Philip Seccombe
Police and Crime Commissioner
for Warwickshire

Statement of Accounts

2018/19

THE GROUP AND POLICE AND CRIME COMMISSIONER FOR WARWICKSHIRE

STATEMENT OF ACCOUNTS 2018/19

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I am pleased to introduce the Statement of Accounts for the 2018/19 financial year. The aim of this report is to provide a clear explanation of the financial performance during 2018/19 and explain the position at the end of the year.

After a number of years where the police funding environment has proved challenging, the past 12 months has seen an improved situation begin to emerge. The financial settlement received from Central Government has improved, while at the same time, caps on the amount of funding that PCCs have traditionally been able to raise through local taxation have been loosened, allowing me to increase the Police Precept by 6% in 2018/19 and, following consultation, by more than 11% in 2019/20.

I am investing this additional funding in 150 new police officer posts over the two year-period, which will bring Warwickshire Police's establishment back to around 950 officers, an increase of almost 19% since 2017. This represents one of the largest increases across England and Wales. Allied to this I have been able to fund a small uplift in Police Community Support Officer numbers as well as additional police staff investigators to help deal with an increasing volume of reported crime.

These precept rises may potentially not be repeatable in future but they will nonetheless help to reset the balance between local and national funding more favourably. Nevertheless, the high demands on the police service remain, with rising volumes of calls – many involving the protection of vulnerable people rather than criminal incidents – as well the more complex nature of many modern investigations putting ever-increasing pressure on existing resources.

A wholescale review of police funding has been promised by the Government as part of the next Comprehensive Spending Review. I will continue to work with policing colleagues and fellow Police and Crime Commissioners to press the case for increased funding for policing overall and for Warwickshire to receive a fairer share than is currently the case.

I have continued to invest in services for victims of crime and to work with partners through commissioning and grants programmes. During the year I have initiated new commissioned support services in a range of key areas, including drug and alcohol, sexual abuse and violence, child sexual exploitation and for general victims' services. These come into effect in 2019/20, boosting provision in the county, allowing greater stability for providers and helping deliver more efficient and effective services which provide better value for money for the taxpayer.

Elsewhere, the decision by West Mercia Police to withdraw from the strategic alliance with Warwickshire Police has had an impact on short, medium and long term financial planning. Much work has been undertaken since the announcement in order to prepare Warwickshire Police for its unexpected post-alliance future, the full implications of which will become apparent during 2019/20 and beyond.

In the meantime, I remain committed to building a safer, more secure Warwickshire and delivering the best possible value for money and service provision to our communities.

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. This plan identifies 4 main themes – putting victims first, ensuring efficient and effective policing, protecting people from harm and preventing and reducing crime. Halfway through his term, progress is well-documented, however the ongoing 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 (CSPs) 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.

For 2018/19 the PCC agreed with the Chief Constable there would continue to be no specific performance objectives other than to reduce total recorded crime. The Chief Constable monitors a range of indicators across crime categories in pursuit of this objective.

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.

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, in addition to a number of informal meetings to receive updates on police performance and the budget. 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. Their statutory responsibilities include:

- Review the Police and Crime Plan to ensure local priorities have been considered;
- Consider the PCC's annual report, setting out my activities and achievements in the previous year;
- Scrutinising the decisions and actions of the PCC;
- Consider the draft policing budget and policing precept;
- Hold hearings when the PCC proposes to appoint a new Chief Constable, a Deputy PCC and other senior staff;
- Handle complaints against the PCC or the Deputy PCC.

Further details on the role, responsibility and powers of the PCP can also 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.

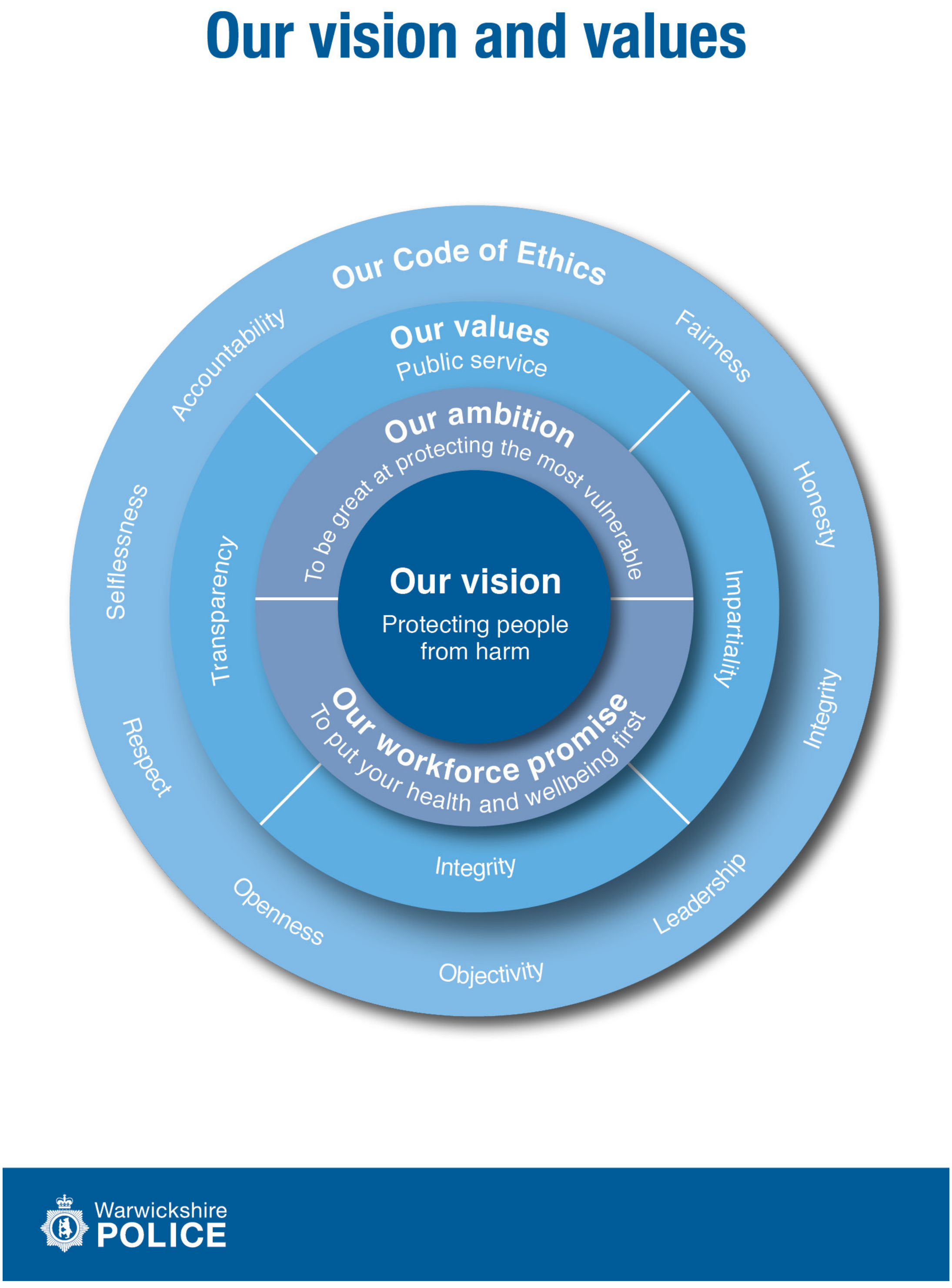


Diagram 2 shows the policing priorities that were re-set in January 2019 for Warwickshire Police. This links in with the overall vision of protecting people from harm, but also refers to specific priorities regarding victims, service levels and the prevention of crime in achieving that vision. The policing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

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 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	59.3	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**
	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 and Chief Constable each have a Strategic Risk Strategy in place to ensure that the risks facing the force and the PCC's office are effectively and appropriately identified, evaluated, reported and mitigated against. As a result of the termination of the Alliance, the joint PCC risk register has been separated and risks will begin to more appropriately reflect the individual risks faced by each PCC. Separate discussions with the chair and members of the Joint Audit and Standards Committee are also held with representatives from each OPCC to discuss risk and any arising actions and mitigations to monitor and manage the process of ending the Alliance. The key risks for the Warwickshire PCC are listed below, actions are put in place to mitigate these risks and various activities flow from these:

- The risk of the PCC not meeting his statutory responsibilities;
- The risks arising from the termination of the Strategic Alliance;
- The risk of failing to manage our finances effectively;
- The risk that the PCC does not hold the Chief Constable to account;
- The risk of inadequate commissioning of Victims Services;
- The risk that we do not manage our partnerships effectively which could lead to our objectives not being achieved, poor value for money and an adverse impact on the reputation of the PCC;
- The risk of failure in performance by external partners including the Force impacting negatively on the delivery of the Police and Crime Plan;
- The risk of the PCC failing to engage with the community.

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.

Financial information is monitored across the Alliance and inclusive of income and expenditure of both the PCC and the Chief Constable, therefore the PCC's outturn position is presented here and explained in the wider context. However, the Chief Constable is only responsible for pooled and non-pooled expenditure for Warwickshire.

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 Accounts include income and expenditure that are measured and reported in accordance with proper accounting practice as set out, chiefly, in The Code of Practice on Local Authority Accounting 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:

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.

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 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.

- 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.

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**
Total Use of Reserves	(3.772)	(0.340)	(4.112)	(1.618)	(2.494)
Net Force Budget Including 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.

Table 5 shows an analysis of capital expenditure and how this has been funded. The Alliance incurred capital expenditure of £12.510m. Warwickshire incurred capital expenditure of £1.668m. There is a significant underspend of £21.063m: £9.460m relates to Warwickshire. The reasons for the expenditure being below budget is due to projects that have been delayed or re-phased spreading expenditure over the next few years. The main areas of spend that have slipped include various ICT projects (including the Saab SAFE system and the K-com network) and the Emergency Services Network, a national project. Additionally there is slippage on works at Stratford and the construction of a new OPU (East) base: the latter has now been abandoned. Slippage on the Body Armour Replacement project (£1.3m) also occurred due to delays on the national procurement exercise.

Table 5. Capital Programme outturn 2018/19

Programme Capital Expenditure for the year	Revised Approved Budget £m	Actual £m	Variance £m
Estates	8.904	7.505	1.399
ICT	14.614	3.023	11.591
Transport	2.209	1.792	0.417
Other eg plant and equipment	1.891	0.190	1.701
Affordability Envelope	5.955	0.000	5.955
Total Expenditure	**33.573**	**12.510**	**21.063**
Programme Capital Funding for the year			
Capital Receipts	4.500	0.390	4.110
Capital Grants	1.155	1.155	0
Specific Grants	0.000	1.738	(1.738)
Revenue Contribution to Capital Expenditure	0.000	0.715	(0.715)
Infrastructure reserve	8.000	0.000	8.000
Borrowing	19.918	8.512	11.406
Total Funding	**33.573**	**12.510**	**21.063**

The following section provides a commentary on the investment in infrastructure that has been made in 2018/19.

The capital programme investment has also supported other strands of the transformation programme, notably a move to mobile working which will enhance police visibility in our communities, and also the upgrade of telephony and the wider ICT infrastructure to replace an ageing data network, replacement servers and software upgrades. Work continued on the Athena, Saab SAFE and Telephony systems. Airwave equipment was replaced and Business Objects Software installed. In April 2019 Warwickshire made a decision not to continue with the implementation of the Saab SAFE system after pausing their involvement in January 2019. The impact on the Accounts of this decision is set out in Note 21.

A further £0.5m was spent on systems to directly deliver policing services, including Automatic Number Plate Recognition (ANPR) equipment, replacing equipment at existing sites and adding new equipment in cars. ANPR technology is used to help detect, deter and disrupt criminality at a local, force, regional and national level, including tackling travelling criminals, organised crime groups and terrorists.

Capital expenditure has been funded through a range of sources set out in table 5. Notably, £8.512m was funded through borrowing: £0.921m of this relates to Warwickshire and was financed from internal balances. Borrowing levels are governed by the prudential code which determines whether borrowing is affordable. £1.155m was financed from capital grants and

£1.749m was financed from specific grants. £0.390m was funded through capital receipts and £0.704m from revenue funds.

The Alliance reserves at the 31 March 2019 stand at £52.638m, of which £17.688m is attributable to the Warwickshire PCC. Reserves are an important part of the PCC strategy to deliver the objectives set out in the Police and Crime Plan and the Medium Term Financial Plan (MTFP). Note 9 in the Accounts provides an analysis of the reserves at the 31 March 2019 and shows the movement since 31 March 2018 whilst table 6 shows how the Warwickshire PCC's reserves are planned to be used during the period up to 31 March 2022.

Table 6. Warwickshire Reserves

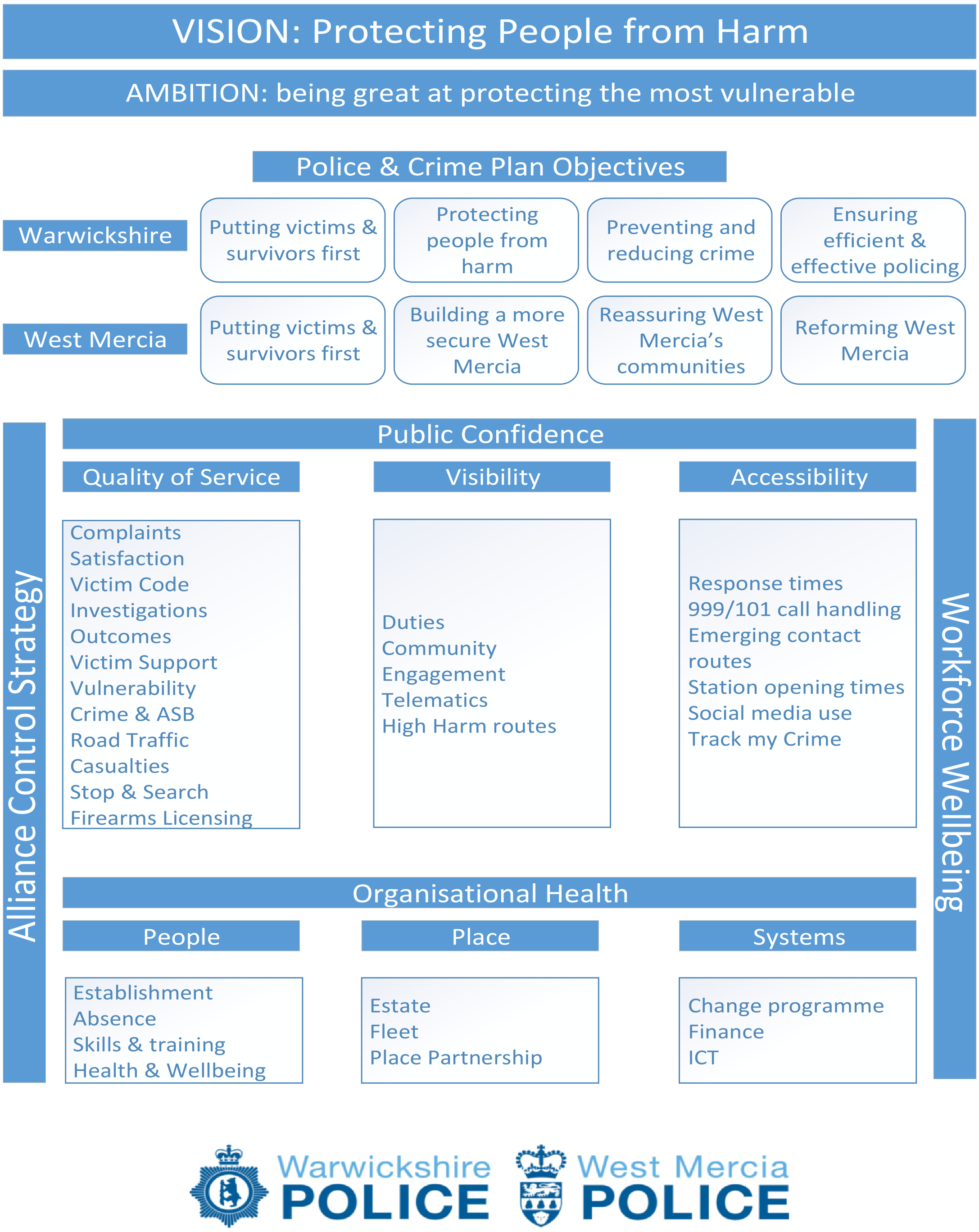
Reserve	Opening Balance 31/03/2019 £m	Transfer (from)/to Reserves			Closing Balance 31/03/2022 £m
		2019/20 £m	2020/21 £m	2021/22 £m	
General Reserve	5.000	0.000	0.000	0.000	5.000
Budget Reserve	0.639	0.000	0.000	0.000	0.639
Transformation Reserve	0.862	0.500	0.227	0.135	0.000
Investment in infrastructure	8.091	2.585	1.000	1.000	3.506
PCC grants and initiatives	0.300	0.200	0.000	0.000	0.100
Safer Roads partnership reserve	1.596	0.250	0.000	0.000	1.346
Redundancy Reserve	0.400	0.400	0.000	0.000	0.000
Insurance reserve	0.300	0.300	0.000	0.000	0.000
Income risk reserve	0.500	0.500	0.000	0.000	0.000
Total	**17.688**	**4.735**	**1.227**	**1.135**	**10.591**

The MTFP contains the Treasurer's annual review of the adequacy of reserves. Cash balances are invested in line with the Treasury Management Strategy, the priority being to protect our investments ahead of making a return. As at 31 March 2019 the PCC had £10.0m invested short-term, and during 2018/19 achieved an average return of 0.51%; it is anticipated that low interest rates will continue for some time, although these have started to increase over the last 12 months, and this could change given the current political and economic uncertainty.

Policing Performance

The Warwickshire and West Mercia PCCs set their own objectives in 2018/19, 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.

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, 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.

Table 7 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 7. 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/

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 during the year, 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 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 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. However, one significant change in April 2019, is the non-pooling of the local policing element of the budget, which has brought with it a reduction in costs for Warwickshire in 2019/20 of around £1.6m. A Comprehensive Spending Review is expected in 2019, but no details regarding its content have been anticipated for financial planning purposes at this stage. The ending of the strategic alliance mid-way though the 2019/20 financial year brings some uncertainty and greater risk to the budget setting process, but the overriding assumption is that transitional and new services post Alliance will be delivered within the same budget envelope. The reserves strategy supports the budget and medium term financial plan and mitigates the financial risk arising from the ending of the Alliance, along with the ongoing detailed monitoring and review of services delivery and costs. In setting the budget the PCC has had regard to:

- 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, which gave increased precept flexibility in 2019/20;
- The medium term financial obligations, including the delivery of existing savings plans;
- Prudent use of the financial reserves;
- The constant drive for continuous improvement and value for money, and;
- The ending of the Strategic Alliance with West Mercia in October 2019.

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;
- 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
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 Group, consisting of the PCC and 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 Group and the PCC and explains the basis on which the financial transactions are presented;

- The **Statement of Responsibilities** for the Accounts, which sets out the responsibilities of both the PCC 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 Group'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 Group and the PCC. 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 Group'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 PCC 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 Group and PCC Accounts should be read alongside the Chief Constable's Accounts and those of the West Mercia PCC and Chief Constable for West Mercia, which can be found as follows:

https://www.warwickshire.police.uk/article/3908/What-we-spend-and-how-we-spend-it
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 £32.3m. The deficit is arrived at after accounting for costs and income in line with the Group'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 Group's CIES.

The financial standing of the Group 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 Group's Accounts. The Group 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 Group 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 35 and information about the Police Pensions Fund Account can be found on page 103.

Statement of Accounting Policies for the Group and the PCC

i. General Principles

The Statement of Accounts summarises the Group's and the PCC'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 Group and the PCC when preparing and presenting the financial statements. The Group and the PCC are 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 2017/18 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 Group'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. Apart from minor amendments to the wording of the Accruals Policy iv resulting from the adoption of IFRS15, no Accounting Policies have changed 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.

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:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract;
- 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;
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract;
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected;
- Manual accruals of revenue or expenditure are not made where the value of the item is less than £1,000.

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.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

vi. Charges to Revenue for Non-Current Assets

Services 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.

The Group is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Group in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the Police Fund Balance (Minimum Revenue Provision), by way of an adjusting transaction with the Capital Adjustment Account in the MIRS for the difference between the two. Further information can be found in the Treasury Management Strategy available on the PCC's website.

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 Group. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. 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 Group's and the Chief Constable's Balance Sheets 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 PCC or 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 Group and determined by the individuals' pensionable pay and pensionable service.

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

- the liabilities of the pension fund attributable to the Group are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of 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 2019;

- the discount rates used by the actuaries and other principal assumptions are set out in Note 35;

- the assets of the LGPS fund attributable to the Group are included in the Balance Sheet at their fair value:
    - quoted securities – current bid price
    - unquoted securities – professional estimate
    - unitised securities – current bid price
    - property – market value

The change in the net pensions liability is analysed into 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;

- **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 Group 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 pension 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 101.

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

The Group 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. Fair Value Measurement

The Group measure some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as loans at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

a) in the principal market for the asset or liability; or
b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Group measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Group takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.
Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
Level 3 – unobservable inputs for the asset or liability.

ix. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Group becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the CIES for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For the straightforward borrowings that the Group has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement.

The Group has not entered into the repurchase or early settlement of borrowing.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost - these are recognised on the Balance Sheet when the Group becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Group, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement;

- fair value through profit or loss (FVPL) – these are recognised on the Balance Sheet when the Group becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services. The techniques for fair value measurements are set out in Accounting Policy viii. Any gains or losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES; and

- fair value through other comprehensive income (FVOCI) – not applicable for the Group.

x. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Group when there is reasonable assurance that:

- the Group will comply with the conditions attached to the payments; and
- the grants or contributions will be received.

Amounts recognised as due to the Group are not credited to the CIES until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, the grant conditions must be adhered to and specific outputs, or future economic benefits or service potential delivered, otherwise the grant sum, must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and all capital grants) in the CIES.

Where capital grants are credited to the CIES, they are reversed out of the General Fund Balance in the MIRS. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

xi. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Group as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Group.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and intended to be completed (with adequate resources being available) and the Group will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised). Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Group's services.

Intangible assets are measured initially at cost. Amounts are only re-valued where the fair value of the assets held by the Group can be determined by reference to an active market. The depreciable amount of all intangible assets is amortised over their useful lives to the Cost of Services in the CIES. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the Cost of Services in the CIES. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the CIES.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the Police Fund Balance. The gains and losses are therefore reversed out of the Police Fund Balance in the MIRS and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xii. Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are re-valued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the CIES. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the Police Fund Balance. The gains and losses are therefore reversed out of the Police Fund Balance in the MIRS and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xiii. 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 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 14 to the Accounts 'Pooled Budgets and Joint Operations'.

xiv. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. The Group has reviewed its contracts register and has determined that it has no finance leasing arrangements. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Group as Lessee (Operating Lease)

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).

The Group as Lessor (Operating Lease)

Where the Group grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the CIES. Credits 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 premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

xv. Segmental Analysis

Income and Expenditure is reported in the CIES on the basis of the Group'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 Group monitors and manages its financial performance on the basis of two segments to reflect its distinct service areas. The segments are: Policing Services and Police and Crime Commissioner. The costs of overheads and support services are charged to each 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 ie the Police Fund.

xvi. 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.

xvii. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and expected to be used during more than one financial year are classified as Property, Plant and Equipment (PPE).

Recognition

Expenditure on the acquisition, creation or enhancement of PPE is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Group and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

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

The cost of assets acquired other than by purchase is deemed to be its fair value; the Group has not acquired any asset via an exchange. The Group received donated assets amounting to £0.871m from the PCC for West Mercia during the year, as explained in Notes 21 and 24.

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

- Assets Under Construction – historical cost;
- Operational property – fair value, determined as the amount that would be paid for the asset in its existing use (Existing Use Value – EUV);
- Where non-property assets that have short useful lives and / or low values, historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year end, but as a minimum every five years. Desktop reviews are carried out annually to ensure that this holds true as at the Balance Sheet date; 80% of the Net Book Value of Land and Buildings has been professionally valued in the last 12 months. Valuations are carried out by qualified valuers, Place Partnership Limited, the most recent being carried out as at 31 January 2019. The valuers provided the PCC with assurance that there had been no material changes in the valuations between the valuation date and 31 March 2019 for all properties except for the Leek Wootton site. The Leek Wootton site was initially valued as an asset held for sale (having been an operational asset as at 31 March 2018 but subsequently marketed for sale during 2018/19), however this was then revised as at 31 March 2019 and valued as an operational asset once the decision was made to retain the site as Warwickshire Police's Headquarters.

The basis of valuation used is set out below as recommended by CIPFA and in line with the Statements of Asset Valuation Practice and guidance notes of the Royal Institution of

Chartered Surveyors (RICS). Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the CIES where they arise from the reversal of a loss previously charged to the Cost of Services.

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); or
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the Cost of Services in the CIES.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Componentisation

Componentisation will only be applied to new buildings and significant refurbishments completed after 1 April 2010 and to revaluations undertaken after 1 April 2010.

Buildings are classed as material where the cost is above the Group's materiality threshold.

The value of each component is considered in relation to the value of the asset. As a rule significant expenditure amounting to greater than 25% of the total cost will be considered for componentisation.

Expenditure on Improvements amounting to less than £250k will not be considered for componentisation.

Components of buildings and the life of each component are:

- Structure 60 years
- Mechanical and electrical 15 years
- Roof – pitch 60 years
- Roof – flat 20 years

Impairment

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

Where impairment losses are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);

- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the Cost of Services in the CIES.

Where an impairment loss is reversed subsequently, the reversal is credited to the Cost of Services in the CIES, up to the amount of the original loss and adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all PPE assets by the systematic allocation of their depreciable amounts over their useful lives. Exception is made for assets without a determinable finite useful life, i.e. freehold land and assets that are not yet available for use such as assets under construction.

Depreciation is calculated on the straight-line method over:

- buildings – straight line allocation over the useful life of the property as estimated by the valuer;
- plant, furniture and equipment (including ICT) – 5 years;
- vehicles – 3 to 7 years (3 years – high-mileage, response vehicles;
  5 years – general use vehicles; 7 years - vans).

No depreciation is charged for the financial year in which an asset is acquired. A full year's depreciation charge is made for the year of asset disposal.

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

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

Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is re-valued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the CIES. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as Held for Sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether PPE or Assets Held for Sale) is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CIES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Police Fund Balance in the MIRS.

De Minimis

The Group has agreed a de minimis level of £10,000 for the acquisition, renewal or replacement of buildings, plant and machinery or other equipment to count as prescribed capital expenditure.

xviii.Provisions, Contingent Liabilities and Contingent Assets

Provisions are made where an event has taken place that gives the Group 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 Group 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 Group settles the obligation.

A contingent liability or a contingent asset arises where an event has taken place that gives the Group 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 Group. 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 28 to the Accounts.

xix. Reserves

The Group sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the Police Fund Balance in the MIRS. When expenditure to be financed from a reserve is incurred, it is charged to the Cost of Services in that year to score against the Surplus or Deficit on the Provision of Services in the CIES. The reserve is then appropriated back into the Police Fund Balance in the MIRS so that there is no net charge against Council Tax for the expenditure.

xx. Revenue Expenditure Funded from Capital Under Statute

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 has been charged as expenditure to the relevant service in the CIES in the year. Where the PCC has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the MIRS from the General Fund Balance to the CAA then reverses out the amounts charged so that there is no impact on the level of council tax. Notes 21 and 24 explain the REFCUS incurred by the PCC during the year.

xxi. 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 Police and Crime Commissioner for Warwickshire (the PCC)

The PCC is required to:

- make arrangements for the proper administration of the PCC'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 Treasurer to the Commissioner;
- manage the PCC's affairs to secure economic, efficient and effective use of resources and safeguard the PCC's assets;
- approve the Statement of Accounts.

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

Philip Seccombe
Police and Crime Commissioner for Warwickshire **Date:**

Responsibilities of the Treasurer to the Commissioner

The Treasurer to the Commissioner is responsible for the preparation of the Statement of Accounts for the Police and Crime Commissioner for Warwickshire and Group 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 Treasurer to the Commissioner has:

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

The Treasurer 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 Police and Crime Commissioner for Warwickshire and Group is duly authorised for issue on 31 July 2019 by authority of the Treasurer to the Commissioner.

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

Elizabeth Hall
Treasurer to the Police and Crime Commissioner for Warwickshire
Date:

Independent auditor's report to the Police and Crime Commissioner 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

To be added following completion of the Audit

Comprehensive Income and Expenditure Statement (CIES) for the Group

This Statement shows the consolidated Group accounting cost and funding in the year of providing services presented in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Group raises taxation to cover expenditure in accordance with regulations; this is different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the MIRS.

2017/18 Gross Expenditure	2017/18 Gross Income	2017/18 Net Expenditure		Notes	2018/19 Gross Expenditure	2018/19 Gross Income	2018/19 Net Expenditure
£000	£000	£000			£000	£000	£000
116,468	(5,632)	110,836	Policing Services		165,258	(5,755)	159,503
3,023	(729)	2,294	Police and Crime Commissioner		3,083	(659)	2,424
119,491	**(6,361)**	**113,130**	**Net Cost of Policing Services**	**1**	**168,341**	**(6,414)**	**161,927**
		214	Other operating expenditure – Loss on disposal of non-current assets (*Note 22*)				1,118
		30,921	Financing and investment net expenditure *(Note 11)*				31,033
		(112,936)	Taxation and non-specific grant income *(Note 12)*				(112,856)
		31,329	**Deficit on Provision of Services**				**81,222**
		(1,969)	(Surplus) or deficit on revaluation of Property, Plant & Equipment Assets *(Note 9 (i))*				(64)
		(2,244)	Re-measurement of the net defined benefit liability *(Note 35)*				35,770
		(4,213)	**Other Comprehensive Income & Expenditure**				**35,706**
		27,116	**Total Comprehensive Income & Expenditure**				**116,928**

Comprehensive Income and Expenditure Statement (CIES) for the PCC

This Statement shows the accounting cost and funding in the year of providing services presented in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The PCC raises taxation to cover expenditure in accordance with regulations; this is different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the MIRS. 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		Notes	2018/19 Gross Expenditure £000	2018/19 Gross Income £000	2018/19 Net Expenditure £000
5,075	(9,482)	(4,407)	Policing Services		5,615	(10,626)	(5,011)
3,023	(729)	2,294	Police and Crime Commissioner		3,083	(659)	2,424
8,098	**(10,211)**	**(2,113)**	**Cost of Policing Services**	1	**8,698**	**(11,285)**	**(2,587)**
101,699	0	101,699	Funding to the Chief Constable for financial resources consumed	10	102,632	0	102,632
109,797	**(10,211)**	**99,586**	**Net Cost of Policing Services**		**111,330**	**(11,285)**	**100,045**
		214	Other operating expenditure – Loss on disposal of non-current assets (*Note 22*)				1,118
		208	Financing and investment net expenditure *(Note 11)*				474
		(95,119)	Taxation and non-specific grant income *(Note 12)*				(95,475)
		4,889	**Deficit or (Surplus) on Provision of Services**				**6,162**
		(1,969)	(Surplus) or deficit on revaluation of Property, Plant & Equipment Assets *(Note 9 (i))*				(64)
		(1,969)	**Other Comprehensive Income & Expenditure**				**(64)**
		2,920	**Total Comprehensive Income & Expenditure**				**6,098**

Movement in Reserves Statement (MIRS) for the Group

This statement shows the movement in the year on the different reserves held by the Group, 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 are undertaken by the Group.

	Notes	Police Fund Balance	Earmarked Police Fund Reserves	Total Police Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Group Reserves
		£000	£000	£000	£000	£000	£000	£000	£000
Opening Balance at 1 April 2017		**6,800**	**19,238**	**26,038**	**41**	**0**	**26,079**	**(1,013,466)**	**(987,387)**
Movement in reserves during 2017/18									
Total Comprehensive Income and Expenditure	**1**	**(31,329)**	**0**	**(31,329)**	**0**	**0**	**(31,329)**	**4,213**	**(27,116)**
Adjustments between accounting basis and funding basis under regulations	7	24,465	0	24,465	(41)	0	24,424	(24,424)	0
Net Increase before transfers to Earmarked Reserves		**(6,864)**	**0**	**(6,864)**	**(41)**	**0**	**(6,905)**	**(20,211)**	**(27,116)**
Transfers to/from Earmarked Reserves	8	5,064	(5,064)	0	0	0	0	0	0
Increase/(Decrease) in Year		**(1,800)**	**(5,064)**	**(6,864)**	**(41)**	**0**	**(6,905)**	**(20,211)**	**(27,116)**
Balance at 31 March 2018 Carried Forward		**5,000**	**14,174**	**19,174**	**0**	**0**	**19,174**	**(1,033,677)**	**(1,014,503)**
Movement in reserves during 2018/19									
Total Comprehensive Income and Expenditure	**1**	**(81,222)**	**0**	**(81,222)**	**0**	**0**	**(81,222)**	**(35,706)**	**(116,928)**
Adjustments between accounting basis and funding basis under regulations	7	79,736	0	79,736	0	12	79,748	(79,748)	0
Net Increase before transfers to Earmarked Reserves		**(1,486)**	**0**	**(1,486)**	**0**	**12**	**(1,474)**	**(115,454)**	**(116,928)**
Transfers to/from Earmarked Reserves	8	1,486	(1,486)	0	0	0	0	0	0
Increase/(Decrease) in Year		**0**	**(1,486)**	**(1,486)**	**0**	**12**	**(1,474)**	**(115,454)**	**(116,928)**
Balance at 31 March 2019 Carried Forward		**5,000**	**12,688**	**17,688**	**0**	**12**	**17,700**	**(1,149,131)**	**(1,131,431)**

Movement in Reserves Statement (MIRS) for the PCC

This statement shows the movement in the year on the different reserves held by the PCC, 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 PCC'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 are undertaken by the PCC.

	Notes	Police Fund Balance	Earmarked Police Fund Reserves	Total Police Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Group Reserves
		£000	£000	£000	£000	£000	£000	£000	£000
Opening Balance at 1 April 2017		**6,800**	**19,238**	**26,038**	**41**	**0**	**26,079**	**59,452**	**85,531**
Movement in reserves during 2017/18									
Total Comprehensive Income and Expenditure	**1**	**(4,889)**	**0**	**(4,889)**	**0**	**0**	**(4,889)**	**1,969**	**(2,920)**
Adjustments between accounting basis and funding basis under regulations	7	(1,975)	0	(1,975)	(41)	0	(2,016)	2,016	0
Net Increase before transfers to Earmarked Reserves		**(6,864)**	**0**	**(6,864)**	**(41)**	**0**	**(6,905)**	**3,985**	**(2,920)**
Transfers to/from Earmarked Reserves	8	5,064	(5,064)	0	0	0	0	0	0
Increase/(Decrease) in Year		**(1,800)**	**(5,064)**	**(6,864)**	**(41)**	**0**	**(6,905)**	**3,985**	**(2,920)**
Balance at 31 March 2018 Carried Forward		**5,000**	**14,174**	**19,174**	**0**	**0**	**19,174**	**63,437**	**82,611**
Movement in reserves during 2018/19									
Total Comprehensive Income and Expenditure	**1**	**(6,162)**	**0**	**(6,162)**	**0**	**0**	**(6,162)**	**64**	**(6,098)**
Adjustments between accounting basis and funding basis under regulations	7	4,676	0	4,676	0	12	4,688	(4,688)	0
Net Increase before transfers to Earmarked Reserves		**(1,486)**	**0**	**(1,486)**	**0**	**12**	**(1,474)**	**(4,624)**	**(6,098)**
Transfers to/from Earmarked Reserves	8	1,486	(1,486)	0	0	0	0	0	0
Increase/(Decrease) in Year		**0**	**(1,486)**	**(1,486)**	**0**	**12**	**(1,474)**	**(4,624)**	**(6,098)**
Balance at 31 March 2019 Carried Forward		**5,000**	**12,688**	**17,688**	**0**	**12**	**17,700**	**58,813**	**76,513**

Balance Sheets for the Group and the PCC

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Group and the PCC. The net assets of the Group and the PCC (assets less liabilities) are matched by the reserves. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Group and the PCC may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example, the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Group and the PCC are not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example, the Revaluation Reserve) where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences for items in the MIRS in the line ‘Adjustments between accounting basis and funding basis under regulations’.

The PCC as at 31 March 2018	The Group as at 31 March 2018		Notes	The PCC as at 31 March 2019	The Group as at 31 March 2019
£000	£000			£000	£000
84,543	84,543	Property, Plant & Equipment	21	80,047	80,047
375	375	Investment Property	23	375	375
1,293	1,293	Intangible Assets	24	999	999
224	224	Long Term Debtors	14	127	127
86,435	**86,435**	**Long Term Assets**		**81,548**	**81,548**
245	245	Assets Held for Sale	22	625	625
5,067	12,350	Short Term Debtors	25	5,005	9,007
8,282	8,282	Cash and Cash Equivalents	26	10,279	10,279
4,850	0	Intra-Group Debtor	10	2,941	0
18,444	**20,877**	**Current Assets**		**18,850**	**19,911**
(1,718)	(1,718)	Short Term Borrowing	30	(1,730)	(1,730)
(6,549)	(10,571)	Short Term Creditors	27	(8,883)	(11,779)
(8,267)	**(12,289)**	**Current Liabilities**		**(10,613)**	**(13,509)**
(13,093)	(13,093)	Long Term Borrowing	29	(12,135)	(12,135)
0	(1,095,525)	Liability Relating to Defined Benefit Pension Schemes	35	0	(1,206,109)
(720)	(720)	Revenue Grants Receipts in Advance	13	(688)	(688)
(188)	(188)	Capital Grants Receipts in Advance	13	(449)	(449)
(14,001)	**(1,109,526)**	**Long Term Liabilities**		**(13,272)**	**(1,219,381)**
82,611	**(1,014,503)**	**Net Assets / (Liabilities)**		**76,513**	**(1,131,431)**
19,174	19,174	Usable Reserves	8	17,700	17,700
63,437	(1,033,677)	Unusable Reserves	9	58,813	(1,149,131)
82,611	**(1,014,503)**	**Total Reserves**		**76,513**	**(1,131,431)**

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

Treasurer to the Police and Crime Commissioner for Warwickshire

Cash Flow Statements for the Group and the PCC

This statement shows the changes in cash and cash equivalents of the Group and the PCC during the reporting period. The statement shows how the PCC 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 PCC are funded by way of taxation and grant income or from the recipients of services provided by the PCC and Chief Constable. Investing activities represent the extent to which cash outflows have been made for resources, which are intended to contribute to future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the PCC.

The PCC 2017/18 £000	The Group 2017/18 £000		Notes	The PCC 2018/19 £000	The Group 2018/19 £000
4,889	**31,329**	**Net deficit (surplus) on Provision of Services**	**1,10**	**6,162**	**81,222**
(442)	(26,882)	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	32	(11,066)	(86,126)
773	773	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	32	348	348
5,220	**5,220**	**Net cash flows from Operating Activities**		**(4,556)**	**(4,556)**
10,607	10,607	Investing Activities	33	1,613	1,613
133	133	Financing Activities	34	946	946
15,960	**15,960**	**Net (increase) or decrease in cash and cash equivalents**		**(1,997)**	**(1,997)**
(24,242)	**(24,242)**	Cash and cash equivalents at the beginning of the reporting period	26	**(8,282)**	**(8,282)**
(8,282)	**(8,282)**	**Cash and cash equivalents at the end of the reporting period**	**26**	**(10,279)**	**(10,279)**

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 (government grants and council tax) by PCCs in comparison with those resources consumed or earned by PCCs in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the PCC's service areas. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the CIES.

The Group

	2018/19 Net Expenditure Chargeable to the Police Fund Balances	2018/19 Adjustments between the Funding and Accounting Basis (Note 1 (a))	2018/19 Net Expenditure in the CIES
	£000	£000	£000
Policing Services	93,493	66,010	159,503
Police and Crime Commissioner	2,424	0	2,424
Net Cost of Policing Services	**95,917**	**66,010**	**161,927**
Other income and expenditure	(94,431)	13,726	(80,705)
(Surplus) or deficit on provision of Services	**1,486**	**79,736**	**81,222**

Opening Police Fund at 31 March 2018	(19,174)
Less Deficit on Police Fund in Year	1,486
Closing Police Fund at 31 March 2019	**(17,688)**

	2017/18 Net Expenditure Chargeable to the Police Fund Balances	2017/18 Adjustments between the Funding and Accounting Basis (Note 1 (a))	2017/18 Net Expenditure in the CIES
	£000	£000	£000
Policing Services	95,632	15,204	110,836
Police and Crime Commissioner	2,294	0	2,294
Net Cost of Policing Services	**97,926**	**15,204**	**113,130**
Other income and expenditure	(91,062)	9,261	(81,801)
(Surplus) or deficit on provision of Services	**6,864**	**24,465**	**31,329**

Opening Police Fund at 31 March 2017	(26,038)
Less Deficit on Police Fund in Year	6,864
Closing Police Fund at 31 March 2018	**(19,174)**

The PCC

	2018/19 Net Expenditure Chargeable to the Police Fund Balances	2018/19 Adjustments between the Funding and Accounting Basis (Note 1 (a))	2018/19 Net Expenditure in the CIES
	£000	£000	£000
Policing Services	(5,924)	913	(5,011)
Police and Crime Commissioner	2,424	0	2,424
Net Cost of Policing Services	**(3,500)**	**913**	**(2,587)**
Funding to the Chief Constable for financial resources consumed	99,417	3,215	102,632
Other income and expenditure	(94,431)	548	(93,883)
(Surplus) or deficit on provision of Services	**1,486**	**4,676**	**6,162**

Opening Police Fund at 31 March 2018	(19,174)
Less Deficit on Police Fund in Year	1,486
Closing Police Fund at 31 March 2019	**(17,688)**

	2017/18 Net Expenditure Chargeable to the Police Fund Balances	2017/18 Adjustments between the Funding and Accounting Basis (Note 1 (a))	2017/18 Net Expenditure in the CIES
	£000	£000	£000
Policing Services	(5,818)	1,411	(4,407)
Police and Crime Commissioner	2,294	0	2,294
Net Cost of Policing Services	**(3,524)**	**1,411**	**(2,113)**
Funding to the Chief Constable for financial resources consumed	101,450	249	101,699
Other income and expenditure	(91,062)	(3,635)	(94,697)
(Surplus) or deficit on provision of Services	**6,864**	**(1,975)**	**4,889**

Opening Police Fund at 31 March 2017	(26,038)
Less Deficit on Police Fund in Year	6,864
Closing Police Fund at 31 March 2018	**(19,174)**

1(a) Note to the EFA

Adjustments between Funding and Accounting Basis

The Group

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	4,602	61,636	(474)	246	66,010
Police and Crime Commissioner	0	0	0	0	0
Net Cost of Services	4,602	61,636	(474)	246	66,010
Other income and expenditure from the Funding Analysis	(75)	13,178	474	149	13,726
Difference between Police Fund surplus or deficit and CIES surplus or deficit	**4,527**	**74,814**	**0**	**395**	**79,736**

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	2,162	13,491	(502)	53	15,204
Police and Crime Commissioner	0	0	0	0	0
Net Cost of Services	2,162	13,491	(502)	53	15,204
Other income and expenditure from the Funding Analysis	(4,044)	12,896	502	(93)	9,261
Difference between Police Fund surplus or deficit and CIES surplus or deficit	**(1,882)**	**26,387**	**0**	**(40)**	**24,465**

The PCC

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	743	0	170	0	913
Police and Crime Commissioner	0	0	0	0	0
Net Cost of Services	743	0	170	0	913
Funding to the Chief Constable	3,859	0	(644)	0	3,215
Other income and expenditure from the Funding Analysis	(75)	0	474	149	548
Difference between Police Fund surplus or deficit and CIES surplus or deficit	**4,527**	**0**	**0**	**149**	**4,676**

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	1,225	0	186	0	1,411
Police and Crime Commissioner	0	0	0	0	0
Net Cost of Services	1,225	0	186	0	1,411
Funding to the Chief Constable	937	0	(688)	0	249
Other income and expenditure from the Funding Analysis	(4,044)	0	502	(93)	(3,635)
Difference between Police Fund surplus or deficit and CIES surplus or deficit	**(1,882)**	**0**	**0**	**(93)**	**(1,975)**

Note (i) Adjustments for Capital Purposes

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

Other income and expenditure is adjusted for capital disposals of assets with a transfer of the income on disposal and the amounts written off for those assets; an adjustment is also made to recognise capital grant income.

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 investment income and 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 variations in the amount chargeable for Council Tax under Statute and the Code; and 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

The Group

2017/18 £000		2018/19 £000
48,269	Police officers pay	46,889
28,163	Police staff pay	27,948
1,431	Police pensions	1,380
979	Other Employee Expenses	969
23,096	Pensions current cost of service	23,294
(10,873)	Cost of pensions based on cash flows	(11,570)
53	Accumulated absences	246
22,030	Other service expenditure	23,658
1,268	Non distributed costs	49,912
5,075	Depreciation, Amortisation, Revaluation Loss and REFCUS	5,615
688	Interest payable	644
30,713	Net interest on the net defined benefit liability	30,559
214	Loss on disposal of non-current assets	1,118
151,106	**Total Expenditure**	**200,662**
(4,950)	Fees, charges and other service income	(3,959)
(430)	Investment property income and gain on change in fair value	(85)
(50)	Interest and investment income	(85)
(38,218)	Income from council tax	(41,345)
(76,129)	Government grants and contributions	(73,966)
(119,777)	**Total Income**	**(119,440)**
31,329	**Deficit on the Provision of services**	**81,222**

The PCC

2017/18 £000		2018/19 £000
626	Police staff pay	618
4	Other employee expenses	7
2,393	Other service expenditure	2,459
688	Interest payable	644
214	Loss on disposal of non-current assets	1,118
1,225	Capital Charge between PCC and Chief Constable - net	743
101,699	Funding to the Chief Constable for financial resources consumed	102,632
106,849	**Total Expenditure**	**108,221**
(4,950)	Fees, charges and other service income	(3,959)
(430)	Investment property income and gain on change in fair value	(85)
(50)	Interest and investment income	(85)
(38,218)	Income from council tax	(41,345)
(58,312)	Government grants and contributions	(56,585)
(101,960)	**Total Income**	**(102,059)**
4,889	**Deficit on the Provision of services**	**6,162**

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

The Code requires the Group 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 a material impact on the Accounts of the Group. As the Group only has one Investment Property it is anticipated that the impact of IAS40 will be minimal.

3. Critical Judgements in Applying Accounting Policies

The financial statements are prepared using the accounting policies set out in the earlier section; however the PCC 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;
- 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 two segments: Policing Services and Police and Crime Commissioner, 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 pension costs, offset by a lower use of reserves to fund expenditure as explained in the Narrative Statement.

The National Police Air Service (NPAS)

Following the transfer of all appropriate assets and liabilities from the East Midlands Air Support Unit (EMAS) to NPAS on 3 October 2013, NPAS will make an annual payment over the remaining useful life of the aircraft rather than paying a cash lump sum for it. However, since the PCC no longer owns or controls the asset this annual payment is treated as a deferred capital receipt in line with the Code. The discount rate applied to future cash flows is based on Treasury rates contained in the Green Book and is a key judgment in this context.

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. At this time it is not perceived that this issue will impact further on the assets of the PCC; the asset rationalisation plan has been refreshed and assets that potentially could be disposed of have been identified, although only one asset meets the criteria to be classified as an asset held for sale in the Accounts as at 31 March 2019. Further to this an annual impairment review is also carried out.

Fair Value of Public Works Loan Board (PWLB) Loans

In previous years, the fair value of the PWLB Loans quoted in the Financial Instruments disclosure note (Note 29), has been the value provided by the PWLB, using redemption rates. However, under IFRS13 the methodology adopted by PWLB to calculate the fair value is not permissible. The Group have obtained a fair value calculation from its Treasury Advisers, Arlingclose, using local authority bonds in issue as a basis for the calculation. The difference between the values is not material. Since Arlingclose's fair values have been calculated using observed market data, these have been classed by the Group as Level 2 of the fair value hierarchy.

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 PCC 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 Group's Balance Sheet at 31 March 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Property, Plant and Equipment

The basis of estimating the value of assets is referred to in the previous section. Assets are depreciated over their Useful Economic Lives (UEL), which is determined by external valuers, based on judgements which include assumptions about the level of repairs and maintenance that will be incurred on individual assets. These estimates are important for example, if the UEL is reduced, depreciation charged to the CIES would increase and the carrying value of the asset would fall. It is estimated that the annual depreciation charge for buildings would increase by £0.030m for every year that useful lives were reduced. The Net Book Value of Property, Plant and Equipment as at 31 March 2019 is £80.0m (£84.5m as at 31 March 2018).

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 assumptions 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 35.

Provisions

The Group had 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 35. 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 35.

6. Events After the Reporting Period

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

A decision was taken by Warwickshire PCC and Chief Constable in January 2019 to pause the funding of any further development of the Saab SAFE system across the alliance whilst a review of Warwickshire's future requirements for its Operational Control Centre was undertaken. As at 31 March 2019 it was expected that Warwickshire would decide not to progress with the implementation of Saab SAFE and this was confirmed by the PCC and the Chief Constable in April 2019. As the announcement of this decision was an event taking place after the year end but providing information about conditions existing at 31 March 2019, an adjustment has been made to the figures in the financial statements and notes to reflect the de-recognition of this asset from the Warwickshire Group and PCC Balance Sheets. Further information regarding the accounting implications of this decision can be found in Note 21.

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 35 below.

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 Group in the year in accordance with proper accounting practice to resources that are specified by statutory provisions as being available to the Group to meet future capital and revenue expenditure.

	Usable Reserves		
	Police Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied
2018/19	£000	£000	£000
Adjustments to the Revenue Resources			
Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:			
Pensions Costs (transferred to or from Pensions Reserve)	(74,814)	0	0
Council tax (transfers to or from Collection Fund)	(149)	0	0
Holiday pay (transferred to the Accumulated Absences Reserve)	(246)	0	0
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items charged to the CAA)	(6,041)	0	(12)
Total Adjustments to Revenue Resources	(81,250)	0	(12)
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	26	(26)	0
Statutory provision for the repayment of debt (transfer from the CAA)	906	0	0
Capital expenditure financed from revenue balances (transfer to the CAA)	107	0	0
Total Adjustments between Revenue and Capital Resources	1,039	(26)	0
Adjustments to Capital Resources			
Application of capital receipts to finance capital expenditure	0	74	0
Application of capital grants to finance capital expenditure	475	0	0
Cash payments re deferred capital receipts	0	(48)	0

Total Adjustments to Capital Resources	475	26	0
Total Adjustments - Group	**(79,736)**	**0**	**(12)**
Less: Chief Constable only adjustments			
Pensions Costs	74,814	0	0
Holiday pay	246	0	0
Total Adjustments - PCC	**(4,676)**	**0**	**(12)**

2017/18	Usable Reserves		
	Police Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied
	£000	£000	£000
Adjustments to the Revenue Resources			
Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:			
Pensions Costs (transferred to or from Pensions Reserve)	(26,387)	0	0
Council tax (transfers to or from Collection Fund)	93	0	0
Holiday pay (transferred to the Accumulated Absences Reserve)	(53)	0	0
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items charged to the CAA)	(1,804)	0	0
Total Adjustments to Revenue Resources	(28,151)	0	0
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	41	(41)	0
Statutory provision for the repayment of debt (transfer from the CAA)	533	0	0
Capital expenditure financed from revenue balances (transfer to the CAA)	2,380	0	0
Total Adjustments between Revenue and Capital Resources	2,954	(41)	0
Adjustments to Capital Resources			
Application of capital receipts to finance capital expenditure	0	82	0
Application of capital grants to finance capital expenditure	732	0	0
Cash payments re deferred capital receipts	0	0	0
Total Adjustments to Capital Resources	732	82	0
Total Adjustments - Group	**(24,465)**	**41**	**0**
Less: Chief Constable only adjustments			
Pensions Costs	26,387	0	0
Holiday pay	53	0	0
Total Adjustments - PCC	**1,975**	**41**	**0**

8. Usable Reserves

The PCC holds all of the Group's reserves. This note sets out the amounts set aside from the Police Fund Balances into earmarked reserves to provide financing for future expenditure plans and the amounts used from earmarked reserves to meet Police Fund expenditure in 2018/19. Note the reserves held on behalf of the Justice Centres are omitted from this table because they are not part of the Group and PCC's Accounts. The PCC's contribution, as a partner to the Justice Centre arrangement, forms part of the expenditure in the CIES and contributes to the surplus or deficit carried to the budget reserve.

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
Budget Reserve	**(8,924)**	4,732	(677)	**(4,869)**	4,230	0	**(639)**
PCC Priorities	**(1,845)**	1,845	0	**0**	0	0	**0**
PCC Grants and Initiatives	**0**	0	(200)	**(200)**	0	(100)	**(300)**
Transformation	**(1,550)**	650	0	**(900)**	496	(458)	**(862)**
Investment in Infrastructure	**(6,094)**	2,094	(1,753)	**(5,753)**	0	(2,338)	**(8,091)**
Insurance	**0**	0	(300)	**(300)**	0	0	**(300)**
Income Risk	**0**	0	(500)	**(500)**	0	0	**(500)**
Redundancy	**0**	0	(400)	**(400)**	0	0	**(400)**
Road Safety	**(825)**	65	(492)	**(1,252)**	21	(365)	**(1,596)**
Earmarked Reserves	**(19,238)**	**9,386**	**(4,322)**	**(14,174)**	**4,747**	**(3,261)**	**(12,688)**
General Reserves	**(6,800)**	**1,800**	**0**	**(5,000)**	**0**	**0**	**(5,000)**
Total	**(26,038)**	**11,186**	**(4,322)**	**(19,174)**	**4,747**	**(3,261)**	**(17,688)**
Capital Receipts Reserve	**(41)**	82	(41)	**0**	74	(74)	**0**
Capital Grants Reserve	**0**	0	0	**0**	0	(12)	**(12)**
Total	**(26,079)**	**11,268**	**(4,363)**	**(19,174)**	**4,821**	**(3,347)**	**(17,700)**

Capital receipts and capital grants have been used to fund capital expenditure during 2018/19.

The purposes of the Earmarked Reserves are as follows:

- **Budget Reserve** to support the budget where required;
- **PCC Investment Priorities Reserve** was re-directed to other Reserves below in 2017/18 (mainly the Infrastructure Reserve);
- **PCC's Grants and Initiatives Reserve** to support specific PCC initiatives;
- **Transformation Reserve** enables projects to be funded on a corporate basis focusing on service improvement and cost reductions;
- **Investment in Infrastructure Reserve** is held to support delivery of the Capital Programme and reduce the amount of new borrowing required;
- **Insurance, Income and Redundancy Reserves** have been created to address specific risks identified;
- **Road Safety Reserve** is the reserves held by the Safer Roads Partnership to be invested into road safety.

9. 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 unusable reserves can be summarised as follows:

31 March 2018 £000		31 March 2019 £000
	The PCC	
(10,078)	Revaluation Reserve	(9,939)
(52,709)	Capital Adjustment Account	(48,421)
(217)	Deferred Capital Receipts Reserve	(169)
(433)	Collection Fund Adjustment Account	(284)
(63,437)	**PCC Total:**	**(58,813)**
	The Chief Constable Unusable Reserves	
1,095,525	Pension Reserve	1,206,109
1,589	Accumulated Absences Account	1,835
1,097,114	**Total: Chief Constable Unusable Reserves**	**1,207,944**
1,033,677	**Total Group Unusable Reserves**	**1,149,131**

(i) Revaluation Reserve

The Revaluation Reserve contains the gains made by the Group arising from increases in the value of its PPE and Intangible Assets. The balance is reduced when assets with accumulated gains are:

- re-valued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation; or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2017/18			2018/19	
£000	£000		£000	£000
	(8,211)	**Group and PCC Balance as at 1 April**		**(10,078)**
(2,083)		Upward revaluation of assets	(343)	
114		Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	279	
	(1,969)	**Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**		**(64)**
102		Difference between fair value depreciation and historical cost depreciation	203	
0		Accumulated gains on assets sold or scrapped	0	
	102	Amount written off to the Capital Adjustment Account		**203**
	(10,078)	**Group and PCC Balance as at 31 March**		**(9,939)**

(ii) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the CIES (with reconciling postings from the Revaluation Reserve to convert fair value figures to an historical cost basis). The Account is credited with the amounts set aside by the PCC as finance for the costs of acquisition, construction and enhancement.

The Account also contains revaluation gains accumulated on PPE before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

2017/18			2018/19	
£000	£000		£000	£000
	(50,684)	**Group and PCC Balance as at 1 April**		(52,709)
		Reversal of items relating to capital expenditure debited or credited to the CIES:		
3,333		Charges for depreciation and impairment of non-current assets	4,197	
(2,007)		Revaluation losses (gains) on PPE	26	
(294)		(Gains)/losses on changes in fair value of investment property	0	
415		Amortisation of intangible assets	471	
255		Amounts of non-current assets written off on disposal as part of the gain/loss on disposal to the CIES	1,144	
3,232		Revenue expenditure funded from capital under statute	718	
(3,232)		Donated Assets	(718)	
	1,702	**Net written out amount of the cost of non-current assets consumed in the year**		5,838
		Capital financing applied in the year:		
(82)		Use of the Capital Receipts Reserve to finance new capital expenditure	(74)	
(732)		Capital grants and contributions credited to the CIES that have been applied to capital financing	(475)	
0		Application of grants to capital financing from the Capital Grants Unapplied Account	0	
(533)		Statutory provision for the financing of capital investment charged against the General Fund	(906)	
(2,159)		Capital expenditure funded from Reserves – Note £153k reversal re Telematics (see Note 21) less use of reserves in year to fund capital £21k	132	
(221)		Capital expenditure charged against the General Fund	(227)	
	(3,727)			(1,550)
	(52,709)	**Group and PCC Balance as at 31 March**		(48,421)

(iii) 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 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	**Group and Chief Constable 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	**Group and Chief Constable Balance as at 31 March**	**1,206,109**

(iv) Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the CIES as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the Police Fund from the Collection Fund.

2017/18 £000		2018/19 £000
(340)	**Group and PCC Balance as at 1 April**	**(433)**
(93)	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	149
(433)	**Group and PCC Balance as at 31 March**	**(284)**

(v) 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	**Group and Chief Constable 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	**Group and PCC Balance as at 31 March**		**1,835**

(vi) Deferred Capital Receipts Reserve

The deferred capital receipts reserve relates to the disposal of the Warwickshire Police share of the East Midlands Air Support Unit helicopter in the sum of £169,000.

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

The PCC's Balance Sheet includes an Intra-Group Debtor of £2.941m (£4.850m in 2017/18) being the net balance of funding not settled between the PCC and Chief 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**

11. Financing and Investment Income and Expenditure

2017/18 £000		2018/19 £000
688	Interest payable	644
(50)	Interest receivable	(85)
(430)	Income and expenditure in relation to investment properties and changes in their fair value	(85)
208	**Total for the PCC**	**474**
30,713	Net interest on the net defined benefit liability (Chief Constable)	30,559
30,921	**Total for the Group**	**31,033**

12. Taxation and Non-Specific Grant Income

2017/18 £000	2017/18 £000		2018/19 £000	2018/19 £000
	(38,218)	**Council tax precepts**		**(41,345)**
(30,602)		Police Grant	(30,602)	
(17,181)		Ex-DCLG Formula Funding	(17,181)	
(3,910)		Local Council Tax Support Grant	(3,910)	
(1,244)		Council Tax Freeze Grant	(1,244)	
(425)		Capital grants	(425)	
(3,539)		Capital Contributions	(768)	
	(56,901)	**Total Non-specific Grant Income**		**(54,130)**
	(95,119)	**Taxation and Non-Specific Grant Income – PCC**		**(95,475)**
	(17,817)	Home Office grant towards the cost of retirement benefits – Chief Constable		(17,381)
	(112,936)	**Taxation and Non-Specific Grant Income – The Group**		**(112,856)**

13. Grant Income

The Group credited the following grants, contributions and donations to the CIES in 2018/19:

2017/18 £000		2018/19 £000
(56,901)	**Credited to Taxation and Non Specific Grant Income – PCC, as per Note 12**	**(95,475)**
(17,817)	Home Office Grant towards the cost of retirement benefits in Chief Constable Accounts	(17,381)
(74,718)	**Credited to Taxation and Non Specific Grant Income - Group**	**(112,856)**
	Credited to Services	
(922)	Speed Awareness Contributions	(1,398)
(649)	Victims Support Services	(647)
(165)	DBS Vetting	(157)
(153)	Proceeds of Crime Contributions	(106)
(88)	Counter Terrorism Grant	(72)
0	National Cyber Specialist Program	(43)
0	Emergency Services Network	(32)
(1,977)	**Total Credited to Services – PCC and Group**	**(2,455)**

The Group received a revenue grant in 2016/17 related to the introduction of the Emergency Services Network, the replacement of the national airwave radio system amounting to £0.720m. Although the grant initially related to the 2017/18 financial year, as there has only been minimal relevant spend relating to the Emergency Services Network in 2018/19 (£0.032m, shown above), the balance of £0.688m is still being recognised as a receipt in advance.

The Group has also received capital grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies to be returned to the provider if the conditions are not met. The balances at the year end are as follows:

31 March 2018 £000		31 March 2019 £000
(46)	Warwickshire Safety Camera Unit Partnership	(46)
(15)	Stratford District Council (Section 106)	(15)
(33)	Warwick District Council (Section 106)	(33)
(94)	Warwick District Council (Section 106) – received June 2017	(94)
0	Warwick District Council (Section 106) – received March 2019	(153)
0	Stratford District Council (Section 106) – received April 2018	(108)
(188)	**Total**	**(449)**

14. Pooled Budgets and Joint Operations

Alliance with West Mercia Police

Warwickshire Police and West Mercia Police 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
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 activity of 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 35. 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 £000		2018/19 £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)
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.

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 PCC and 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 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)**
	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 PCC and Group 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)**

15. 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:

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**

16. 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
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
Police & Crime Commissioner – Note 9	2018/19	66,192	0	0	0	0	0	11,517	77,709
	2017/18	65,000	0	3,202	0	0	0	10,855	79,057
Deputy PCC – Note 10	2018/19	0	0	0	0	0	0	0	0
	2017/18	16,000	0	0	0	0	0	2,672	18,672
Chief Executive to the PCC	2018/19	72,796	0	0	0	0	0	12,667	85,463
	2017/18	68,670	0	0	0	0	0	11,468	80,138

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.
9	Following the PCC elections on 7 May 2016, the PCC commenced in office on 12 May 2016.
10	The Deputy PCC commenced in post on 1 August 2017 and resigned on 4 April 2018; no replacement has been appointed.
	The post of Treasurer to the Commissioner in the PCC office is shared 50/50 between the West Mercia and Warwickshire PCCs. The Treasurer is employed by West Mercia PCC with the costs being shown in full in West Mercia PCC's 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			Number of Employees	
Group	PCC	Remuneration Band	Group	PCC
2017/18	2017/18		2018/19	2018/19
45	0	£50,000 - £54,999	54	0
11	0	£55,000 - £59,999	31	0
4	0	£60,000 - £64,999	8	0
5	2	£65,000 - £69,999	4	1
3	0	£70,000 - £74,999	1	1
6	0	£75,000 - £79,999	6	0
0	0	£80,000 - £84,999	3	0
2	0	£85,000 - £89,999	3	0
0	0	£110,000 – £114,999	1	0
0	0	£115,000 - £119,999	1	0
2	0	£125,000 - £129,999	0	0
1	0	£150,000 - £154,999	0	0
0	0	£155,000 - £159,999	1	0
79	**2**	**Total**	**113**	**2**

17. External Audit Costs

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

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

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

Central government has significant influence over the general operations of the Group. It is responsible for providing the statutory framework within which the Group operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Group has with other parties (e.g. council tax bills). Grants received from government are set out in Notes 12 and 13.

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. Section 28 of the Police Reform and Social Responsibility Act 2011 requires that the local authorities covered by the police area must establish a Police and Crime Panel (PCP) for that area. The PCP scrutinises the decisions of the PCC, reviews the Police and Crime Plan and has a right of veto over the precept.

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 14 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 14, 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 Services was a Director of PPL until leaving the organisation on 5 October 2019; he received no benefit or remuneration.

The PCC's wife is the Leader of Warwickshire County Council. Due to this, a protocol is in place which governs how any significant conflicts during the PCC's time in office will be managed. The protocol is published on the PCC website and specifies that the decision making in relation to the letting of contracts, and / or awarding of grants to Warwickshire County Council will be delegated to the Chief Executive of the OPCC. Clause 3.4.4 of the OPCC's Scheme of Corporate Governance allows the Chief Executive to exercise any of the PCC's functions (except those prohibited by law) in the event of a significant conflict of interest arising. During the year, the Chief Executive has exercised delegated authority in relation to transactions with Warwickshire County Council, regarding letting of contracts and awarding of grants in relation to community safety initiatives.

In 2018/19, the Group incurred spend of £1.345m with Warwickshire County Council (grants, legal services, internal audit services and other items of general expenditure).

The PCC holds an interests in one company and is a member of a number of organisations, but the Group has not had any transactions with any of these companies or organisations.

The following table shows the extent of the Force's expenditure and income with other local authorities, police forces and PPL.

	Expenditure	Income
	£000	£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 PCC and Chief Constable other than those set out above, which require adjustment of or disclosure in the financial statements or the accompanying notes. All contracts have been entered into in compliance with the Scheme of Delegation and Financial and Contract Regulations 2018/19.

The following table shows the five suppliers with which the Group incurred the greatest expenditure in 2018/19 (excluding PPL):

	Expenditure £000
West Midlands Police	1,828
Warwickshire County Council	1,345
Kcom Group plc	838
AON Limited	705
Allstar Business Solutions Limited	616

19. Leases

The cost of operating leases is shown in the Chief Constable's Accounts to reflect the day-to-day direction and control the Chief Constable exercises over the resources acquired. However the PCC holds ultimate responsibility for entering into lease arrangements.

The Group as Lessee

The PCC occupies 12 premises on an operating lease basis. The lease payments due in future years are:

31 March 2018 £000		31 March 2019 £000
111	Not later than one year	120
314	Later than one year and not later than five years	220
64	Later than five years	43
489	**Total PCC and Group**	**383**

The amount paid in 2018/19 was £0.155m (£0.113m in 2017/18).

The Group as Lessor

The PCC acts as a lessor for 3 radio mast facilities where the arrangement is accounted for as an operating lease. The masts are located at Rugby Police Station, Bedworth Police Station and Ilmington. All these properties are owned by the PCC. The lease payments receivable in future years are:

31 March 2018 £000		31 March 2019 £000
62	Not later than one year	33
85	Later than one year and not later than five years	85
78	Later than five years	57
225	**Total PCC and Group**	**175**

The rent received in 2018/19 was £0.109m (£0.148m in 2017/18).

20. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below together with the resources used to finance it. Where capital expenditure is to be financed in future years, by charges to revenue when assets are used by the Group, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Group that has yet to be financed.

2017/18 £000		2018/19 £000
20,755	**Opening Capital Financing Requirement – PCC and Group**	**25,014**
	Capital investment:	
4,568	Property, plant and equipment	844
186	Intangible assets	3
3,232	Revenue expenditure funded from capital under statute	871
	Sources of finance:	
(82)	Capital receipts	(74)
(732)	Government grants and other contributions	(475)
	Sums set aside from revenue:	
(221)	Direct revenue contributions	(227)
(2,159)	Contribution from Reserves	(21)
(533)	Minimum Revenue Provision	(906)
25,014	**Closing Capital Financing Requirement – PCC and Group**	**25,029**
	Explanation of movements in the year	
4,792	Increase in underlying need to borrow in respect of capital expenditure not financed by other means (and unsupported by government financial assistance)	921
(533)	Decrease in underlying need to borrow in respect of Minimum Revenue Provision for the year	(906)
4,259	**Increase/(Decrease) in Capital Financing Requirement**	**15**

Capital Commitments

As at 31 March 2019, the Group had capital commitments of £0.221m (£0.019m as at 31 March 2018).

21. Property, Plant and Equipment (PPE)

The PCC holds all the Group's PPE. Assets are strategic in nature and are controlled by the PCC to achieve strategic outcomes.

Assets created under the alliance with the PCC for West Mercia are jointly controlled and only the PCC's share is held in the Balance Sheet. Where the PCC's share of these assets were originally purchased by the PCC for West Mercia, they have been donated by the latter to the PCC. The PCC has then made a REFCUS payment to the PCC for West Mercia equivalent to the expenditure incurred. ICT Equipment Assets amounting to £0.531m (£2.253m in 2017/18) and ICT Assets Under Construction amounting to £0.164m (£0.659m in 2017/18) have been treated in this manner.

Conversely, where the PCC for West Mercia's share of these assets were originally purchased by the PCC for Warwickshire, they have been donated to the PCC for West Mercia. The PCC for West Mercia has then made a grant payment to the PCC equivalent to the expenditure incurred. ICT Equipment Assets amounting to £0.048m (£0.112m in 2017/18) have been treated in this manner. No ICT Assets Under Construction (£0m in 2017/18) have been treated in this manner in 2018/19.

PCC and Group Movements in 2018/19	Land & Buildings	Vehicles	Plant, Furniture & Equipment	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2018	**74,651**	**5,866**	**26,935**	**0**	**2,182**	**109,634**
Additions	75	679	90	0	0	844
Transfer (to) / from Assets Under Construction	385	0	0	0	(385)	0
Transfer (to) / from Assets Held for Sale	(190)	0	0	0	0	(190)
Donated Assets	0	0	531	0	164	695
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(1,735)	0	0	0	0	(1,735)
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	(268)	0	0	0	0	(268)
De-recognition – disposals	0	(779)	0	0	0	(779)
De-recognition – donated	0	0	(48)	0	(1,061)	(1,109)
De-recognition – other	0	0	0	0	(153)	(153)
At 31 March 2019	**72,918**	**5,766**	**27,508**	**0**	**747**	**106,939**

Less Accumulated Depreciation and Impairment						
At 1 April 2018	**(364)**	**(3,474)**	**(21,253)**	**0**	**0**	**(25,091)**
Depreciation charge						
Depreciation written out to the Revaluation Reserve	(203)	0	0	0	0	(203)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(1,631)	(1,010)	(1,555)	0	0	(4,196)
Revaluation increases / (decreases) recognised in the Revaluation Reserve	1,850	0	0	0	0	1,850
De-recognition – disposals	0	748	0	0	0	748
De-recognition – other	0	0	0	0	0	0
At 31 March 2019	**(348)**	**(3,736)**	**(22,808)**	**0**	**0**	**(26,892)**
Net book value at 31 March 2019	**72,570**	**2,030**	**4,700**	**0**	**747**	**80,047**
Net book value at 31 March 2018	**74,287**	**2,392**	**5,682**	**0**	**2,182**	**84,543**

Warwickshire PCC and Chief Constable have taken the decision not to proceed with the implementation of the Saab SAFE system. This was a joint project with West Mercia PCC and Chief Constable and 31% of the total costs to 31 March 2018 had been donated from West Mercia to Warwickshire and were being shown as an Asset Under Construction amounting to £1.061m. REFCUS payments from Warwickshire to West Mercia had been made to fund this expenditure. The £1.061m Asset has now been donated back to West Mercia and is shown as a de-recognition in the table above. The REFCUS payment is still a valid transaction as West Mercia are continuing with the implementation of the Saab SAFE system. Any financial recompense to Warwickshire will form part of the discussions referred to in Note 28 – Contingent Asset.

Warwickshire and West Mercia decided in the year not to proceed with the full implementation of the Telematics system. This was shown as an Asset Under Construction as at 31 March 2018, amounting to £0.153m and is shown as a de-recognition in the table above. This has now been written-off and all of the previous capital expenditure and capital financing entries (including the REFCUS and donated asset transactions) have been reversed in accordance with accounting guidance. This has resulted in an additional charge to the CIES, reversed in the MIRS, and a corresponding increase in usable reserves.

PCC and Group Movements in 2017/18	Land & Buildings £000	Vehicles £000	Plant, Furniture & Equipment £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant & Equipment £000
Cost or valuation at 1 April 2017	**66,314**	**5,899**	**24,189**	**0**	**4,200**	**100,602**
Additions	3,131	853	198	0	385	4,567
Transfer (to) / from Assets Under Construction	2,368	0	407	0	(3,093)	(318)
Transfer (to) / from Investment Properties	(81)	0	0	0	0	(81)
Donated Assets	0	0	2,253	0	690	2,943
Revaluation increases / (decreases) recognised in the Revaluation Reserve	912	0	0	0	0	912
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	2,007	0	0	0	0	2,007
De-recognition – disposals	0	(886)	0	0	0	(886)
De-recognition – donated	0	0	(112)	0	0	(112)
De-recognition – other	0	0	0	0	0	0
At 31 March 2018	**74,651**	**5,866**	**26,935**	**0**	**2,182**	**109,634**
Less Accumulated Depreciation and Impairment						
At 1 April 2017	**(174)**	**(3,367)**	**(20,042)**	**0**	**0**	**(23,583)**
Depreciation charge						
Depreciation written out to the Revaluation Reserve	(102)	0	0	0	0	(102)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(1,144)	(979)	(1,211)	0	0	(3,334)
Revaluation increases / (decreases) recognised in the Revaluation Reserve	1,056	0	0	0	0	1,056
De-recognition – disposals	0	872	0	0	0	872
De-recognition – other	0	0	0	0	0	0
At 31 March 2018	**(364)**	**(3,474)**	**(21,253)**	**0**	**0**	**(25,091)**
Net book value at 31 March 2018	**74,287**	**2,392**	**5,682**	**0**	**2,182**	**84,543**
Net book value at 31 March 2017	**66,140**	**2,532**	**4,147**	**0**	**4,200**	**77,019**

Revaluations

The PCC carries out a rolling programme that ensures that all Land and Buildings required to be measured at current value are revalued at least every five years, with desktop valuations being carried out more frequently where appropriate. Further information about the revaluations including the bases used is set out in Accounting Policy xvii to the Accounts. Values for PPE are set out below:

2017/18 PCC and Group		Land and buildings	Vehicles, Plant, Furniture & Equipment	Assets Under Construction	Total 2018/19 PCC and Group
£000		£000	£000	£000	£000
10,256	Carried at historical cost	0	6,730	747	7,477
0	Carried at current value at 31 March 2019	64,743	0	0	64,743
65,435	Carried at current value at 31 March 2018	7,667	0	0	7,667
8,655	Carried at current value at 31 March 2017	0	0	0	0
0	Carried at current value at 31 March 2016	0	0	0	0
0	Carried at current value at 31 March 2015	0	0	0	0
127	Carried at current value at 31 March 2014	107	0	0	107
70	Carried at current value at 31 March 2013	53	0	0	53
84,543	**Total Valuations**	**72,570**	**6,730**	**747**	**80,047**

Assets Under Construction include £0.4m relating to the Telephony software systems that have not yet gone live.

The Group held no surplus assets as at 31 March 2019 (31 March 2018 nil).

22. Assets Held for Sale

Through the Asset Rationalisation Programme the PCC is actively reducing the extent of land and buildings held for operational purposes. Where the characteristics of an asset matches those set for asset held for sale in the Code, it is necessary to show assets held for sale separately and ensure the carrying value is estimated in accordance with accounting policy. There was one asset classified as held for sale as at 31 March 2019 (1 as at 31 March 2018).

2017/18 £000		2018/19 £000
245	**Balance outstanding at start of year**	**245**
0	Assets newly classified as held for sale	435
0	Revaluation gains via Revaluation Reserve	(51)
0	Revaluation gains via CIES	241

0	Assets re-classified as operational	(245)
0	Assets sold	0
245	**Total**	**625**

The loss of £1.118m on disposal of non-current assets shown in the CIES consists of the assets donated to West Mercia PCC of £0.051m plus the donation of the Saab SAFE asset returned to West Mercia PCC of £1.061m plus the loss on disposal of vehicles of £0.006m.

23. Investment Properties

Ilmington Mast was re-classified (and re-valued) during 2017/18 as the property is now held solely for investment purposes and is no longer used as an operational asset. Rental income of £0.085m from Ilmington Mast has been accounted for in 2018/19 (0.136m in 2017/18) in the Financing and Investment Income and Expenditure line in the CIES. There are no restrictions on the PCC's ability to realise the value inherent in its investment property or on the PCC's right to the remittance of income and the proceeds of disposal. The PCC has no contractual obligations to purchase, construct or develop investment property or to undertake repairs, maintenance or enhancement. The following table summarises the movement in the fair value of investment properties over the year, measured using significant observable inputs (Level 2 of the fair value hierarchy):

2017/18 £000		2018/19 £000
0	Balance at start of the year – PCC and Group	375
81	Re-classification from Land and Buildings	0
294	Net gains/losses from fair value adjustments	0
375	**Balance at end of the year – PCC and Group**	**375**

24. Intangible Assets

Software is accounted for as intangible assets, to the extent that the software is not an integral part of a particular ICT system and accounted for as part of the hardware item in Property, Plant and Equipment. All software is given a finite useful life of 5 years.

The carrying amount of software assets is amortised on a straight-line basis. The amortisation charge to revenue expenditure is absorbed as an overhead in Policing Services. Amortisation costs are charged to the Net Cost of Services in the CIES.

Intangible assets created under the Alliance with the PCC for West Mercia are jointly controlled and only the PCC's share is held in the Balance Sheet. Where the PCC's share of these assets was originally purchased by the PCC for West Mercia, they have been donated by the latter to the PCC. The PCC has then made a REFCUS payment to the PCC for West Mercia equivalent to the expenditure incurred. Intangible Assets amounting to £0.176m (£0.289m in 2017/18) have been treated in this manner. Conversely, where the PCC for West Mercia's share of these assets were originally purchased by the PCC for Warwickshire, they have been donated to the PCC for West Mercia. The PCC for West Mercia has then made a grant payment to the PCC equivalent to the expenditure incurred. Intangible Assets amounting to £0.002m (£0.128m in 2017/18) have been treated in this manner.

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

2017/18 Software £000		2018/19 Software £000
	Balance at start of year – PCC and Group	
6,855	Gross carrying amounts	7,520
(5,812)	Accumulated amortisation	(6,227)
1,043	**Net carrying amount at start of year**	**1,293**
186	Additions - purchased	3
318	Additions – transfer from Assets Under Construction	0
289	Donated Assets from West Mercia PCC	176
(128)	De-recognition – Assets donated to West Mercia PCC	(2)
(415)	Amortisation for the period	(471)
1,293	**Net carrying amount at end of year**	**999**
	Comprising:	
7,520	Gross carrying amount	7,697
(6,227)	Accumulated amortisation	(6,698)
1,293	**Balance at end of the year – PCC and Group**	**999**

25. Debtors

This note shows money owed to the Group and PCC for funding and services provided on or before the 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. Further information regarding Debtors is shown in Notes 29 and 30 – Financial Instruments.

Restated 31 March 2018 £000		31 March 2019 £000
1,103	Trade Receivables	866
3,266	Prepayments	956
7,981	Other Receivables	7,185
12,350	**Group Debtors**	**9,007**
(1,788)	**Less** Chief Constable Debtors: Prepayments	0
(5,495)	**Less** Chief Constable Debtors: Other Receivables	(4,002)
5,067	**PCC Debtors**	**5,005**

26. Cash and Cash Equivalents

The balance of the PCC's cash and cash equivalents is made up of the following elements:

31 March 2018 £000		31 March 2019 £000
2	Cash held by the Group	3
231	Bank current accounts	284
8,049	Short term deposits	9,992
8,282	**Total Group and PCC**	**10,279**

27. Creditors

This note shows money owed by the Group and PCC for goods and services purchased and received on or before the 31 March 2018 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. Further information regarding Creditors is shown in Note 29 – Financial Instruments.

Restated 31 March 2018 £000		31 March 2019 £000
(2,293)	Trade Payables	(1,792)
(8,278)	Other Payables	(9,987)
(10,571)	**Group Creditors**	**(11,779)**
1	**Less** Chief Constable Creditors: Trade Payables	0
4,021	**Less** Chief Constable Creditors: Other Payables	2,896
(6,549)	**PCC Creditors**	**(8,883)**

28. 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 35.

29. Financial Instruments

Categories of Financial Instruments

The PCC holds simple financial instruments (investments and borrowings), which is reflected in the scope of this Note to the Accounts. The following categories of financial instruments are carried in the Balance Sheet:

Financial Assets	Long Term		Current	
	Investments	Debtors	Investments	Debtors
As at 31 March 2019	£000	£000	£000	£000
Fair value through profit or loss	0	0	0	0
Amortised cost (previously loans and receivables)	0	5	10,279	6,652
Fair value through other comprehensive income	0	0	0	0

Debtors that are not financial instruments (taxes and payments in advance)	0	0	0	2,356

Financial Assets	Long Term		Current	
	Investments	Debtors	Investments	Debtors
As at 31 March 2018	£000	£000	£000	£000
Fair value through profit or loss	0	0	0	0
Amortised cost (previously loans and receivables)	0	7	8,282	8,508
Fair value through other comprehensive income	0	0	0	0

Debtors that are not financial instruments (taxes and payments in advance)	0	0	0	3,842

Financial Liabilities As at 31 March 2019	Long Term		Current	
	Borrowings £000	Creditors £000	Borrowings £000	Creditors £000
Fair value through profit or loss	0	0	0	0
Amortised cost	12,135	0	1,730	8,041

Creditors that are not financial instruments (taxes, National Insurance and prepayments)	0	0	0	3,738

Financial Liabilities As at 31 March 2018	Long Term		Current	
	Borrowings £000	Creditors £000	Borrowings £000	Creditors £000
Fair value through profit or loss	0	0	0	0
Amortised cost	13,093	0	1,718	8,312

Creditors that are not financial instruments (taxes, National Insurance and prepayments)	0	0	0	2,259

The above tables have been re-presented to reflect the new requirements under IFRS 9 Financial Instruments.

Income, Expense, Gains and Losses

The interest received on Financial Assets (investments) and interest paid on Financial Liabilities (borrowings) are as follows:

	Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure
	£000	£000
2018/19		
Interest Revenue: financial assets measured at amortised cost	(85)	0
Interest Expense Payable and Similar Charges	644	0
2017/18		
Interest Revenue: financial assets measured at amortised cost	(50)	0
Interest Expense Payable and Similar Charges	688	0

The PCC received a £0.4m (£0.4m in 2017/18) contribution from the Southern Justice Centre partnership to meet the cost of the principal and interest on total outstanding loans of £4.8m (£5.0m as at 31 March 2018), relating to the cost of building the complex; the figures in the table above are gross of the contribution.

Fair Value of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions (other significant observable inputs – Level 2 of the fair value hierarchy):

- estimated interest rates at 31 March 2019 of 0.56% for loans from the Public Works Loans Board (PWLB);
- discount rates of between 1.12% and 1.55% for Arlingclose's calculation of fair value of PWLB loans, based on local authority bonds in issue;
- no early repayment or impairment is recognised;
- where an instrument will mature in the next 12 months the carrying amount is assumed to approximate to fair value;
- the fair value of trade and other receivables is taken to be the invoiced or billed amount (equal to the carrying amount shown in the table above).

The fair values calculated are as follows:

PCC and Group	31 March 2019		31 March 2018	
	Carrying amount	Fair Value	Carrying amount	Fair Value
	£000	£000	£000	£000
Financial Liabilities	13,549	17,070	14,811	17,593

The fair value of the liabilities is higher than the carrying amount because the Group's portfolio of loans includes only fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2019) arising from a commitment to pay interest to lenders at a different rate from current market rates. The calculation of the fair value amount is supplied by the PWLB, using redemption rates. However, IFRS13 requires a different basis to be used and the Force's Treasury Advisers, Arlingclose have calculated the fair value amount, using the basis above, as £16.375m.

30. Nature and Extent of Risks Arising From Financial Instruments

The Group's activities expose it to a variety of financial risks, principally:

- **Credit risk:** The possibility that other parties might fail to pay amounts due to the Group;
- **Liquidity risk:** The possibility that the Group might not have funds available to meet our commitments to make payments;
- **Market risk:** The possibility that financial loss might arise as a result of changes in such measures as interest rates and stock market movements (the Group does not hold any share equity).

The Group has adopted CIPFA's Treasury Management in Public Services Code of Practice and set treasury management indicators to control financial instrument risks in accordance with CIPFA's Prudential Code. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund police services. Risk management is carried out by a Treasury Management Team, under policies approved by the PCC in the annual Treasury Management Strategy. The PCC provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash. The Treasury Management Strategy can be found on the PCC's website.

Credit Risk

The overriding aim of the Group is to maintain the security of its capital and liquidity of its investments over the requirement for an investment return. The Group will also aim to achieve the optimum return on its investments, commensurate with proper levels of security and liquidity. The risk appetite of the Group is extremely low in order to give overriding and absolute priority to the security of its investments. The borrowing of monies purely to invest or lend on and make a return is unlawful and the Group does not engage in such activity.

The principal risks are minimised by the Annual Investment Strategy, which forms part of the overall Treasury Management Strategy. It is a requirement that cash balances are invested with banks and building societies with strong short-term credit rating, other local authorities and the UK Government Debt Management Office. However, in continuance of the caution, which was adopted following turbulent financial markets in 2008/09, the Group limited its list of borrowers to the Bank of England and other local authorities in 2018/19.

The Group has stipulated the minimum acceptable credit quality of counterparties for inclusion on the counterparty or lending list. The 'creditworthiness methodology' used to create the counterparty list takes account of the ratings and observations published by three ratings agencies, Fitch, Moodys and Standard and Poors.

It is recognised that ratings or the ratings of any one agency should not be given undue weighting or be the sole determinant of the quality of an institution and that it is important to continually assess and monitor the financial sector and economic and political environments in which the institutions operate. The assessment will also take account of information that reflects the opinion of the markets and overlay that information on top of the credit ratings. Other information sources used will include the financial press and share price in order to establish the most robust scrutiny process on the suitability of potential investment counterparties. The aim of the strategy is to generate a list of highly creditworthy counterparties, which will allow investments to spread rather than be concentrated with a limited range of institutions.

The creditworthiness of institutions is monitored on an on-going basis. Should an institution no longer meet the minimum criteria and be deemed no longer appropriate to invest with then investments will be moved immediately.

At 31 March 2019 the short- term investment balances were as follows:

2017/18 £000		2018/19 £000
1,900	- On call (available immediately) (variable rate)	2,000
6,149	- Repayable in 1 month (fixed rates)	7,992
0	- Repayable in 2 months (fixed rates)	0
0	- Repayable in 3 months (fixed rates)	0
8,049	**Total PCC and Group**	**9,992**

It is not unheard of for local authorities and public bodies to hold investments that subsequently the financial institution fails to repay. However, there has been no experience of default on investment of these cash balances and there is no reason to suspect that there will be in the future.

Where it is appropriate to do so customers are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings with parameters set by the Group. However, the vast majority of transactions do not justify this approach.

Receipts from customers for sales of services and recoupable costs from other public bodies are a relatively small part of the Group's income (£4.0m in 2018/19). Only a very small number of old, unrecoverable invoices amounting to £1,200 were written off in 2018/19.

The Group generally allows a 30 day standard credit term for customers, however £0.172m of the £0.411m balance outstanding from customers at 31 March 2019 was past the point of 30 days from the date of invoice. This past due amount can be analysed as follows:

31 March 2018 £000		31 March 2019 £000
307	Less than 3 months	107
68	3 to 6 months	37
12	6 to 12 months	22
43	Over 12 months	7
430		**173**

The following table summarises the potential maximum exposure at the year end to credit risks other than treasury investments and cash-equivalent investments.

	%	£000
Balance of debtors ledger at 31 March 2019		411
Historical experience of default	0.5	
Historical experience adjusted for market conditions at 31 March 2019	0.5	
Estimated maximum exposure to default at 31 March 2019		25
Estimated maximum exposure to default at 31 March 2018		28

Liquidity Risk

The Group has a cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen the Group has ready access to borrowings from the PWLB. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. There is a degree of risk that borrowing will need to be undertaken at a time of unfavourable interest rates, therefore, the position is monitored closely.

Borrowing limits for the Group are set in the Prudential Indicators prepared as a requirement of the CIPFA Prudential Code. Maximum borrowing limits for 2018/19 were set at £40m. The Group maturity analysis of its financial liabilities is:

31 March 2018 £000		31 March 2019 £000
1,718	Less than one year – Short-term Borrowing (includes accrued interest of £0.316m at 31 March 2018 (£0.338 at 31 March 2018))	1,730

959	Between one and two years	982
2,977	Between two and five years	3,230
9,157	Between five and twenty years	7,922
14,811		**13,864**

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

Market Risk

The Group holds fixed rate short-term investments. Over time, in line with changes to interest rates generally, there has been a significant reduction in interest rates and therefore a fall in overall investment returns. A reduction in interest rates has the following effect on investments:

- Investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services (CIES) will fall;
- Investments at fixed rates – the fair value of assets will rise.

An increase in interest rates will have the opposite effect. Generally the nature of short-term investments indicates that any difference between the actual value and fair value of the investment would be marginal.

The Group holds fixed rate loans, which eliminates the risk of interest rate movement on borrowing. Borrowings are not carried at fair value, so nominal gains or losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure.

The approach to borrowing for capital projects is to delay borrowing and to temporarily use working capital balances. The present relative rates of interest for borrowing and lending mean that it is advantageous to delay long-term borrowing whilst the overall cash flow is positive. Capital expenditure temporarily funded from working capital up to 31 March 2019 was £11.1m (£10.2m as at 31 March 2018), an increase of £0.9m due to capital expenditure during the year as illustrated in Note 21.
It is probable that this capital expenditure will eventually require external borrowing. There is a risk that rates may be adverse when and if this borrowing takes place. Monitoring medium and long-term borrowing costs versus the opportunity costs of not investing working capital mitigates this risk. The Treasury Management team has an active strategy for assessing interest rates exposure that feeds into setting the Medium Term Financial Plan and annual budget, which is used to update the budget quarterly during the year.

It is calculated that if interest rates had been 1% higher for 2018/19 with all other variables held constant, the financial effect would be:

	£000
Increase in interest payable on fixed rate borrowings	135
Increase in interest receivable on fixed rate short term investments	(185)
Impact on Surplus or Deficit on the Provision of Services	**(50)**

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

31. 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.

32. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:-

2017/18 £000		2018/19 £000
53	Interest received	94
(350)	Interest paid	(329)
(297)	**Total – Group and PCC**	**(235)**

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

PCC 2017/18 £000	Group 2017/18 £000		PCC 2018/19 £000	Group 2018/19 £000
(3,435)	(3,435)	Depreciation	(4,400)	(4,400)
2,007	2,007	Downward / (Upward) valuations	(26)	(26)
(415)	(415)	Amortisation of intangible assets	(471)	(471)
(1,346)	(1,764)	(Increase)/decrease in revenue creditors	(2,560)	(1,435)
1,038	3,073	Increase/(decrease) in revenue debtors	(555)	(3,836)
1,670	0	Movement in Intra-Group Funding	(1,910)	0
0	(26,387)	Movement in pension liability	0	(74,814)
294	294	Changes in fair value of investment property	0	0
(255)	(255)	Carrying amount of non-current assets sold	(1,144)	(1,144)
(442)	**(26,882)**	**Total – PCC and Group**	**(11,066)**	**(86,126)**

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

2017/18 £000		2018/19 £000
41	Proceeds from the sale of property, plant and equipment	26
732	Capital Grants	322
773	**Total – Group and PCC**	**348**

33. Cash Flow Statement – Investing Activities

2017/18 £000		2018/19 £000
11,235	Purchase of property, plant and equipment and intangible assets	1,360
(41)	Proceeds from the sale of property, plant and equipment (adjusted for Debtors)	21
(587)	Other receipts from investing activities	(126)
10,607	**Total – Group and PCC**	**1,255**

34. Cash Flow Statement – Financing Activities

2017/18 £000		2018/19 £000
133	Repayment of long-term borrowing	946
0	New loans	0
133	**Total – Group and PCC**	**946**

35. 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 pensions 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 14, 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 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.

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 28, 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.

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 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 element) £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

2017/18	LGPS £000	LGPS (PPL element) £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	**(64,039)**	**(1,141,260)**	**(1,206,109)**

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)**

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 2017/18 £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.

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:

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	1.0%	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%

2017/18			2018/19	
LGPS	Police Pension Schemes		LGPS	Police Pension Schemes
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)

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 35;

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.

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.

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 Police and Crime Commissioner owes money at the end of the financial year.

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

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

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

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

Debtors – Individuals or organisations who owe the PCC 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 PCC'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.

Finance Leases and Operating Leases – A Finance lease transfers 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 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 Reporting Standards (FRS) – Recommendations on the treatment of certain items within the accounts.

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

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

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.

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.

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.

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.

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

Warwickshire Police and Crime Commissioner's Annual Governance Statement 2018/19