal arrangements for Warwickshire police following the termination of the Alliance.

Our workforce is essential in delivering the Alliance's vision, and in recognition of this, and to address some of the issues raised in recent staff surveys, the Health and Wellbeing Board meets regularly. It ensures the actions identified through the survey are implemented and improvements are made. Sickness absence and managing staff health and wellbeing remains a priority, and is a recognised risk to the Alliance and Warwickshire. 2019 has been designated by Warwickshire Police as the Year of Wellbeing and work will continue to promote this over the coming months. Some improvements have been made in terms of attendance during 2018/19, and work is continuing to identify attendance issues and take steps to resolve these and support individual members of the workforce to return to work.

The Medium Term Financial Plan

Setting the budget and precept proposal is one of the key responsibilities of the Warwickshire PCC under the Police Reform and Social Responsibility Act 2011 and one of the most important decisions that he has to make.

The 2019/20 budget has been built for the Alliance and the budget requirement apportioned to each Force in accordance with the agreed cost sharing approach for those services which remain pooled or shared, which primarily include support or enabling services and protective services. In 2019/20 it was agreed that the Local Policing element of the service would be non-pooled across the Alliance, with the budgets for this area being reflected according to each geographical area in the Warwickshire and West Mercia budget. In setting the budget the PCC has regard to a number of principles including:

- National targets and objectives including the Strategic Policing Requirement;
- The priorities within the police and crime plan and any likely changes to these for 2019/20;
- The outcome of public consultation;
- The plans and policies of other partner agencies relating to community safety and crime reduction;
- The policy of the Government on public spending as set out by the chancellor, and more specifically in accordance with the final financial settlement for 2019/20, received in January 2019;
- The medium term financial obligations;
- Prudent use of the financial reserves;
- The constant drive for continuous improvement and value for money by achieving the challenging savings plans and;

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- Making appropriate plans operationally, strategically and financially to exit from the alliance with West Mercia in an orderly manner to ensure service delivery is maintained and where possible improved as the force transitions and the impact on staff, and local communities is minimised wherever possible.

The PCC agreed a 2019/20 net revenue budget of £102.719m which includes the use of £1.284m of reserves resulting in a budget requirement of £101.435m. The budget is funded by £53.94m of government funding, which is an increase of £1.0m higher than in 2018/19. The remaining funding, £47.495m, comes from the council tax through the precept.

Since 2010 Police Forces have faced significant reductions in resources as a result of the Government's austerity programme. At the same time the nature of crime and its consequent demands have changed significantly, particularly regarding cybercrime, child sex exploitation and terrorism. During the period of the previous and current Comprehensive Spending Review Warwickshire has implemented spending reductions of over £35.0m, in addition to a total savings target in 2019/20 of £2.6m.

In setting the 2019/20 budget, the PCC recognised the unavoidable pressures policing faces. These included pay and price increases at 2%, in addition to other general inflationary pressures, but with no additional central funding made available to finance the increased costs in the final settlement. Other unavoidable cost pressures have also arisen due to statutory changes and those from changes in legislation, including the Policing and Crime Act 2017 and the cost and financing of police pensions as a result of a recent revaluation exercise. These unavoidable spend pressures are significant and may prove even more challenging to address in future, given the further pressure of both changing and growing demand for police services.

The final funding settlement received in January 2019 included increased flexibility for PCC's around precept setting of up to £24 on a band D property. Additionally, the central government grant was confirmed at a higher level, in part to reflect the increased costs of police pensions, but as these additional costs were not fully financed centrally, it still represented a real cash reduction in funding for 2019/20.

The 2019/20 budget, the Medium Term Capital Programme and the Medium Term Financial Plan address all of these challenges and consider options around funding to ensure the force is able to deliver effective and efficient services which deliver value for money for local people. With the new flexibility, the police precept for Warwickshire was increased by 11.77% which is equivalent to £24.00 per band D property in 2019/20. Given the PCC's priorities, the increasing pressures and the termination of the Alliance, the PCC needs to ensure that policing arrangements continue to protect the public from harm and policing must therefore be both efficient and effective, address changes in demand, enable a smooth exit from the Alliance and meet public expectations. In 2019/20 the PCC therefore intends to:

- Develop plans alongside the Chief Constable for the effective and efficient delivery of all policing and support services beyond October 2019;
- Appoint an additional 85 police officers, 5 PCSO's and 10 PSI's in 2019/20 to ensure that policing services continue to meet demand as effectively as possible;
- Retain Leek Wootton as a newly re-designated police headquarters and invest in the facilities there to ensure it is fit for purpose for modern day operational policing;
- Improve ICT infrastructure within Warwickshire;

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- Explore further options for collaboration on more normal levels with partners across a range of services to deliver effective policing across Warwickshire that delivers value for money for taxpayers;
- Work with partners to further develop specialist capabilities where they are needed to better protect the public;
- Review the property assets he holds to ensure that buildings are fit for purpose and that the estate is managed as efficiently as possible;
- Improve the services available to victims of crime within Warwickshire through his grants and commissioned services programme;
- Actively manage his reserves within acceptable, prudent and risk managed levels.

The PCC will continue to drive value for money across all areas of policing and closely monitor financial performance throughout the year to ensure that policing demands can be met within the resources available to the Chief Constable. 2019/20 will undoubtedly be another challenging year, especially given the uncertainty around the ending of the Alliance and the transition period that will ensue. The risks associated with this – financial and non-financial will be kept under regular review and the reserves strategy for the force will underpin the budget and the risks faced, to ensure that this takes place in a seamless and efficient manner.

The PCC’s Medium Term Financial Plan, budget report and reserve strategy are all available on the PCC’s website.

Environmental Scanning

A review of challenges the force and wider public services are likely to face over the next five years has been undertaken. The force will remain mindful of these in setting its strategy to ensure it is able to provide effective policing services in the medium term. The detail is shown below and the challenges have been prioritised, in terms of the impact and uncertainty:

Social Challenges		Impact	Uncertainty
1	Increasing demand for high-tech investigative capacity and capability in an increasingly connected society	High	Low
2	Increasing demand from reducing social, personal and financial means, including support to the most vulnerable members of society	High	Low
3	Increasing demand to meet expectations for greater automation and public access through fit for purpose ICT solutions	High	High
Partner Challenges			
4	Increasing demand on policing as a first resort as funding cuts deepen across partners	High	Medium
5	Increasing demand to exploit opportunities to share assets and provide single operating models with partners (blue light and public sector)	High	Medium

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6	Increasing demand from changes in partners' working practices and strategies	High	Medium
Policing Challenges			
7	Increasing demand from increasing and more sophisticated crime and disorder	High	Low
8	Increasing demand to collect, manage and exploit often extensive volumes of data for both business and crime management purposes in ways that are legal, legitimate and proven to work	High	High
9	Increasing demand to respond to societal and cultural change to review and transform our business to continue to protect people from harm.	High	High

The Statement of Accounts

It is the purpose of the Statement of Accounts (the Accounts), consisting of the financial statements and notes to the accounts, to demonstrate that the Chief Constable has accounted for public money properly and been economical, efficient and effective in the use of that public money. To better understand the financial statements it is important to understand the arrangements that govern the PCC and Chief Constable and the relationship between them as well as the relationship with their counterparts in West Mercia, through the alliance, which also effects the figures contained in the financial statements and disclosures in the notes to the accounts.

The treatment of transactions (income and expenditure) and balances (assets, liabilities and reserves) in the PCC's and Chief Constable's Accounts under the Group arrangement and within the context of the Alliance is explained in Note 3 'Critical Judgements in Applying Accounting Policies'. The PCC and Chief Constable are classified as a group arrangement under accounting standards, the Chief Constable being a subsidiary of the PCC. The specific accounting treatment takes into account the substance of the arrangements for governing the two entities and recognises the formal stage 2 transfer of responsibilities from the PCC to the Chief Constable that took place on 1 April 2014. The Alliance by comparison is instead classified as a joint operation where costs are shared in line with the cost share model on 69% to West Mercia and 31% to Warwickshire.

A summary of these arrangements was set out earlier in this report. The Accounts reflect current legislation and local operating arrangements, where legislation takes precedent over the Code or where the Group position differs from that of the PCC this is explained in the Accounts and the notes. The following is an explanation of the contents of the Accounts and the main financial statements, their purpose and relationship between them.

They comprise:

- The **Statement of Accounting Policies**, which sets out the accounting policies adopted by the Chief Constable and explains the basis on which the financial transactions are presented;

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- The **Statement of Responsibilities** for the Accounts, which sets out the responsibilities of both the Chief Constable and the responsible Chief Finance Officer for the preparation of the Accounts;
- **Auditor's Report** gives the auditor's opinion of the financial statements and of the Chief Constable's arrangements for securing economy, efficiency and effectiveness in the use of resources;
- The **Comprehensive Income & Expenditure Statement (CIES)** is a summary of the income and expenditure received and used to provide services during the year and shows how the PCC has funded the cost of net expenditure incurred at the request of the Chief Constable by an intra-group transfer. The surplus or deficit on the provision of services line flows into the MIRS to be transferred into the balance sheet as explained below;
- The **Movement in Reserves Statement (MIRS)** shows the movement in the year on the different reserves held by the Chief Constable. A further analysis and explanation of the purpose for which these unusable reserves are held can be found at Note 9. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Chief Constable's services, more details of which are shown in the CIES. This is different to the statutory amounts that can be charged against the police fund and taxation, whereas the net increase before transfers to earmarked reserves is the sum after adjustment for the entries required to comply with accounting standards, Note 8 provides detailed analysis of the adjustments contained in the MIRS;
- The **Balance Sheet**, which shows the value as at the 31 March 2019 of the assets and liabilities recognised by the Chief Constable. The net assets (assets less liabilities) are matched by the usable and unusable reserves, which hold the transfers from the CIES, which have moved through the MIRS;
- The **Cash Flow Statement**, which summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes;
- **Notes to the Accounts**, these comprise a detailed analysis of the summarised financial information in the Core Financial Statements, including the Expenditure and Funding Analysis (Note 1);
- **Police Officer Pension Fund Account** - This identifies the payments in and out of the Police Officers Pension Fund Account for the year;
- The **Annual Governance Statement** – This section describes how the Chief Constable conducts business in accordance with proper standards and presents the findings from the annual review of the effectiveness of systems of internal control. The Annual Governance Statement does not form part of the Accounts but is included here for reporting purposes.

The Chief Constable's Accounts should be read alongside the Group and PCC Accounts and those of the West Mercia PCC and Chief Constable for West Mercia, which can be found as follows:

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<http://www.warwickshire-pcc.gov.uk/key-information/financial-information/annual-statement-of-accounts/>

<https://www.westmercia-pcc.gov.uk/key-information/financial-information/>

<https://www.westmercia.police.uk/article/2065/What-we-spend-and-how-we-spend-it>

The CIES shows a deficit on the provision of services of £26.2m. The deficit is arrived at after accounting for costs and income in line with the Chief Constable's accounting policies and recognised accounting conventions, which is different to the statutory basis used to identify the net expenditure to be funded from local taxation in the form of the Council Tax. For example, proper accounting practice requires the full cost of future pension liabilities to be recognised in the Accounts and is a significant part of the deficit on the Chief Constable's CIES.

The financial standing of the Chief Constable needs to be viewed from the perspective of the movement in the Police Fund, as set out in the MIRS, which reconciles the CIES to the statutory basis for determining taxation.

Pensions Liabilities

In accordance with International Accounting Standard (IAS) 19, the cost of employment and post-employment liabilities is shown in the Chief Constable's Accounts. The Chief Constable maintains a negative pensions reserve to match the estimated liability in relation to Police Officers, Police Staff and Police Community Support Officers' retirement benefits, which at the 31 March 2019 is £1,206.1m. However, in considering the impact that this has on the financial position of the Chief Constable it must be remembered that:

- Police Staff and Police Community Support Officers are entitled to join the Local Government Pension Scheme (LGPS), which is a funded scheme. The liability will be funded by future planned increases in both the employee and employer contributions.
- The Police Pension Scheme, under the current arrangements, is funded partly by police officer and employer contributions. If there is insufficient money in the Pension Fund Account to meet all expenditure commitments in any particular year the Home Office will fund the deficit.
- The Police Pension Scheme and LGPS have been subject to reform and as from 1 April 2015 the former became a career average (CARE) scheme; the LGPS became a CARE scheme on 1 April 2014. Therefore the future benefit structures, as well as the level of contributions, will change.

Further information about the IAS 19 liability can be found under Note 20 and information about the Police Pensions Fund Account can be found on page 64.

Statement of Accounting Policies

i. General Principles

The Statement of Accounts summarises the Chief Constable's transactions for the 2018/19 financial year and its position at the year-end. The accounting policies are the specific principles, bases, conventions, rules and practices applied by the Chief Constable when preparing and presenting the financial statements. The Chief Constable is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which must be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and the Service Reporting Code of Practice 2018/19 supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The principal accounting policies have been applied consistently throughout the year.

ii. Changes in Accounting Policies

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effects of transactions, other events and conditions in the Chief Constable's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. No changes have been made to the Chief Constable's accounting policies in 2018/19.

iii. Income and Cost Recognition and Intra-group Adjustment

The PCC is responsible for the Police Fund into which all income is received including the main funding streams of Police Grant, Revenue Support Grant and Council Tax as well as income from charges and from which all costs are met. The Police Fund is held in a single bank account: the Chief Constable does not have a separate bank account into which money can be received or from which payments can be made.

The Chief Constable's Accounts show the cost of undertaking day to day operational policing under the direction and control of the Chief Constable. Expenditure shown in the CIES include the salaries of police officers, PCSOs and police staff as well as the cost of purchases. In addition, a charge is shown for the Chief Constable's use of assets, which are strategically controlled by the PCC. The capital charge is equal to depreciation of property, plant and equipment and amortisation of intangible assets plus any charge for impairment through obsolescence or physical damage. To fund the operational expenditure the Chief Constable's Accounts show income by way of funding or financial guarantee provided by the PCC to the Chief Constable. This treatment forms the basis of the intra-group adjustment between the Accounts of the PCC and the Chief Constable. However, because the Chief Constable does not have a bank account there is no actual transfer of cash between the PCC and the Chief Constable.

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The cost of post employment benefits accrued by serving and ex-police officers and police staff and the cost of accrued absences is also shown in the Chief Constable's Accounts.

iv. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet;
- Expenses in relation to services received (including services provided by police officers, police staff and PCSOs) are recorded as expenditure when the services are received rather than when payments are made;
- Manual accruals of expenditure are not made where the value of the item is less than £1,000.

Notional transactions between the PCC and the Chief Constable are assumed to be settled immediately. The effect is to minimise the debtors within the Chief Constable's Balance Sheet. Where revenue and expenditure has been recognised but cash has not been paid a creditor for the relevant amount is recorded in the Balance Sheet. However, the PCC has not given consent to the Chief Constable to enter into contracts; therefore creditors for purchases are not shown in the Chief Constable's Accounts. However, accruals for police officers, PCSOs and police staff under the control of the Chief Constable are reflected in the Chief Constable's Accounts.

v. Cash and Cash Equivalents

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

However, the Chief Constable does not have his own bank account, therefore the cash figure is a notional figure derived from the PCC's cash and cash equivalents to balance with corresponding items held on the Balance Sheet.

vi. Charges to Revenue for Non-Current Assets

Services under the direction and control of the Chief Constable are debited with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service;
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off;
- amortisation of intangible non-current assets attributable to the service.

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vii. Employee Benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave, rest days, toil, paid sick leave and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Chief Constable. 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 at the start of the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the MIRS so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs. The accumulated cost is carried to the Chief Constable's Balance Sheet where it is held as a liability and this is matched by an unusable reserve.

Termination Benefits

This policy only applies to members of police staff, including PCSOs.

Termination benefits are amounts payable to employees as a result of a decision by the Chief Constable to terminate their employment before the normal retirement date or an employee's decision to accept voluntary redundancy and are charged on an accruals basis to the Cost of Services in the CIES at the earlier of when the employer can no longer withdraw the offer of those benefits or when the employer recognises costs for a restructuring.

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

Post-Employment Benefits

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

- Police Pension Scheme (PPS) for Police Officers.
- Local Government Pensions Scheme (LGPS) for Police Staff administered by Warwickshire County Council.

Both schemes provide index-linked defined benefits to members (retirement lump sums and pensions) earned as employees worked for the Chief Constable and determined by the individuals' pensionable pay and pensionable service.

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The LGPS and the PPS are accounted for as defined benefits schemes as follows:

- the liabilities of the pension fund attributable to the Chief Constable are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of anticipated earnings for current employees.
- International Accounting Standard (IAS) 19 requires the nominal discount rate to be set by reference to market yields on high quality corporate bonds or where there is no deep market in such bonds then by reference to government bonds.
- the PPS liabilities are discounted using the nominal discount rate based on government bond yield of appropriate duration plus an additional margin and the LGPS liabilities are discounted to their value at current prices, using a discount rate based on corporate bond yields at 31 March 2018.
- the discount rates used by the actuaries and other principal assumptions are set out in Note 20.
- the assets of the LGPS fund attributable to the Chief Constable are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities – current bid price
 - property – market value

The change in the net pensions liability is analysed into the following components:

- **Current service cost** – the increase in liabilities as a result of years of service earned in the current year – allocated in the CIES to the services for which the employees worked;
- **Past service cost** – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the CIES as part of Non Distributed Costs;
- **Net interest on the net defined benefit liability** i.e. net interest expense for the Group – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the CIES – this is calculated by applying the discount rate used to measure the defined benefit obligation to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments;

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- **Re-measurements comprising:**
 - **the return on plan assets** – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
 - **actuarial gains and losses** – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
- **Contributions paid to the pension fund** – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

A difference between the two schemes is that the PPS is an unfunded, defined benefit, final salary scheme, whereas the LGPS is a funded, defined benefit scheme and, with effect from 1 April 2014, became a career average (CARE) rather than final salary scheme. As the PPS is unfunded there are no investment assets built up to meet the pensions liabilities and cash has to be generated to meet the actual pensions payments as they eventually fall due. This is further explained in the notes to the Police Pension Fund Account on page 62.

It should be noted that the Chief Constable has not exercised powers to make discretionary awards of retirement benefits in the event of early retirements. The approach set out in the joint Government Actuary’s Department (GAD)-CIPFA paper “Assessment of Pension Liabilities Disclosures” as realised in the GAD model has been followed in order to satisfy the disclosure requirements of the Code.

The Chief Constable has powers to make awards to Police Officers who have ceased to be members of the police force and are permanently disabled as a result of an injury received without his/her own default in the execution of his/her duty. These payments are made in accordance with the Police (Injury Benefit) Regulations 2006.

viii. Jointly Controlled Operations and Jointly Controlled Assets

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

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expenditure it incurs and the share of costs incurred or income earned through the joint operation.

The Alliance with West Mercia Police bodies is a jointly controlled operation, which lies at the heart of the policing model and governance of the PCCs and Chief Constables of both Warwickshire and West Mercia. The Alliance is primarily a joint venture for operational purposes where each party draws on the pooled resources to deliver services. Assets created or developed as an integral part of the alliance are also shared.

A full explanation of the treatment of transactions and balances under the Alliance has been explained fully in Note 10 to the Accounts 'Pooled Budgets and Joint Operations'.

ix. Leases

Rentals paid under operating leases are charged to the CIES as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis from the commencement of the lease term over the life of the lease; even if this does not match the pattern of payments (e.g. there is a rent free period at the inception of the lease).

x. Segmental Analysis

Income and Expenditure is reported in the CIES on the basis of the Chief Constable's organisational structure. This requirement arose from CIPFA's "Telling the Story" review that revised the presentation of Public Sector financial statements so that the CIES reflects the way that organisations operate and manage services. The Chief Constable monitors and manages its financial performance on the basis of a single segment, Policing Services, to reflect this distinct service area. The costs of overheads and support services are charged to the segment on the same basis as they are reported in the financial performance reports. That is, the costs fall in the segment that is responsible for the support service and that directly monitors and manages that service.

The Expenditure and Funding Analysis (EFA) emanated from the Telling the Story review and brings together local authority performance reported on the basis of expenditure measured under proper accounting practices (including depreciation and the value of pension benefits earned by the employees) with statutorily defined charges to the Police Fund. The EFA reconciles the net expenditure chargeable to council tax to the CIES, analysed by service segment and thereby provides a direct link between the CIES and the budget i.e. the Police Fund.

xi. Prior Year Adjustments

Prior year adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes are applied retrospectively (unless otherwise stated) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. A prior year adjustment is required to demonstrate the impact on the CIES of the changes emanating from the CIPFA Telling the Story review, replacing the SeRCOP analysis with a segmental analysis.

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xii. Provisions, Contingent Liabilities and Contingent Assets

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

Provisions are charged as an expense to the Cost of Services in the CIES in the year that the Group becomes aware of the obligation, and are measured at the best estimate as at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year and where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made); the provision is reversed and credited back to the Cost of Services.

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

A contingent liability or a contingent asset arises where an event has taken place that gives the Chief Constable a possible obligation or asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Chief Constable. 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 and contingent assets are not recognised in the Balance Sheet but disclosed in Note 18 to the Accounts.

xiii. Reserves

The Chief Constable does not hold any usable reserves as all such reserves are retained by the PCC.

Unusable reserves are held by the Chief Constable to manage the accounting processes for retirement and employee benefits and do not represent usable resources for the Chief Constable. These reserves are explained in the relevant disclosure notes to the accounts.

xiv. Value Added Tax

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

Statement of Responsibilities

Responsibilities of the Chief Constable of Warwickshire Police

The Chief Constable is required to:

- make arrangements for the proper administration of the Chief Constable's financial affairs and to ensure that one of his officers has the responsibility for the administration of those affairs. In this organisation that officer is the Chief Finance Officer to the Chief Constable;
- manage the Chief Constable's affairs to secure economic, efficient and effective use of resources and safeguard the Chief Constable's assets;
- approve the Statement of Accounts.

I accept the above responsibilities and approve these Statement of Accounts for 2018/19.

Martin Jelley

The Chief Constable of Warwickshire Police

Date:

Responsibilities of the Chief Finance Officer

The Chief Finance Officer to the Chief Constable is responsible for the preparation of Chief Constable's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code).

In preparing this Statement of Accounts, the Chief Finance Officer to the Chief Constable has:

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

The Chief Finance Officer has also:

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

The Statement of Accounts for the Chief Constable of Warwickshire Police is duly authorised for issue on 31 July 2019 by authority of the Chief Finance Officer to the Chief Constable.

I certify that the Statement of Accounts represents a true and fair view of the financial position of the Chief Constable of Warwickshire Police at the accounting date and of the income and expenditure for the year ended 31 March 2019.

Jeff Carruthers

Chief Finance Officer to the Chief Constable of Warwickshire Police

Date:

Independent Auditor's Report

**Independent auditor's report to the Chief Constable for Warwickshire
Report on the Audit of the Financial Statements**

To be added following completion of the audit.

Independent Auditor's Report

To be added following completion of the audit.

Independent Auditor's Report

To be added following completion of the audit.

Financial Statements**Comprehensive Income and Expenditure Statement (CIES)**

This Statement recognises the financial resources belonging to the PCC consumed at the request of the Chief Constable in exercising day to day direction and control of the police force for the financial year, presented in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The CIES includes the intra-group transfer, whereby the PCC provides resources to meet the cost of day to day policing provided by the Chief Constable.

2017/18 Gross Expenditure £000	2017/18 Gross Income £000	2017/18 Net Expenditure £000			2018/19 Gross Expenditure £000	2018/19 Gross Income £000	2018/19 Net Expenditure £000
115,243	0	115,243	Policing Services		164,514	0	164,514
115,243	0	115,243	Cost of Policing Services	1	164,514	0	164,514
(101,699)	0	(101,699)	PCC's Funding for Resources Consumed	9	(102,632)	0	(102,632)
13,544	0	13,544	Net Cost of Policing Services		61,822	0	61,882
		30,713	Financing and investment net expenditure (<i>Note 20</i>)				30,559
		(17,817)	Home Office Grant Towards the Cost of Retirement (<i>Police Pension Fund Account, Page 64</i>)				(17,381)
		26,440	Deficit on Provision of Services				75,060
		(2,244)	Re-measurement of the net defined benefit liability (<i>Notes 8 and 20</i>)				35,770
		(2,244)	Other Comprehensive Income & Expenditure				35,770
		24,196	Total Comprehensive Income & Expenditure				110,830

Movement in Reserves Statement (MIRS)

This statement shows the movement in the year on the different reserves held by the Chief Constable, analysed into Usable Reserves (ie those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Group's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different to the statutory amounts charged to the General Fund Balance for council tax setting purposes. The Net (Increase)/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Chief Constable.

	Notes	Police Fund Balance	Unusable Reserves	Total Chief Constable Reserves
		£000	£000	£000
Opening Balance at 1 April 2017		0	(1,072,918)	(1,072,918)
Movement in reserves during 2017/18				
Total Comprehensive Income and Expenditure	20	(26,440)	2,244	(24,196)
Adjustments between accounting basis and funding basis under regulations	7	26,440	(26,440)	0
Net Increase before transfers to Earmarked Reserves		0	(24,196)	(24,196)
Transfers to/from Earmarked Reserves		0	0	0
Increase/(Decrease) in Year		0	(24,196)	(24,196)
Balance at 31 March 2018 Carried Forward		0	(1,097,114)	(1,097,114)
Movement in reserves during 2018/19				
Total Comprehensive Income and Expenditure	20	(75,060)	(35,770)	(61,920)
Adjustments between accounting basis and funding basis under regulations	7	75,060	(75,060)	0
Net Increase before transfers to Earmarked Reserves		0	(110,830)	(110,830)
Transfers to/from Earmarked Reserves		0	0	0
Increase/(Decrease) in Year		0	(110,830)	(110,830)
Balance at 31 March 2019 Carried Forward		0	(1,207,944)	(1,207,944)

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Chief Constable. The Chief Constable holds employment liabilities, which is associated with the Chief Constable's day-to-day direction and control of police officers and police staff, the costs of which are shown in the CIES. The net liabilities are matched by an unusable reserve held at the bottom of the balance sheet.

31 March 2018			31 March 2019
£000		Notes	£000
0	Long Term Assets		0
7,283	Short Term Debtors	15	4,002
7,283	Current Assets		4,002
(4,021)	Short Term Creditors	16	(2,896)
(4,851)	Intra-Group Creditor	9	(2,941)
(8,872)	Current Liabilities		(5,837)
(1,095,525)	Liability Relating to Defined Benefit Pension Schemes	20	(1,206,109)
(1,095,525)	Long Term Liabilities		(1,206,109)
(1,097,114)	Net Liabilities		(1,207,944)
(1,097,114)	Unusable Reserves	8	(1,207,944)
(1,097,114)	Total Reserves		(1,207,944)

The Statement of Accounts were authorised for issue on 31 July 2019.

Chief Finance Officer to the Chief Constable of Warwickshire Police

Cash Flow Statement

This statement shows the changes in cash and cash equivalents of the Chief Constable during the reporting period. The statement shows how the Chief Constable generates and uses cash and cash equivalents by classifying cash flows as; operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Chief Constable are funded by the PCC.

2017/18 £000		Notes	2018/19 £000
26,440	Net (surplus) or deficit on the provision of services		75,060
(26,440)	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	7, 20	(75,060)
0	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities		0
0	Net cash flows from Operating Activities		0
0	Investing Activities		0
0	Net increase or decrease in cash and cash equivalents		0
0	Cash and cash equivalents at the beginning of the reporting period		0
0	Cash and cash equivalents at the end of the reporting period		0

Notes to the Financial Statements

The following notes contain information which is in addition to that contained in the main financial statements, and is intended to provide a fuller explanation and description of specific figures to aid the reader's understanding of the Statement of Accounts.

1. Expenditure and Funding Analysis (EFA)

This Statement shows how annual expenditure is used and funded from resources by the Chief Constable in comparison with those resources consumed or earned by the Chief Constable in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Chief Constable's service areas. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the CIES.

	2018/19 Net Expenditure Chargeable to the Police Fund Balances £000	2018/19 Adjustments between the Funding and Accounting Basis £000	2018/19 Net Expenditure in the CIES £000
Policing Services	99,417	65,097	164,514
Net Cost of Policing Services	99,417	65,097	164,514
Funding from the PCC	(99,417)	(3,215)	(102,632)
Other income and expenditure	0	13,178	13,178
(Surplus) or deficit on provision of Services	0	75,060	75,060

Opening Police Fund at 31 March 2018	0
Less Deficit on Police Fund in Year	0
Closing Police Fund at 31 March 2019	0

	2017/18 Net Expenditure Chargeable to the Police Fund Balances £000	2017/18 Adjustments between the Funding and Accounting Basis £000	2017/18 Net Expenditure in the CIES £000
Policing Services	101,450	13,793	115,243
Net Cost of Policing Services	101,450	13,793	115,243
Funding from the PCC	(101,450)	(249)	(101,699)
Other income and expenditure	0	12,896	12,896
(Surplus) or deficit on provision of Services	0	26,440	26,440

Opening Police Fund at 31 March 2017	0
Deficit on Police Fund in Year	0
Closing Police Fund at 31 March 2018	0

Notes to the Financial Statements**1(a) Note to the EFA**

Adjustments between Funding and Accounting Basis

2018/19					
Adjustments from Police Fund to arrive at the CIES amounts	Adjustments for Capital Purposes (note i)	Net Change for the Pensions Adjustments (note ii)	Financing and Investment Adjustments (note iii)	Other Adjustments (note iv)	Total Adjustments
	£000	£000	£000	£000	£000
Policing Services	3,859	61,636	(644)	246	65,097
<i>Net Cost of Services</i>	3,859	61,636	(644)	246	65,097
Funding from the PCC	(3,859)	0	644	0	(3,215)
Other income and expenditure from the Funding Analysis	0	13,178	0	0	13,178
Difference between Police Fund surplus or deficit and CIES surplus or deficit	0	74,814	0	246	75,060

2017/18					
Adjustments from Police Fund to arrive at the CIES amounts	Adjustments for Capital Purposes (note i)	Net Change for the Pensions Adjustments (note ii)	Financing and Investment Adjustments (note iii)	Other Adjustments (note iv)	Total Adjustments
	£000	£000	£000	£000	£000
Policing Services	937	13,491	(688)	53	13,793
<i>Net Cost of Services</i>	937	13,491	(688)	53	13,793
Funding from the PCC	(937)	0	688	0	(249)
Other income and expenditure from the Funding Analysis	0	12,896	0	0	12,896
Difference between Police Fund surplus or deficit and CIES surplus or deficit	0	26,387	0	53	26,440

Note (i) Adjustments for Capital Purposes

This column adds in depreciation and amortisation in the services line. MRP and other revenue contributions to capital expenditure are deducted because they are not chargeable under generally accepted accounting practices.

Notes to the Financial Statements**Note (ii) Net Change for Pensions Adjustments**

This column reflects the net change for the removal of pension contributions and the addition of IAS19 Employee Benefits pension related expenditure and income:

- For services this represents the removal of the employer pension contributions made by the Group as allowed by statute and the replacement with current service costs and past service costs;
- For Financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the CIES.

Note (iii) Financing and Investment Income and Expenditure Adjustments – this column adjusts for borrowing costs that are charged to the Police Fund but are not included in the Net Costs of Policing Services.

Note (iv) Other Adjustments – this column reflects timing differences relating to accruing for compensated absences earned but not taken in the year (absorbed by the Accumulated Absences Account).

1(b) Expenditure and Income Analysed by Nature

2017/18 £000		2018/19 £000
48,269	Police officers pay	46,889
27,537	Police staff pay	27,330
1,431	Police pensions	1,380
975	Other Employee Expenses	962
23,096	Pensions current cost of service	23,294
(10,873)	Cost of pensions based on cash flows	(11,570)
53	Accumulated absences	246
19,637	Other service expenditure	21,199
1,268	Non distributed costs	49,912
5,075	Depreciation, Amortisation, Revaluation Loss and REFCUS	5,615
(1,225)	Capital Charge between PCC and Chief Constable - net	(743)
30,713	Net interest on the net defined benefit liability	30,559
145,956	Total Expenditure	195,073
(101,699)	Funding from the PCC for financial resources consumed	(102,632)
(17,817)	Government grants and contributions	(17,381)
(119,516)	Total Income	(120,013)
26,440	Deficit on the Provision of services	75,060

2. Accounting Standards That Have Been Issued But Have Not Yet Been Adopted

The Code requires the Chief Constable to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year.

- Amendments to IAS 40 Investment Property: Transfers of Investment Property;
- Annual Improvements to IFRS Standards 2014 - 2016 Cycle;
- IFRIC 22 Foreign Currency Transactions and Advance Consideration;
- IFRIC 23 Uncertainty over Income Tax Treatments;
- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation

None of the above are expected to have an impact on the Accounts of the Chief Constable.

3. Critical Judgements in Applying Accounting Policies

The financial statements are prepared using the accounting policies set out in the earlier section; however the Chief Constable is required to exercise judgement and make estimates and assumptions, based on a range of factors including experience or expert valuation, which affects the application of these policies and the value of transactions and balances reported in the financial statements. This is often the case where there are complex transactions or uncertainty about future events and/or figures are not readily available from another source. The estimates and assumptions are kept under review and revisions, where appropriate, are recognised in the period in which they are made. The critical judgements that have a material impact on the Accounts are as follows:

PCC and Chief Constable Group Relationship

The Police Reform and Social Responsibility Act 2011 came into effect on 22 November 2012, creating two corporation soles: The Police and Crime Commissioner for Warwickshire (PCC) and the Chief Constable of Warwickshire Police (CC).

The allocation of transactions and balances between the PCC and the CC affects the values reported in the two entities' Accounts. The allocation of transactions and balances is a judgement in light of the legislation, accounting standards and the substance of the local arrangements that are in place rather than the legal form underpinning the arrangements. The treatment of the Group, consisting of the PCC and CC, and the Alliance which also includes the PCC and Chief Constable for West Mercia has to be considered jointly.

The approach taken to the accounts is that:

- Revenue expenditure directly relating to those budgets delegated to the CC for the provision of policing services is predominantly included within his Accounts;
- The CC's accounts have been charged with the expense associated with IAS19 pensions and accumulated staff absences as well as the fair value of non-current assets consumed during the year and the CC's Balance Sheet contains the net liabilities associated with these items offset by unusable reserves as required by the Code of Practice;
- An intra-group transfer has been made between the CC's and the PCC's CIES offsetting the above expenses;

Notes to the Financial Statements

- Within the Group accounts, where material, a distinction is made between the transactions and balances of the Group and the PCC;
- The Chief Constable's Balance Sheet contains employment-related debtors, creditors and provisions together with all inventories.

Alliance

The allocation of transactions and balances between partners within the Alliance also affects the values reported in the two entities' respective Accounts.

Judgements taken in the application of accounting policies and the allocation of transactions and balances in the Accounts in respect of the Alliance are consistent to those taken in regard to the Group (PCC and CC) and comply with the requirements of the Code. Integral to this judgement is the financial arrangements for the Alliance as set out in the Section 22 Agreement and the cost sharing model. The economic reality of the Alliance cost sharing model takes precedence over the Group in many respects and has been influential in determining the treatment of transactions and balances in the Group Accounts in line with accounting policies and our interpretations of the Code.

A judgement, which is fundamental to the cost sharing model, is that costs and benefits relating to the Alliance are apportioned 69% to West Mercia and 31% to Warwickshire. This has been arrived at by looking at various indicators including funding, demographics, work force profile, expenditure, crime volumes etc. and has been widely consulted on and independently validated. This judgement was reviewed during 2018/19 and was deemed to still be appropriate for 2018/19. As explained in the Narrative Report, the strategic alliance will terminate with effect from October 2019 and this judgement may no longer apply. Discussions regarding the transitional funding arrangements are still ongoing, as are the discussions to determine the exact nature of any collaborative working between the two forces in the future.

Post-Employment Benefits (Pension Liability)

Estimation of the pension liability depends on a number of complex judgements and assumptions relating to the discount rate, the future value of the assets and liabilities of the Police Pension Schemes (PPS) and Local Government Pension Scheme (LGPS), the rate of increase in pay, changes in retirement ages and mortality rates. Two actuaries are engaged to provide the PCC and the Chief Constable with expert advice about the assumptions to be applied to the pension schemes.

The assumptions used to value the pension assets and liabilities are reviewed annually when the actuaries prepare the figures for inclusion in the Accounts. They will vary year on year based on experience and changes to the pension schemes e.g. scheme profiles and the most appropriate inflation index. A variance in the assumptions compared to reality can produce material changes to the assets and liabilities of the pension schemes. The actuary produces sensitivity analysis to show the impact of a plus or minus 1% variation in key assumptions. The impact of these changes is dampened by the fact that only employer contributions, the cost of ill health retirements and injury awards are charged against the General Fund. The impact on the employer's contributions is smoothed over time by the valuation of the schemes, which is undertaken every three years.

Employee Benefits

With the exception of leave built up through flexible working hours the majority of the hours required to calculate the accrued annual leave and toil are taken directly from the HR and Duty Management system. The flexi hours are calculated by extrapolating a sample of police staff. A cost is applied to the hours to calculate the employee benefit accrual using average salary cost per rank based on the data held in the payroll. This is the most significant estimate used to affect the accruals.

Cost of Service – Comprehensive Income and Expenditure Statement

As explained in the Accounting Policies, income and expenditure is categorised into one segment: Policing Services, as this is how the organisation monitors and manages its financial performance. Support service costs are reported as part of the services where they are monitored and managed.

The Net Cost of Policing Services has remained at a similar level compared to 2017/18, mainly due to fluctuations between years relating to the valuations of property assets and pensions costs, offset by a lower use of reserves to fund expenditure as explained in the Narrative Statement.

Funding

As explained in the Narrative Statement, there is a high degree of uncertainty around future funding from the Government received through the funding formula. This has been accommodated in the MTFP and is addressed through the requirement to make savings.

4. Assumptions Made About the Future and Other Major Sources of Estimation and Uncertainty

The Accounts contain estimated figures that are based on judgements and assumptions made by the Chief Constable about the future or that are otherwise uncertain. However, because balances cannot be determined with certainty, actual results could be materially different from those that have been estimated. The items in the Balance Sheet at 31 March 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Post Employment Benefits (Pension Liability)

The basis of estimating the net liability to pay pension benefits to police officers and police staff is referred to in the previous section. This estimate depends on a number of complex judgements and assumption around the discount rates used to calculate the pension liabilities. Any changes could have a material impact on the total liability of the pension funds. The actuaries provide illustrations of variations in assumptions within reasonable bounds to help the PCC and Chief Constable understand the potential impact of changes in mortality rates, retirement ages and expected returns on fund assets etc. The actuaries provide the Group with advice and illustrations of the potential impact of the changes in assumptions and these are set out at the end of Note 20.

Provisions

The Chief Constable has no provisions as at 31 March 2019.

5. Material Items of Income and Expenditure

The re-measurement of the net defined benefit liability in the Other Comprehensive Income and Expenditure section of the CIES is a loss of £35.8m, compared to a relatively minor gain of £2.2m in 2017/18. The loss is due to relatively small changes in the rates used by the actuaries for discounting scheme liabilities and other minor changes in assumptions. Past service costs amounting to £49m are included within Cost of Policing Services in the CIES, as explained in Notes 6 and 20. Overall, the Pensions Liability held on the Balance Sheet, has increased by £110.6m to £1,206.1m at 31 March 2019. Further information regarding the Pensions Liabilities can be found in Note 20.

6. Events After the Reporting Period

The Statement of Accounts were authorised for issue by the Chief Finance Officer to the Chief Constable on 31 July 2019. Events taking place after this date are not reflected in the financial statements or notes.

The Chief Constable of Warwickshire Police, along with other Chief Constables and the Home Office, currently has a number of claims lodged against them with the Central London Employment Tribunal. The claims are in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Police Pension Regulations 2015. Claims of unlawful discrimination have also been made in relation to the changes to the Judiciary and Firefighters Pension regulations and in December 2018 the Court of Appeal (McCloud / Sargeant) ruled that the 'transitional protection' offered to some members as part of the reform to public sector pensions amounts to unlawful discrimination.

On 27 June 2019 the Supreme Court denied the government permission to appeal the Court of Appeal's judgment. In light of this the government has stated that it believes that the difference in treatment of members in respect of the "transitional protection" will need to be remedied across the main public service pension schemes, including the Police Pension Scheme and the Local Government Pension Scheme. The Supreme Court's ruling was an event taking place after the year end that provided information about conditions existing at 31 March 2019 and, as such, an adjustment to the Financial Statements is required. This will lead to an increase in pension scheme liabilities and our actuaries, using specific assumptions, have estimated the potential increase in scheme liabilities to be approximately £49m. This increase has now been reflected in the present value of the defined benefit obligation, as reported in the net defined benefit liability line of the Balance Sheet, with the increase presented as a past service cost within Cost of Policing Services in the CIES.

Further information regarding this ruling is set out in Note 20 below.

Notes to the Financial Statements**7. Adjustments Between Accounting Basis and Funding Basis under Regulations**

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

2018/19	Police Fund Balance
	£000
Adjustments primarily involving the Pensions Reserve	
Pensions Costs (transferred to or from Pensions Reserve)	(74,814)
Adjustments involving the Accumulated Absences Account	
Holiday pay (transferred to the Accumulated Absences Account)	(246)
Total Adjustments	(75,060)

2017/18	Police Fund Balance
	£000
Adjustments primarily involving the Pensions Reserve	
Pensions Costs (transferred to or from Pensions Reserve)	(26,387)
Adjustments involving the Accumulated Absences Account	
Holiday pay (transferred to the Accumulated Absences Account)	(53)
Total Adjustments	(26,440)

8. Unusable Reserves

The Pensions Reserve and Accumulated Absences Reserves are held by the Chief Constable and all other unusable reserves are held by the PCC. Unusable reserves are consolidated in the Group Accounts. The Chief Constable's reserves can be summarised as follows:

31 March 2018 £000		31 March 2019 £000
1,095,525	Pension Reserve	1,206,109
1,589	Accumulated Absences Account	1,835
1,097,114	Total Unusable Reserves	1,207,944

(i) Pensions Reserve

Payments for the cost of post-employment benefits and the associated liability are shown in the Chief Constable's Accounts. The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Chief Constable Accounts for post-

Notes to the Financial Statements

employment benefits in the CIES as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Chief Constable makes employers contributions to pension funds or eventually pays any pensions for which he is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Chief Constable has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits are due to be paid and that the PCC can continue to meet the liability in the Chief Constable's Accounts, which is made up as follows:

2017/18 £000		2018/19 £000
1,071,382	Balance as at 1 April	1,095,525
(2,244)	Re-measurement of the net defined benefit liability	35,770
55,077	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	103,765
(28,690)	Employer's pensions contributions and direct payments to pensioners payable in the year	(28,951)
1,095,525	Balance as at 31 March	1,206,109

(ii) Accumulated Absences Account

The cost of employment benefits and the associated Accumulated Absences liability is shown in the Chief Constable's Accounts. The Accumulated Absences Account absorbs the differences that would otherwise arise on the Police Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. time off in lieu carried forward at 31 March. Statutory arrangements require that the impact on the Police Fund Balance is neutralised by transfers to or from the Account.

2017/18			2018/19	
£000	£000		£000	£000
	1,536	Balance as at 1 April		1,589
(1,536)		Cancellation of accrual made at the end of the preceding year	(1,589)	
1,589		Amount accrued at the end of the current year	1,835	
	53	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		246
	1,589	Balance as at 31 March		1,835

9. Intra-Group Funding Arrangements Between the PCC and the Chief Constable

The treatment of transactions and balances within the Group Accounts is set out in Note 3.

The Intra-Group funding arrangement is eliminated on consolidation of the Group Accounts, a treatment adopted for any transactions between the PCC and Chief Constable. The guarantee from the PCC in respect of the resources consumed by the Chief Constable in 2018/19 amounts to £102.632m (£101.699m in 2017/18). This has been re-presented in the CIES and

Notes to the Financial Statements

is now included within the Net Cost of Policing Services, in line with current best practice for the preparation of Police Accounts.

The Balance Sheet includes an Intra-Group Creditor of £2.941m (£4.850m in 2017/18) being the net balance of funding not settled between the PCC and Chief Constable as at the 31 March; this relates mainly to the balance of Debtors and Creditors shown in each of the single-entity accounts as at this date.

The calculation of the Intra-Group funding is set out in the following table:

2017/18 £000		2018/19 £000
115,243	Chief Constable's Cost of Services	164,514
30,713	Interest on the net defined benefit liability	30,559
(17,817)	Home Office grant towards the cost of retirement	(17,381)
(2,244)	Re-measurement of the net defined benefit liability	35,770
125,895	Resources consumed	213,462
	Items removed through the MIRS:	
(24,143)	Movement in pensions liability	(110,584)
(53)	Movement in accumulated absences liability	(246)
101,699	Total resources consumed for the year by the Chief Constable and funded by the PCC	102,632

10. Pooled Budgets and Joint Operations

Alliance with West Mercia Police

Warwickshire Police and West Mercia Police currently operate in an 'Alliance' that provides an opportunity for the two neighbouring forces to work closely together and to share resources and assets. Each PCC retains strategic control and their own sovereignty, finances, estates and identity and each Chief Constable retains operational independency. From 1 April 2019, Local Policing has been "non-pooled" and will operate independently for each Force. The alliance itself will cease in its current form on 8 October 2019.

The Alliance policing model results in over 90% of all costs being pooled, as set out in the following table. Costs are shared across the entities in line with the cost sharing arrangements, Warwickshire 31%, West Mercia 69%. The governance arrangements and resulting treatment of transactions and balances is set out in Note 3.

2017/18 £000		2018/19 £000
(84,543)	Contribution from Warwickshire	(80,752)
(188,177)	Contribution from West Mercia	(179,735)
(272,720)	Total Funding provided to the Alliance	(260,487)
229,191	Pay and allowances	222,454
5,687	Transport costs	5,831
29,329	Supplies and services	30,732

Notes to the Financial Statements

8,513	Third party payments	9,425
0	Income	(7,955)
272,720	Total Expenditure (pooled)	260,487

Place Partnership Limited

Place Partnership Limited (PPL) is a single asset management company co-owned by Warwickshire Police, West Mercia Police, Worcestershire County Council, Hereford & Worcester Fire Authority, Redditch Borough Council and Worcester City Council that commenced business on 1 September 2015. Each party has equal shares and equal voting rights. PPL has been classified as a Joint Operation, because there is joint control and the arrangement is primarily to provide services to the parties within the parties' boundaries. With effect from 1 April 2019, Redditch Borough Council and Worcester City Council have ceased to be shareholders of PPL; Warwickshire's share of assets and liabilities (including pensions) will be revised in 2019/20 to reflect this change. In 2018/19, the operating costs for Warwickshire Police were £2.966m (£3.183m in 2017/18) and this is reflected in the CIES. PPL has not been fully consolidated into Warwickshire Police's Accounts as a Joint Operation, because there is no material difference to the costs already reflected.

Warwickshire Police's share of PPL's Local Government Pension Scheme assets and liabilities as at 31 March 2019 have been incorporated into the Accounts and are shown separately in the tables in Note 21. The actuaries assessed both the total assets and total liabilities relating to PPL as £33.988m as at 31 March 2019 (£30.525m as at 31 March 2018): a net liability of zero. In assessing this position the actuaries have taken into account the guarantee that is in place between the partners and PPL to ensure that PPL's pension position is fully funded at inception and at the year end.

West Midlands Regional Organised Crime Unit

The West Midlands Regional Organised Crime Unit (WMROCU) is a collaboration between the police forces of Staffordshire, Warwickshire, West Midlands and West Mercia to fight organised crime across the region. The aim of WMROCU is to reduce the impact and increase the disruption of serious and organised crime within the region and beyond. West Midlands Police acts as the lead force for this joint arrangement and provides the financial management service for this unit.

The unit is funded in part by force contributions and also by grants from the Home Office and the National Cyber Security Programme (NCSP). The revenue account for this unit covers all operating costs. The details are as follows:

2017/18		2018/19
£000		£000
(11,787)	Contribution from West Midlands Police	(13,475)
(3,619)	Contribution from West Mercia Police	(3,789)
(3,515)	Contribution from Staffordshire Police	(3,681)
(1,758)	Contribution from Warwickshire Police	(1,840)
(2,399)	WMROCU Grant	(2,399)
(270)	National Cyber Security Programme funding	(270)
(155)	Regional Asset Recovery Team grant	(165)
(135)	ROCU Reserves	(532)

Notes to the Financial Statements

0	PTF Grants	(1,784)
(1,000)	Additional Home Office funding (grant provided at year end in 2017/18 and 2018/19) *	(625)
(24,638)	Total funding provided to the WMROCU	(28,560)
1,138	Regional Asset Recovery Team (RART)	1,056
155	RART – ACE team	165
678	Regional Cyber Crime Unit	645
248	Regional Fraud Team	315
999	Regional Prisons Intelligence Unit	927
968	UKPPS (protected Persons)	943
18	Operational Security (OPSY)	56
34	Regional Government Agency Intelligence Network (GAIN)	46
1,378	Command Team	1,181
4,903	Regional Confidential Unit	5,484
813	TIDU – Technical Intelligence	716
108	Enabling Services	180
3,954	SOCU	4,473
6,970	Regional Surveillance Unit (FSU)	7,850
0	Threat Assessment Team (ROCTA)	259
0	Disruption Team	474
1,274	Other Regional Operations	3,165
1,000	Additional Contribution to Reserves *	625
24,638	Total Expenditure	28,560
0	Total Net Expenditure	0

* The additional £0.625m Home Office grant was provided in March 2019 to be used in 2019/20. Therefore the grant has been shown as income in 2018/19 and then contributed to reserves. In 2019/20 the grant will be released to ROCU for the provision of services.

East Midlands Air Support Unit (EMASU) and National Police Air Service (NPAS)

The EMASU was a joint operation by the Chief Constables of Warwickshire, Northamptonshire and Leicestershire, the latter provided the financial administration service for this joint unit, with the three PCCs jointly owning the helicopter.

NPAS was set up by the Home Office with effect from 2 October 2012 with administration of the service being provided by the Chief Constable of West Yorkshire. The Warwickshire, Northamptonshire and Leicestershire helicopter was formally transferred to the new national service provider on 3 October 2013. NPAS does not constitute a jointly controlled operation and so the PCC only accounts for the expense of payments to NPAS amounting to £0.306m in 2018/19, (£0.332m in 2017/18) and not for a share of the assets or liabilities.

As part of the transfer arrangements, the PCC will receive an annual payment from NPAS to reflect the value of the air frame credits for the transferred helicopter. NPAS's liability to the PCC is shown in the PCC's balance sheet as a long term debtor of £0.122m and a short term debtor of £0.047m, representing the discounted value of future expected cash flows in 2019/20 and subsequent years. Future payments from NPAS will be offset against these debtors and an annual interest amount credited to the CIES.

Notes to the Financial Statements**The Northern Justice Centre and Southern Justice Centre**

The Warwickshire Justice Centres are a multi-partner jointly controlled operation. Whilst no legal entity exists, the business of the Justice Centres is conducted through a separate Justice Centre Board, under a formal agreement. The partners to the agreement have joint control of operations; therefore the PCC for Warwickshire is not the sole beneficiary or controlling partner. The Chief Constable provides financial administration support to the Warwickshire Justice Centres Board.

Partners contribute to the running costs on the basis of floor area as follows:

Northern Justice Centre

- 45.6% Police
- 40.0% Her Majesty's Courts & Tribunals Service
- 10.4% Probation
- 3.8% Youth Justice Service
- 0.2% Victim Support

Southern Justice Centre

- 27.9% Police
- 56.9% Her Majesty's Courts & Tribunals Service
- 7.8% Probation
- 5.1% Crown Prosecution Service
- 2.3% Youth Justice Service

The operational costs, including building maintenance, for the Northern Justice and Southern Justice Centre are met from partner's contributions. A surplus or deficit on the Justice Centre Accounts is carried forward and taken into account in setting the following year's budget. Sinking funds exist for both Justice Centres to meet future building maintenance costs, these funds are ring fenced in their earmarked Reserves and do not form part of the Chief Constable, PCC or Group Accounts. The sinking funds are cash-backed Reserves and £3.711m (£3.355m as at 31 March 2018) relating to these reserves is invested by Warwickshire Police on behalf of the Justice Centres.

The assets of the two Justice Centres (land and buildings) are recorded in the PCC and Group Balance Sheet representing the PCC's control over these assets. The entire income and expenditure associated with operating the Warwickshire Justice Centres is set out in the following tables, however only the Chief Constable's share of this income and expenditure is included in the Chief Constable and Group financial statements.

Northern Justice Centre

2017/18 £000		2018/19 £000
	Income	
(1,426)	Contribution from partners	(1,354)
(73)	Other income	(65)
(1,499)	Total Income	(1,419)

Notes to the Financial Statements

	Expenditure	
49	Pay and Allowances	48
1,410	Premises	1,288
61	Supplies & Services	60
1,520	Total Expenditure	1,396
21	Net (Income) / Expenditure	(23)

Southern Justice Centre

2017/18 £000		2018/19 £000
	Income	
(2,677)	Contribution from partners	(2,985)
(109)	Other income	(26)
(2,786)	Total Income	(3,011)
	Expenditure	
65	Pay and Allowances	72
2,314	Premises	2,410
92	Supplies & Services	77
437	Capital Charges – loan repayment	436
2,908	Total Expenditure	2,995
122	Net (Income) / Expenditure	(16)

The reserves, including the sinking funds, for the Justice Centres do not form part of the Chief Constable’s Accounts, they are shown here to present the complete picture of a significant partnership arrangement, which the PCC and Chief Constable are involved in:

RESERVE	Balance at 1 April 2017 £000	Transfers out 2017/18 £000	Transfers in 2017/18 £000	Balance at 31 March 2018 £000	Transfers out 2018/19 £000	Transfers in 2018/19 £000	Balance at 31 March 2019 £000
Sinking fund	(3,549)	249	(646)	(3,946)	43	(669)	(4,572)
General Reserve	(432)	239	0	(193)	65	(40)	(168)
TOTAL	(3,981)	488	(646)	(4,139)	108	(709)	(4,740)

11. Exit Packages

In order to make savings as part of the Medium Term Financial Plan it has been necessary to review how police services are delivered. As a result a number of exit packages have been approved during 2018/19. Exit packages include charges by the LGPS in respect of benefits paid before normal retirement age. There were no compromise agreements covering the 2018/19 exit packages. All of the employees left the organisation prior to 1 April 2019. The number of exit packages resulting from redundant posts with total cost per band is set out in the table:

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Exit Package cost band (including special payments)	Number of Exit Packages		Total cost of Exit Packages in each band	
	2017/18	2018/19	2017/18 £000	2018/19 £000
£0 - £20,000	4	2	39	20
£20,001 - £40,000	3	1	94	38
£60,001 - £80,000	1	0	64	0
£100,000 - £150,000	2	0	252	0
£150,000 +	0	1	0	264
Total	10	4	449	322

12. Officers' Remuneration

Regulation 7(3) of the Accounts and Audit Regulations 2015 sets out the information to be disclosed to increase transparency and accountability in Local Government for reporting remuneration of senior employees and senior police officers. Remuneration includes all sums paid to or receivable by an employee and expense allowance chargeable to tax, including non-cash benefits in kind. The relevant remuneration information is as follows:

Senior Officer and Relevant Police Officer Emoluments:

		Salary, Fees & Allowances	Bonuses	Expenses Allowances	Benefits in Kind (e.g. car allowance)	Other Payments (Police Officers only)	Exit Packages	Pension Contributions	Total
		£	£	£	£	£	£	£	£
Chief Constable - Mr M Jelley	2018/19	138,271	0	0	7,475	10,646	0	16,774	173,166
	2017/18	136,113	0	0	5,031	10,226	0	32,939	184,309
Deputy Chief Constable 1 - Note 1	2018/19	41,219	0	0	2,705	1,772	0	0	45,696
	2017/18	113,957	0	0	8,073	4,918	0	13,732	140,680
Deputy Chief Constable 2 - Note 2	2018/19	110,900	0	0	7,303	0	0	26,838	145,041
	2017/18	76,993	0	0	2,008	2,681	0	18,632	100,314
Asst Chief Constable 1 – Note 3	2018/19	0	0	0	0	0	0	0	0
	2017/18	14,949	0	0	0	648	0	2,250	17,847
Asst Chief Constable 2 – Note 4	2018/19	0	0	0	0	0	0	0	0
	2017/18	27,538	0	0	0	0	0	0	27,538
Asst Chief Constable 3 – Note 5	2018/19	73,559	0	0	0	0	0	15,781	89,340
	2017/18	0	0	0	0	0	0	0	0

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Director of Enabling Services – Note 6	2018/19	57,335	0	0	8,480	0	106,679	9,976	182,470
	2017/18	110,791	0	0	17,743	0	0	18,502	147,036
Transformation Director – Note 7	2018/19	110,923	0	0	0	0	0	19,301	130,224
	2017/18	74,770	0	0	0	0	0	12,487	87,257
Chief Finance Officer – Note 8	2018/19	83,840	0	0	0	0	0	14,588	98,428
	2017/18	6,664	0	0	0	0	0	1,113	7,777

Notes:	
1	Retired 10 August 2018.
2	Commenced in post as ACC on 19 June 2017. Acting up to DCC from 13 August 2018 until 10 September 2018; appointed to DCC post from 11 September 2018.
3	Temporary ACC from 9 January 2017 to 27 May 2017.
4	Commenced in post on 7 December 2015, Temporary DCC for West Mercia from 15 August 2016, reverted back to ACC on 19 February 2017 and retired on 12 July 2017.
5	Commenced in post as Temporary ACC on 13 August 2018.
6	Director of Enabling Services post removed 5 October 2018 and the post holder made redundant.
7	Commenced in post on 3 July 2017.
8	Following the removal of the Director of Finance post on 28 February 2018, the Acting Chief Finance Officer (section 151 Officer) commenced in this new post on 1 March 2018; the post holder was appointed permanently on 30 May 2018. The Director of Finance was employed by West Mercia with the costs being shown in the West Mercia Group and Chief Constable Accounts.
*	Under the Alliance agreement the costs of Assistant Chief Constables from West Mercia Police and Warwickshire Police (including Transformation Director, Chief Finance Officer and Director of Enabling Services) are pooled and the expenditure is shared between the two forces on the basis of 31% Warwickshire and 69% West Mercia. The Chief Constable and Deputy Chief Constable costs are not shared.

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

Number of Employees	Remuneration Band	Number of Employees
2017/18		2018/19
45	£50,000 - £54,999	54
11	£55,000 - £59,999	31
4	£60,000 - £64,999	8
3	£65,000 - £69,999	3
3	£70,000 - £74,999	0
6	£75,000 - £79,999	6
0	£80,000 - £84,999	3
2	£85,000 - £89,999	3
0	£110,000 - £114,999	1
0	£115,000 - £119,999	1
2	£125,000 - £129,999	0
1	£150,000 - £154,999	0
0	£155,000 - £159,999	1
77	Total	111

Notes to the Financial Statements

13. External Audit Costs

The Chief Constable has incurred £11,550 (£15,000 in 2017/18) in relation to the Statement of Accounts statutory audit provided by the Group's external auditors, Grant Thornton. The total audit fee for the Group is £35,447 (£46,035 in 2017/18). The PCC's share of the audit fees is £23,897 (£31,035 in 2017/18).

Grant Thornton provided no non-audit services during the year (nil in 2017/18).

14. Related Parties

The PCC and the Chief Constable are intrinsically related. The PCC empowers the Chief Constable through the scheme of delegation and provides funding to meet expenditure incurred by the Chief Constable on behalf of the PCC. A full explanation of this relationship is set out in Note 3 to the Accounts.

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

Central government has significant influence over the general operations of the Chief Constable. It is responsible for providing the statutory framework within which the Chief Constable operates. The PCC has direct control over the Group's finances, including making crime and disorder reduction grants and is responsible for setting the Police and Crime Plan. The Chief Constable retains operational independence and operates within the budget set by the PCC, to deliver the aims and objectives set out in the Police and Crime Plan.

Warwickshire County Council administer the LGPS and provide Legal Services and Internal Audit services to the Group. Worcestershire County Council provide payroll services to the Group and the administration of the police pension schemes is provided by XPS Administration (Kier Pensions Unit was purchased by XPS Group on 1 November 2018).

The PCC and Chief Constable participate in various partnerships with a range of public bodies, the most significant of which is the Alliance under a Section 22 Agreement with West Mercia Police. Details of the transactions with other public bodies participating in joint arrangements are set out in Note 11 to the Accounts.

The Alliance with West Mercia Police involves a cross-charge in and cross-charge out in 2018/19 of £48.6m (£46.1m in 2017/18) and £39.4m (£35.8m in 2017/18) respectively as shown in the table below.

As explained in Note 11, Place Partnership Limited (PPL) is a single asset management company co-owned by Warwickshire Police, West Mercia Police, Worcestershire County Council, Hereford & Worcester Fire Authority, Redditch Borough Council and Worcester City Council that commenced business on 1 September 2015. Each party holds two shares of £1 each; the PCC and the Chief Constable each hold one share of Warwickshire Police's shares. The PCC and Chief Constable receive no remuneration from PPL. The Director of Enabling

Notes to the Financial Statements

Services was a Director of PPL until leaving the organisation on 5 October 2019; he received no benefit or remuneration.

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

	Expenditure £000	Income £000
West Mercia Police Strategic Alliance S23 Agreement cross-charges	48,594	(39,355)
Local Authorities in the Policing Area	2,684	(19)
Other Local Authorities	21	0
Seconded Police Officers	0	(346)
Other Police Forces	2,566	(1,915)
Place Partnership Limited	2,966	0
Total	56,831	(41,635)

There are no related party transactions for the Chief Constable other than those set out above, which require adjustment of or disclosure in the financial statements or the accompanying notes.

15. Debtors

This note shows money owed to the Chief Constable for funding and services provided on or before 31 March 2019 where the money has not been received by this date. In accordance with the Code, the format of the disclosure note has been changed from 2018/19 and the comparative figures have been restated to reflect this.

Restated 31 March 2018 £000		31 March 2019 £000
93	Trade Receivables	0
1,788	Prepayments (2017/18 includes April Police Pensions payment £1.7m made in March 2018)	0
5,402	Other Receivables (including balance of Police Pensions Top-up Grant)	4,002
7,283	Total Debtors	4,002

16. Creditors

This note shows money owed by the Group and PCC for goods and services purchased and received on or before 31 March 2019 where the money has not been paid by this date. In accordance with the Code, the format of the disclosure note has been changed from 2018/19 and the comparative figures have been restated to reflect this.

31 March 2018 £000		31 March 2019 £000
(1)	Trade Payables	0
(4,021)	Other Payables	(2,896)
(4,022)	Total Creditors	(2,896)

Notes to the Financial Statements**17. Provisions, Contingent Assets and Contingent Liabilities**

No provisions were charged to the CIES in 2018/19 in respect of events or decisions which are likely to give rise to payments in the future.

Alliance Cessation – Contingent Asset

West Mercia Chief Constable and PCC served notice on Warwickshire Chief Constable and PCC that the alliance would cease on 8 October 2019. The alliance agreement states that the party serving notice will be liable for all reasonable costs and liabilities arising from the implementation of the exit strategy. As the outcome of discussions is not known at this stage the value and timing of payments by West Mercia PCC to Warwickshire PCC is unknown and has not been recognised in the Financial Statements and is reported here as a Contingent Asset.

Police Pension Scheme 2015 (CARE scheme) – Legal Challenge

The Chief Constable of Warwickshire Police, along with other Chief Constables and the Home Office, currently has a number of claims lodged against them with the Central London Employment Tribunal. The claims are in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Police Pension Regulations 2015. Claims of unlawful discrimination have also been made in relation to the changes to the Judiciary and Firefighters Pension regulations and in December 2018 the Court of Appeal (McCloud / Sargeant) ruled that the “transitional protection” offered to some members as part of the reform to public sector pensions amounts to unlawful discrimination. On 27 June 2019 the Supreme Court denied the government permission to appeal the Court of Appeal’s judgment resulting in this issue now needing to be reflected in the Financial Statements rather than being a contingent liability. The estimated impact of this decision on the present value of the defined benefit obligation is now shown in the Financial Statements and explained further in Note 20.

18. 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’ court proceedings. The PCC is currently holding cash totalling £0.157m.

19. Cash Flow Statement – Operating Activities

The Chief Constable does not hold a bank account and in order to balance the mandatory cash flow statement a non-cash movement is shown in respect of the sums required at the financial year end to finance the Chief Constable’s share of external debtors, external creditors, provisions and the employment liability due to employees and the pensions accounts, as shown below.

2017/18 £000		2018/19 £000
(418)	(Increase)/decrease in revenue creditors	1,125
2,035	Increase/(decrease) in revenue debtors	(3,281)
(1,670)	Movement in Intra-Group Funding	1,910

Notes to the Financial Statements

(26,387)	Movement in pension liability	(74,814)
(26,440)	Total – Group and PCC	(75,060)

20. Defined Benefit Pension Schemes

The costs and liabilities associated with retirement benefits are primarily recorded in the Chief Constable's Accounts.

Participation in Pension Schemes

As part of the terms and conditions of employment for police officers and other employees the Chief Constable makes contributions towards the cost of post-employment benefits (pensions). Although these benefits will not actually be payable until employees retire, the Chief Constable has a commitment to make the payments that need to be disclosed at the time that the employees earn their future entitlement, no matter when the actual financial cost is incurred.

The Chief Constable participates in two defined benefit pension schemes:

- the Local Government Pension Scheme (LGPS), for police staff and PCSOs, administered locally by Warwickshire County Council. This is a funded, defined benefit scheme, meaning that the Chief Constable and the employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. With effect from 1 April 2014, the LGPS became a career average (CARE) scheme rather than a final salary scheme.
- the Police Pension Scheme 1987 (OPPS), the New Police Pension Scheme 2006 (NPPS) and the Police Pension Scheme 2015 (PPS) are administered by XPS Administration (Kier Pensions Unit was purchased by XPS Group on 1 November 2018). These are unfunded defined benefit final salary schemes, meaning that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet the actual pensions payments as they eventually fall due. The disclosures for the various Police Pension Schemes, including the Injury Awards Scheme, are consolidated in the notes below, as the rules of the schemes are not materially different. The income and expenditure incurred by the police pension schemes and how they are funded is summarised in the section covering the Police Pensions Fund Account.

The pension schemes above provide members with indexed-linked benefits, which are determined predominantly by the individual's pensionable salary and length of service. As part of the government's pension reforms, these schemes are undergoing significant changes in how they are funded and the benefits they offer. However, the purpose of this note is to explain the financial impact, in accordance with the Code, of the pension schemes, on the Accounts. Details of how the police pension schemes operate can be found on the Home Office website and details of how the LGPS operates can be found on the Warwickshire County Council website.

As explained in Note 15, Warwickshire's 3.9% share of PPL's LGPS assets and liabilities as at 31 March 2019 have been incorporated into the Accounts and are shown separately in the tables below. The actuaries assessed the total assets and liabilities relating to PPL as £33.988m as at 31 March 2019 (£30.525m as at 31 March 2018): a net liability of zero.

Notes to the Financial Statements

Discretionary post-retirement benefits on early retirement are an unfunded benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

McCloud / Sargeant Ruling - Police Pension Scheme 2015 (CARE scheme) Legal Challenge

As set out in Notes 6 and 17, on 27 June 2019 the Supreme Court refused leave to appeal on the McCloud case and the government has stated that it believes that the difference in treatment of members in respect of the “transitional protection” will need to be remedied across the main public service pension schemes, including the Police Pension Scheme (PPS) and Local Government Pension Scheme (LGPS). The ruling relates to the “transitional protection” offered to some members when the reformed schemes were introduced. In order to ensure people close to retirement age were treated fairly, the government agreed to “transitional protection”, which broadly permitted those members who were closest to retirement at the time new pension schemes were introduced to remain members of their respective old schemes. The Court has found that those too far away from retirement age to qualify for “transitional protection” have been unfairly discriminated against.

The matter will now be remitted to the Employment Tribunal in respect of the litigants in the firefighters and judicial pension schemes. It will be for the Tribunal to determine a remedy. Alongside this process, the government will be engaging with employer and member representatives to help inform their proposals to the Tribunal and in respect of the other public service pension schemes.

Any remedy that is agreed will lead to an increase in pension scheme liabilities and our actuaries (The Government Actuary’s Department (GAD) and Hymans Robertson), using specific assumptions, have estimated the potential increase in scheme liabilities as a result of the judgment to be approximately £48.9m as at March 2019 (£48.1m for the PPS and £0.8m for the LGPS). This increase is reflected in the present value of the defined benefit obligation, as reported in the net defined benefit liability line of the Balance Sheet, with the increase presented as a past service cost within Cost of Policing Services in the CIES. The actuaries have highlighted that this estimate is based on one potential remedy.

GAD’s approach to the calculation of the increase in scheme liabilities is as follows:

“The approach we have taken to the additional liability calculation is to calculate the costs for an average member for each age under the 2015 scheme or relevant pre-2015 scheme over the four years to 31 March 2019 and take the higher value, then compare this to the liability that has been calculated for the disclosures based on the current scheme allocation. This has been done for all members in the data as at 31 March 2016. This is based on the assumptions made for the 2018 accounts, rather than allowing for each member’s actual career progression/salary increases etc.

This represents one possible form of compensation, namely putting members in the relevant pre-2015 scheme or the 2015 scheme that would be expected (under the assumptions used at the calculation date) to provide more generous benefits for that member over the relevant period. This is not the same as calculating whether members would be better off at retirement.

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An allowance has been made for costs in respect of new entrants of the scheme since 2015. Whether these members would be eligible for any compensation is currently uncertain.

The calculation has been carried out for the Police scheme as a whole and assumed to apply equally to the authority. Any difference in the profile of the authority's membership compared with the scheme as a whole may result in a different impact in practice.

There is a considerable element of uncertainty surrounding these figures and they are highly sensitive to assumptions around short term earnings growth."

Hymans Robertson's approach to the calculation is as follows:

"Quantifying the impact at this stage is very difficult because it will depend on the compensation awarded, members' future salary increases, length of service and retirement age, and whether (and when) members withdraw from active service. Salary increases in particular can vary significantly from year to year and from member to member depending on factors such as budget restraint, job performance and career progression. GAD has estimated that the impact for the LGPS as a whole could be to increase active member liabilities by 3.2%, based on a given set of actuarial assumptions.

The Fund's actuary has adjusted GAD's estimate to better reflect the Warwickshire Pension Fund's local assumptions, particularly salary increases and withdrawal rates. The revised estimate as it applies to Warwickshire PCC is that total liabilities (i.e. the increase in active members' liabilities expressed in terms of the employer's total membership) could be 0.48% higher as at 31 March 2019, an increase of approximately £810k.

These numbers are high level estimates based on scheme level calculations and depend on several key assumptions.

The impact on employers' funding arrangements will likely be dampened by the funding arrangements they have in place. However, if the judgement is upheld then there will be unavoidable upward pressure on contributions in future years."

The impact of the increase in scheme liabilities arising from the McCloud / Sargeant judgment will be measured in detail through the pension valuation process, which determines employer and employee contribution rates. The next Police Pension valuation is due to take place in 2020 with implementation of the results planned for 2023/24 and forces will need to plan for the impact of this on employer contribution rates alongside other changes identified through the valuation process.

The impact of an increase in PPS annual pension payments arising from McCloud / Sargeant is determined through The Police Pension Fund Regulations 2007. These require a police authority to maintain a police pension fund into which officer and employer contributions are paid and out of which pension payments to retired officers are made. If the Police Pension Fund does not have enough funds to meet the cost of pensions in year the amount required to

Notes to the Financial Statements

meet the deficit is then paid by the Secretary of State to the PCC in the form of a central government top-up grant.

With regard to the LGPS, the impact of the increase in scheme liabilities arising from the McCloud / Sargeant judgment will be measured in detail through the pension valuation process, which determines employer and employee contribution rates.

Transactions Relating to Post-Employment Benefits

The cost of retirement benefits is reported in the Cost of Services when they are earned by police officers, police staff and PCSOs, rather than when the benefits are eventually paid as pensions. However, the charge against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Police Fund via the Group MIRS. The following transactions have been made in the Group CIES and the Police Fund via the MIRS during the year:

2018/19	LGPS £000	LGPS (PPL ele- ment) £000	Police Pension Schemes £000	Total £000
CIES				
Cost of Services:				
– current service costs	7,391	43	15,860	23,294
– past service costs and gain/loss from settlements	1,042	0	48,870	49,912
Financing and Investment Income and Expenditure				
– net interest expense	3,947	32	26,580	30,559
Total Post Employment Benefit charged to the surplus or deficit on the Provision of Services	12,380	75	91,310	103,765
Other Post-Employment Benefits charged to the CIES				
Re-measurement of the net defined benefit liability and return on plan assets	8,157	(49)	27,662	35,770
Total Post Employment Benefit charged to the CIES	20,537	26	118,972	139,535
MIRS				
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code.	(12,380)	(75)	(91,310)	(103,765)
Actual amount charged against the Police Fund Balance for pensions in the year				
– employers' contributions payable to the scheme	3,593	26	24,272	27,891
– benefits paid direct to beneficiaries			1,060	1,060

Notes to the Financial Statements

2017/18	LGPS £000	LGPS (PPL ele- ment) £000	Police Pension Schemes £000	Total £000
CIES				
Cost of Services:				
– current service costs	7,153	53	15,890	23,096
– past service costs and gain/loss from settlements	28	0	1,240	1,268
Financing and Investment Income and Expenditure				
– net interest expense	3,623	30	27,060	30,713
Total Post Employment Benefit charged to the surplus or deficit on the Provision of Services	10,804	83	44,190	55,077
Other Post-Employment Benefits charged to the CIES				
Re-measurement of the net defined benefit liability and return on plan assets	(5,597)	(63)	3,416	(2,244)
Total Post Employment Benefit charged to the CIES	5,207	20	47,606	52,833
MIRS				
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code.	(10,804)	(83)	(44,190)	(55,077)
Actual amount charged against the Police Fund Balance for pensions in the year				
– employers' contributions payable to the scheme	3,014	20	24,856	27,890
– benefits paid direct to beneficiaries			800	800

Pensions Assets and Liabilities Recognised in the Balance Sheets for the Chief Constable and the Group

The amount included in the Balance Sheet arising from the Group's obligation in respect of its defined benefit plans is as follows:-

2018/19	LGPS £000	Police Pension Schemes £000	Total £000
Present value of the defined benefit obligation (including PPL £1.326m)	(170,791)	(1,141,260)	(1,312,051)
Fair value of plan assets (including PPL £1.326m)	105,942	0	105,942
Net liabilities arising from the defined benefit obligation	(64,849)	(1,141,260)	(1,206,109)

Notes to the Financial Statements

2017/18	LGPS £000	Police Pension Schemes £000	Total £000
Present value of the defined benefit obligation (including PPL £1.190m)	(144,212)	(1,047,620)	(1,191,832)
Fair value of plan assets (including PPL £1.190m)	96,307	0	96,307
Net liabilities arising from the defined benefit obligation	(47,905)	(1,047,620)	(1,095,525)

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation) for the Chief Constable and the Group

2018/19	LGPS £000	LGPS (PPL element) £000	Police Pension Schemes £000	Total £000
Opening balance at 1 April	(143,022)	(1,190)	(1,047,620)	(1,191,832)
Current service cost	(7,391)	(43)	(15,860)	(23,294)
Interest cost	(3,947)	(32)	(26,580)	(30,559)
Contributions by scheme participants	(1,253)	(10)	(3,830)	(5,093)
Re-measurement of liabilities	(15,078)	(77)	(29,190)	(44,345)
Benefits paid	2,268	26	30,690	32,984
Past service costs	(1,042)	0	(48,870)	(49,912)
Curtailments	0	0	0	0
Closing balance 31 March	(169,465)	(1,326)	(1,141,260)	(1,312,051)

2017/18	LGPS £000	LGPS (PPL element) £000	Police Pension Schemes £000	Total £000
Opening balance at 1 April	(136,343)	(1,164)	(1,025,670)	(1,163,177)
Current service cost	(7,153)	(53)	(15,890)	(23,096)
Interest cost	(3,623)	(30)	(27,060)	(30,713)
Contributions by scheme participants	(1,168)	(11)	(3,950)	(5,129)
Re-measurement of liabilities	3,164	55	(4,240)	(1,021)
Benefits paid	2,129	13	30,430	32,572
Past service costs	(28)	0	(1,240)	(1,268)
Curtailments	0	0	0	0
Closing balance 31 March	(143,022)	(1,190)	(1,047,620)	(1,191,832)

Notes to the Financial Statements**Reconciliation of the Movements in the Fair Value of the Scheme Assets for the Chief Constable and the Group**

Reconciliation of fair value of the scheme assets (LGPS)	2017/18 £000	PPL element 2017/18 £000	Total 201/18 £000	2018/19 £000	PPL element 2018/19 £000	Total 2018/19 £000
Opening balance at 1 April	90,631	1,164	91,795	95,117	1,190	96,307
Interest income	2,381	31	2,412	2,601	32	2,633
Re-measurement gain/loss: The return on plan assets, excluding the amount included in the net interest expense	52	(23)	29	4,320	94	4,414
Contributions by employer	3,014	20	3,034	3,593	26	3,619
Contributions from employees into the scheme	1,168	11	1,179	1,253	10	1,263
Benefits paid	(2,129)	(13)	(2,142)	(2,268)	(26)	(2,294)
Closing balance 31 March	95,117	1,190	96,307	104,616	1,326	105,942

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The Police Pension Scheme has no assets to cover its liabilities.

The net liabilities show the underlying commitments that the Chief Constable and the Group has, in the long run, to pay post-employment retirement benefits. However, statutory arrangements for funding the deficit mean that the financial position of the Chief Constable and the Group remains healthy. The deficit on the LGPS will be made good by increased contributions over the remaining working life of employees, (i.e. before payments fall due) as assessed by the scheme actuary. Finance is only required to be raised to cover police pensions when the pensions are actually paid.

The total contributions expected to be made to the LGPS by the Chief Constable in the year to 31 March 2019 is £3.811m. Expected contributions for the Police Pension Schemes by the Chief Constable in the year to 31 March 2019 are £10.2m.

Reconciliation of the Re-measurement of the Net Defined Benefit Liabilities for the Chief Constable and the Group

The analysis of the re-measurement of the net defined benefit liabilities for 2018/19 is shown in the table below. The two actuaries concerned have different approaches in providing their respective analyses and the table below is therefore a composite analysis.

Notes to the Financial Statements

2018/19	LGPS £000	LGPS (PPL element) £000	Police Pension Schemes £000	Total £000
Changes in financial assumptions	15,078	77	29,842	44,997
Changes in demographic assumptions	0	0	0	0
Return on plan assets	(6,921)	(126)	0	(7,047)
Experience gains and losses	0	0	(2,180)	(2,180)
Total re-measurement	8,157	(49)	27,662	35,770

2017/18	LGPS £000	LGPS (PPL element) £000	Police Pension Schemes £000	Total £000
Changes in financial assumptions	(3,163)	(55)	30,036	26,818
Changes in demographic assumptions	0	0	(35,460)	(35,460)
Return on plan assets	(2,433)	(8)	0	(2,441)
Experience gains and losses	(1)	0	8,840	8,839
Total re-measurement	(5,597)	(63)	3,416	(2,244)

LGPS Assets

The LGPS assets consist of the following categories, by proportion of the total assets held:

	Total 31 March 2018 £000	Split of Assets between Investment categories %	Total 31 March 2019 £000	Split of Assets between Investment categories %
Cash & Cash Equivalents	1,221	1	1,479	1
Equities	30,635	32	17,845	17
Investment Funds & Unit Trusts	50,076	53	68,530	66
Private Equity	3,464	4	5,325	5
Property	9,721	10	11,437	11
Total Assets	95,117	100	104,616	100

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit actuarial method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The assets and liabilities of the LGPS which is administered by Warwickshire County Council (County Council Fund) have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2016, projected forward to 31 March 2019. The liabilities for the Police Pension Schemes have been assessed by the Government Actuary's Department. The principal assumptions used by the actuaries have been:

Notes to the Financial Statements

2017/18			2018/19	
LGPS	Police Pension Schemes		LGPS	Police Pension Schemes
		Mortality assumptions		
		Longevity at 65 for current pensioners:		
22.5 years	22.6 years	Men	22.5 years	22.7 years
24.7 years	24.2 years	Women	24.7 years	24.3 years
		Longevity at 65 for future pensioners:		
24.3 years	24.5 years	Men	24.3 years	24.6 years
26.7 years	26.1 years	Women	26.7 years	26.2 years
2.3%	2.3%	Rate of CPI inflation	2.35%	2.35%
3.0%	4.3%	Rate of increase in salaries (long-term)	3.1%	4.35%
n/a	4.3%	Rate of increase in salaries (short-term)	n/a	1.0%
2.4%	2.3%	Rate of increase in pensions	2.5%	2.35%
2.7%	2.55%	Rate for discounting scheme liabilities	2.4%	2.45%
pre-April 2008 service: 50% post-April 2008 service: 75%	100%	Take-up of option to convert annual pension into retirement lump sum	pre-April 2008 service: 50% post-April 2008 service: 75%	100%

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

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumptions analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	Impact on the Defined Benefit Obligation in the Scheme	
	Increase in assumption	Decrease in assumption
	£000	£000
Longevity (increase or decrease in 1 year)	33,224	(33,224)
Rate of increase in salaries (increase or decrease by 1%)	32,204	(32,204)
Rate of increase in pensions (increase or decrease by 1%)	213,518	(213,518)
Rate for discounting scheme liabilities (increase or decrease by 1%)	(260,462)	260,462
Impact on the McCloud / Sargeant calculations of an increase or decrease in salaries by 1%	4,900	(4,900)

Supplementary Financial Statement**Police Pension Fund Account**

The Chief Constable administers the Police Pension Fund Account (the Account) on behalf of the PCC; amounts debited and credited to the Account are specified by legislation, the Police Pension Fund Regulations 2007 [Statutory Instrument 2007 No 1932], (the Regulations). In relation to the Account the use of the word 'Fund' should not be taken to mean the Police Pension Scheme is a funded scheme, as there are no assets or investments associated with the Account to provide for future benefits. Instead the purpose of the Account is to provide a basis for demonstrating the balance of cash based transactions taking place over the year and for identifying the arrangements needed to balance the account for that year.

2017/18			2018/19	
£000	£000		£000	£000
		Contributions Receivable		
		From employer		
(6,233)		- Normal at 21.3% of pensionable pay (see below)	(6,082)	
(351)		- Ill Health Capital Sum Income	(302)	
(83)		- Other – Pre 1974 Contributions (West Midlands)	(78)	
(3,951)		From members (serving police officers)	(3,837)	
	(10,618)			(10,299)
	(430)	Individual Transfers In from other schemes		(749)
		Benefits Payable		
23,651		Pensions	24,960	
6,043		Commutations and Lump Sum retirement benefits	4,103	
0		Lump sum death benefits	155	
	29,694			29,218
		Payments to and on account of leavers		
0		Refunds of contributions	27	
18		Individual transfers out to other schemes	10	
	18			37
	18,664	Sub-total for the year before transfer from the Group of amount equal to the deficit		18,207
	(18,664)	Additional funding payable by the Group to meet deficit for the year		(18,207)
	0	Net Amount Payable / Receivable for the year		0
	847	Adjustment of 2.9% to the cashflow due to a reduction in the employer contribution rate from 24.2% to 21.3% that is reflected in a reduction in the Home Office Pensions Top Up funding		826
	(17,817)	Actual Home Office Top Up funding		(17,381)

Notes to the Police Pension Fund Account

The principles contained in the Regulations, which have been adopted in preparing the Account are as follows:

1. The Account collects the costs and income relating to retired police officers that are in receipt of pensions and income associated with serving police officers that are members of the Police Pension Scheme 1987 (OPPS), the New Police Pension Scheme 2006 (NPPS) or the Police Pension Scheme 2015 (PPS). There are certain exceptions to this arrangement, such as pensions payable under the Police Injury Pension Regulations, which are charged directly to the Cost of Services in the CIES;
2. The Account is prepared on an accruals basis with the exception of accounting for lump sum transfer values to and from other pension schemes. Due to the unpredictable nature of transfer values they have been attributed to or transferred from the Account on a payment and receipts basis;
3. The annual cost of police pensions is met, in part, by contributions from the employer and serving police officers and other minor sources of income. Under the Police Pension Fund Regulations 2007, if the Account is in deficit an amount equal to the deficit is transferred from the Police Fund to meet the deficit; the cost to the Police Fund is subsequently reimbursed by the Home Office by way of the Pensions Top-Up. Conversely, if the Account was to be in surplus, this would be transferred to the Police Fund and subsequently paid over to the Home Office;
4. The amounts due from the Home Office in respect of the shortfall on the Account is the responsibility of the Chief Constable and has therefore been included in the Chief Constable's (and the Group's) Balance Sheet;
5. This Account does not take account of long-term liabilities to pay future pension benefits after the year end, details of the Group's pension liability can be found in Note 20;
6. Employers' contributions, which are set by the Home Office subject to the Government Actuary's Department triennial valuation, are calculated at 21.3% of police officer pensionable pay from 1 April 2015. However, the difference between the old employer contribution rate of 24.2% and the new rate will be retained by the Exchequer, reducing Pensions Top Up as shown at the foot of the Pension Fund Account. In both years the force therefore budgeted as though there were an employer contribution rate of 24.2%;
7. Police officer contributions are deducted from officer salaries. The contribution rates were increased on 1 April 2012 to reflect the agreement reached between the Home Secretary and the Police Negotiating Board. Contribution rates range between 11.00% and 15.05% dependant on the range the police officer's salary falls into and whether the officer is a member of the OPPS, NPPS or PPS;
8. There are no related party transactions to the Account.

Glossary of Terms

Accounts and Audit (England) Regulations 2015 – The regulations that govern the preparation, approval and audit of statements of accounts and other accounting statements prepared in respect of the year ending 31 March 2016 onwards.

Accounting Policies – The specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting the Statement of Accounts.

Accrual – The recognition, in the correct accounting period, of income and expenditure as it is earned and incurred, rather than as cash is received or paid.

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

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

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

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

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

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

Asset – An item owned by the PCC, which has a value, for example, land and buildings, vehicles, equipment and cash. These can be held over the long (non-current) or short (current) term.

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

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

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

Glossary of Terms

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Corporation Sole – this a legal entity consisting of a single incorporated office, occupied by a sole person. This allows corporations to pass from one office holder to the next successor-in-office, giving the positions legal continuity with subsequent office holders having identical powers to their predecessors.

Glossary of Terms

Council Tax – The local tax levied on householders, based on the relative market values of property, which helps to fund local services including the police.

Creditors – Individuals or organisations to which the Chief Constable owes money at the end of the financial year.

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

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

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

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

Debtors – Individuals or organisations who owe the Chief Constable money at the end of the financial year.

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

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

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

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

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

Exit Packages – Payments such as redundancy payments, either voluntary or compulsory, or early retirement payments made to employees leaving the Group before their due retirement dates.

Fair Value – The amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Financial Instruments – The borrowings and investments disclosed in the Balance Sheet, consisting of loans and investments.

Glossary of Terms

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

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

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

Financial Management Code of Practice for the Police Services of England and Wales 2012 – The Financial Management Code of Practice provides clarity around the financial governance arrangements within the police service in England and Wales, and reflects the fact that the police service has a key statutory duty to secure value for money in the use of public funds.

Financial Year – The period of twelve months for the accounts, from 1 April to 31 March.

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

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

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

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

Group Accounts – The financial statements that combine the accounts for the PCC and the Chief Constable, that show the performance of the Group as if it was a single entity.

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

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

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

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

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

Glossary of Terms

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

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

Jointly Controlled Operations - Activities undertaken by the Chief Constable and/or the PCC that are jointly controlled with other venturers. The jointly controlled operation does not give rise to the creation of a separate entity.

Liabilities – Amounts that are due to be settled by the PCC in the future, which includes Current Liabilities and Long Term Liabilities.

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

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

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

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

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

Non-Current Assets (Fixed Assets) – Tangible assets, such as buildings and equipment are assets that yield benefits for a period of more than one year. Intangible non-current assets have no physical substance but provide a benefit for more than one year, e.g. computer software.

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

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

Outturn – The actual amount spent in the financial year.

Glossary of Terms

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

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

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

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

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

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

Police and Crime Commissioner (the PCC) – an elected representative charged with securing efficient and effective policing of a police area in England and Wales. PCCs replaced the now abolished Police Authorities from 2012.

Police Act 1996 – An Act of the Parliament of the United Kingdom which defined the current police areas in England and Wales, constituted the Police Authorities for those areas (now superseded by PCCs), and set out the relationship between the Home Secretary and the English and Welsh territorial police forces.

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

Police and Crime Plan - The Police Reform and Social Responsibility Act 2011 introduces a duty on the PCC to prepare a Police and Crime Plan which should determine, direct and communicate their priorities during their period in office.

Police Fund Balance - The Police Fund Balance is the statutory fund into which all the receipts of the PCC are required to be paid and out of which all liabilities of the PCC are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the Police Fund, which is not necessarily in accordance with proper accounting practice. The Police Fund Balance therefore summarises the resources that the PCC is statutorily empowered to spend on his services or on capital investment.

Police Principal Grant – This is part of the total specific government grant support for police services. The amount is determined annually by the Home Office on a formula basis.

Glossary of Terms

Police Reform and Social Responsibility Act 2011 (The Act) – this is an Act of the Parliament of the United Kingdom. It transfers the control of police forces from Police Authorities to elected PCCs. The first PCC elections were held in November 2012, and will be held every four years thereafter.

Precept – The amount of council tax that the PCC, as a major precepting authority, has instructed the billing authorities to collect and pay over in order to finance its net expenditure.

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

Public Works Loan Board (PWLB) – A statutory body operating within the United Kingdom Debt Management Office, an Executive Agency of HM Treasury, which provides long-term loans to local authorities at interest rates only slightly higher than those at which the government itself can borrow.

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

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

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

Reserves – Monies set aside by the PCC that do not fall within the definition of provisions. Reserves held for specific purposes are known as earmarked reserves.

Retirement Benefits – All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

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

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

Revenue Expenditure Funded from Capital Under Statute (REFCUS) – Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset. These costs may be charged as expenditure to the relevant service in the CIES in the year.

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

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

Glossary of Terms

Scheme of Delegation and Consent, Financial and Contract Regulations 2012/13 – The Scheme of Delegation and Consent details the key roles of the PCC and those functions that they designate to the Chief Executive, Treasurer, the Chief Constable and, if appointed, the Deputy PCC. The scheme also provides a framework to ensure that business is carried out efficiently, ensuring that decisions are not unnecessarily delayed. The Financial and Contract Regulations establish overarching financial responsibilities; confer duties, rights and powers upon the PCC, the Chief Constable and their officers providing clarity about the financial accountability of groups or individuals. They apply to every member and officer of the service and anyone acting on their behalf.

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

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

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

Tangible Non-current Assets – Physical non-current assets, e.g. land, buildings, vehicles and equipment held for a period of over one year.

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

Telling the Story – CIPFA's review of the presentation of Public Sector financial statements. The CIES now reflects the way that organisation's operate and manage services.

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.

APPENDIX 1

Chief Constable of Warwickshire Police Annual Governance Statement 2018-19