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Statement of Accounts

2019/20

THE GROUP AND POLICE AND CRIME COMMISSIONER FOR WARWICKSHIRE

STATEMENT OF ACCOUNTS 2019/20

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Message From Philip Seccombe, Warwickshire Police & Crime Commissioner.

I am pleased to introduce the Statement of Accounts for the 2019/20 financial year. The aim of this report is to provide a clear explanation of the financial performance and explain the position at the end of the year.

It has been a year of substantial change for Warwickshire Police, not least with the ending of the alliance with West Mercia Police. This had been due to take place in October 2019, this was extended at the Home Secretary's direction for a further six months in order to allow both parties further time to transition and reach agreement on a settlement.

The repatriation of the formerly shared services to Warwickshire was budgeted for wholly within existing resources but envisaged using increased levels of borrowing. However, following a protracted and at times difficult negotiation process, agreement on a settlement between the two forces was reached at the end of the financial year. This has led to West Mercia making a net payment to Warwickshire of £10.5 million in three instalments over the next 15 months, with West Mercia in turn also writing off £277,000 in recognition of the costs of the shared services over the six-month extension period of the alliance. The settlement total means that the anticipated levels of borrowing in the original budget can be recalculated, providing a better financial footing for the future.

Restructuring the force in light of the alliance termination by West Mercia has taken a great deal of planning and effort over the course of the year. Thanks to the collective efforts of the senior leadership and the workforce, the majority of these services are now operating independently and successfully within Warwickshire.

The Alliance formerly came to a conclusion on April 1, 2020 but new collaboration agreements were reached with West Mercia for the continued delivery of IT, transactional services, and forensics and file storage facilities for an interim period. From April 2021, new arrangements will see Warwickshire Police buy in the majority of the infrastructure for these services from West Midlands Police, who have class-leading technology to underpin frontline policing. This will considerably boost the capability of Warwickshire Police and provide a strong platform for the force for many years to come, with access to cutting-edge technology to drive forward improved delivery of the service given to the public.

The national funding picture continued to improve over the year, with increased allocations from central government and continued flexibility for PCCs over precept setting. This has meant that I have been able to further restore the balance between local and national funding for policing, leaving Warwickshire Police with increased resources to support frontline operational activity on a sustainable financial footing.

I have invested considerable amounts of this additional funding into the recruitment of new officers for the force. In this regard, it has been a record-breaking year, with 216 new recruits joining over the course of the year. No other force in England and Wales has seen anywhere near this sort of percentage increase of officers and it leaves a total at year end of 1,043 police officers – a figure unsurpassed since 2009. This has enabled the public to see more police visibility, an improved response to 999 and 101 calls as well as greater focus to areas such as rural crime and the protection of vulnerable people.

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The welcome announcement during the year from the Prime Minister of additional funding to recruit 20,000 police officers across the country has only helped to improve this picture further. The first tranche of this funding equated to 41 extra officers in Warwickshire all of which were recruited by 31st March 2020 and with our share of the next phase of the uplift for 2021-23 still to be determined this will further improve the operational resilience of the force.

Of course, the year ended with the dreadful outbreak of the Covid-19 pandemic, which has had a devastating impact on daily life for all of us and brought the wider economy to a halt. The lasting impacts of this will be determined over the course of the weeks and months ahead but my initial focus has been to ensure that effective policing continues to be delivered and that Warwickshire Police plays its full part in responding to this national emergency. I am also ensuring that vital services giving support to victims of crime and some of the most vulnerable in society continue to receive the funding they need to meet the demands that this unprecedented situation has delivered.

The pandemic has also meant the postponement of PCC Elections until 2021, resulting in my current term of office being extended for a further year. While no-one can be certain of what the coming year will bring, I have launched a plan to take us through the emergency, working closely with our partners across the county to help communities cope and recover from the pandemic's effects.

Across the next 12 months, I will remain committed to ensuring that the public's voice is heard on policing and community safety, while ensuring that policing is delivered effectively, with the best possible value for money and service provision to our communities.

Introduction

This Statement of Accounts has been prepared in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA). It aims to provide information in a clear and consistent way to outline the financial position of the PCC (and Warwickshire Police), and to provide assurances that the PCC has accounted for and spent public money appropriately, and that it is in a sound and secure financial position.

The style and format of the accounts complies with CIPFA standards and is similar to that of previous years. The structure of this narrative report is also set out below:

1. Strategy and Structure including an explanation of the PCC and Group
2. PCC Governance and transitioning from the strategic alliance
3. Our workforce
4. Financial performance
5. Non-financial performance
6. Coronavirus (Covid-19) pandemic
7. Corporate risks and uncertainties
9. Conclusion and acknowledgements

1. Strategy & Structure

The Police and Crime Commissioner (PCC) and the Chief Constable are established as separate legal entities. The PCC for Warwickshire is elected every four years (May 2020

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elections have been postponed by 12 months due to the coronavirus pandemic) to secure the maintenance of an efficient and effective police force and to hold the Chief Constable to account for the exercise of his functions and those of the force. The Chief Constable has a statutory responsibility for the control, direction and delivery of operational policing in Warwickshire. These PCC and group accounts focus on the discrete activities which are the direct responsibility of the PCC including community safety and commissioning services for victims and witnesses of crime, as well as the 'PCC group' which includes all aspects of operational policing under the direction and control of the Chief Constable. The Chief Constable produces a separate set of accounts which explains how the resources provided by the PCC have been used to deliver the operational policing services across Warwickshire. The original net revenue budget for 2019/20 was £102.720m (including reserve usage), with £2.665m being under the direct control of the PCC.

As the elected representative of the county's residents, this provides the PCC with a mandate to oversee and direct how crime and community safety is addressed in the county, in addition to setting the strategic priorities for Warwickshire Police to create a safer, more secure Warwickshire by holding the Chief Constable to account for the force's delivery of its operational policing and public protection responsibilities. The PCC is the custodian of the public finances available for Warwickshire Police and for the commissioning of services to address crime and its impact in the county. Philip Seccombe was elected to the position of the Warwickshire PCC in May 2016, and developed his Police and Crime Plan covering the period up to 2021, which was developed following an extensive consultation process with the public and partners, and was launched in December 2016. This plan has been refreshed and updated over his term in office, to ensure that it remains up to date and reflects the ambitions of the public for policing in Warwickshire. The plan identifies 4 main themes – putting victims first, ensuring efficient and effective policing, 'protecting people from harm' and preventing and reducing crime. Progress in achieving these four main aims is well-documented, although the ongoing accomplishment of these objectives will be through continued effective partnership working at all levels which includes working closely with Local Authorities and Community Safety Partnerships (CSPs) through to national and regional partnerships. The PCC also undertakes a national role as chair of the national emergency services collaboration working group, which is a sector led and government backed group to improve and accelerate the pace of collaboration between emergency services to achieve improved governance, effectiveness and efficiency. Warwickshire has a number of effective partnerships and is continuing to develop others, this approach delivers a number of benefits to local communities and also addresses the Home Secretary's national strategic policing requirement which is 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.

2. PCC Governance and transitioning from the Strategic Alliance

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

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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 has approved a joint corporate governance framework, which includes detailed finance and contract procedures and joint risk management processes with the force. The PCC is required to formally review the governance arrangements annually, these are published on the PCC's website and the results of the review are contained in the Annual Governance Statement (AGS). In 2019/20 the governance arrangements were fundamentally reviewed in October 2019 and again in March 2020. These reviews have been undertaken to ensure that the governance framework adequately reflects the transitional process that Warwickshire has been undertaking throughout 2019/20 as it exits the alliance and this is included fully within the 2019/20 AGS. The AGS also refers to a number of governance issues that require addressing in 2020/21 and these will be monitored during the year. They include the following:

There will be a requirement to review the governance arrangements of any remaining services still part of a collaborated service with West Mercia to ensure that any new arrangements are appropriate.

Other governance issues which will require consideration in 2020/21 are: -

- Monitor progress arising from the legislative changes and embed the arrangements for dealing with police complaints reviews by working in partnership with the OPCC for West Midlands.
- Monitor the progress of the ICT Coordination Committee including the benefits realisation and costs to ensure that Warwickshire is able to stabilise systems and infrastructure to enable it to transition to its new future arrangements.
- Development of the Evolve 2 efficiency savings plans to ensure that the force is able to meet the requirements of the MTFP and develop a good and balanced budget.
- Ensure a smooth transition from the Alliance beyond April 2020 for the majority of services and develop and monitor plans, including spending, for collaborations with new partners, including West Midlands police.
- Undertake a review of the lessons learnt from the Coronavirus pandemic and what governance, service and operational changes should be adopted in the light of the crisis.
- Fundamentally review the funding assumptions in the MTFP, using the latest information from central and local government and identify a sustainable budget, including savings plans over the medium term.
- Consider the options and plan for the delivery of estates services from April 2021 across Warwickshire in the light of the exit notice issued by Worcestershire County Council, as one of the four main shareholders, to Place Partnership Ltd in March 2020.

The AGS is published alongside the Accounts and provides a detailed explanation of the PCC's governance framework, and how his office have complied with that framework over the last twelve months in accordance with the seven principles outlined by CIPFA. This

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includes the governance issues in relation to the plans and the objectives set out in the Police and Crime Plan and how these will be achieved, detail on how he manages risk and also a comprehensive section in accordance with recent CIPFA guidance on the effect of the coronavirus pandemic particularly on service delivery and the related governance issues. A full copy of the Police and Crime Plan can be found on the PCC's website.

In October 2019, Warwickshire OPCC embarked on setting up a new Joint Audit and Standards Committee across the PCC and Force for Warwickshire only. The former Committee was joint with their counterparts in West Mercia. The Committee generally meets on a quarterly basis and receives various reports on performance monitoring, internal and external audit and general governance and financial issues. The Committee has agreed terms of reference which are reviewed annually and provide scrutiny and challenge to provide some assurance to the PCC and Chief Constable on these matters.

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 the 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 OPCC 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, which sets out the PCC's 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. More recently the JASC and PCP have agreed to work more closely together to provide increased support, scrutiny and assurance.

From April 2019 onwards, following prior agreement by both PCC's and Chief Constables, local policing services were withdrawn from the alliance arrangements and became fully under the command and control of the respective force. As a consequence the budgets and costs of this function were also de-pooled from this point. All other collaborated services did however remain within the alliance until the termination date, which was originally in October 2019. However, in line with the termination notice and the joint decision of both Force's PCCs and Chief Constables, the services listed below were separated from October 2019:

- Corporate Communications
- Operational Command Centre
- Leadership & Command – Relating to functions & capabilities
- PNSB
- Collision Investigation Unit (CIU)
- Strategic Vulnerability & Safeguarding

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- MIU & SMCRU
- Specialist Operations
- Scenes of Crime Unit (SOCU)
- Force Intel, I24 & Automatic Number Plate Recognition (ANPR)
- Dedicated Source Unit (DSU)
- Task Force
- Dogs & Kennelling
- Safer Roads Partnership (SRP)

This enabled the continued process of smooth and safe transition out of the alliance for Warwickshire towards its new target operating model as a standalone force. This meant that from that point, most of the salaries and day to day running costs associated with these areas of business were charged directly to Warwickshire Police rather than being pooled and shared with West Mercia Police.

However, due to the scale and complexity of transitioning some service areas, the original termination date of October 2019 was seen as unachievable by Warwickshire for all remaining services, and at the request of Warwickshire PCC and Chief Constable, the Home Office issued a direction for an extended six month period of the alliance to enable the smooth transition of the remaining services and for the arrangements for any continuing areas of collaboration to be adequately established. This meant that by the end of March 2020, only four areas of services remained collaborated on with West Mercia - forensics, file storage, transactional and ICT services, and two separate collaboration agreements or s22 notices were signed on this basis. Warwickshire now operates as a standalone force in all other areas, and has either stood up the service within Warwickshire or has entered into or will be entering into new collaborations with other forces to deliver efficient and effective services to Warwickshire communities which continue to provide value for money.

Given the journey that Warwickshire was on as part of this transitional and transformational process, the vision, values and policing priorities were re-set in January 2019, and have been kept under review throughout 2019/20. Our vision and values are shown pictorially in diagram 1 which sets out how our ambition, values and code of ethics support our vision to protect people from harm.

Diagram 1.

Our vision and values

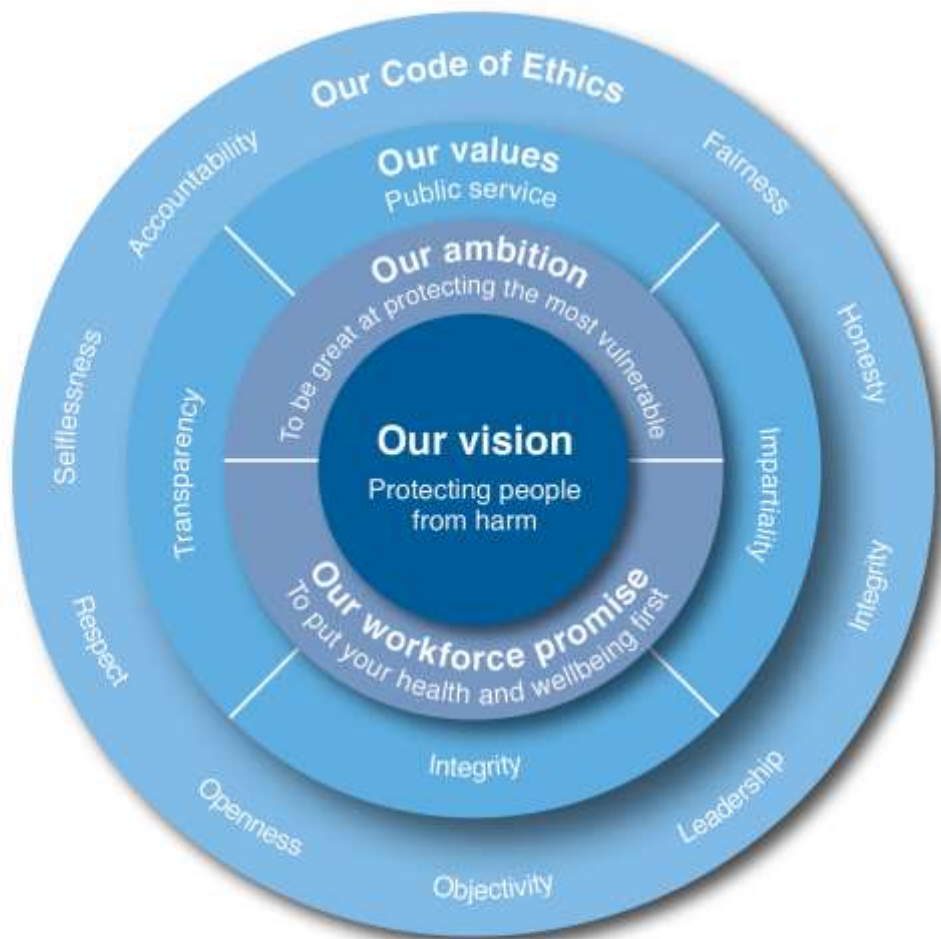


Diagram 2 shows the policing priorities that were re-set in January 2019 for Warwickshire Police. This links in with the overall vision of protecting people from harm, but also refers to specific priorities regarding victims, service levels and the prevention of crime in achieving that vision. The policing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

Diagram 2:



During 2019/20, the governance arrangements became more complex with the ending of the alliance - some service areas sat within the alliance arrangements, whilst some services transitioned during the course of the year or at the end of the year and thus were operating under the control and governance arrangements of Warwickshire only from that point onwards. The Alliance Governance Group (AGG), which later became the Alliance Transitional Governance Group (ATGG) was the main mechanism for overseeing the governance of Alliance functions and services. The key document that sets out the arrangements that governed the alliance element of the business are established under the

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Police Act 1996 and is known as a section 22 collaboration agreement. This sets out how the Forces' finances will be managed on a day-to-day basis, including the financial arrangements for cost sharing. It also provided the process and financial arrangements for the termination of the alliance, which was triggered by the West Mercia PCC and Chief Constable in October 2018. This document can be found at: www.warwickshire.police.uk. Services that sat solely within Warwickshire during the course of the year were covered under the reviewed corporate governance framework and a revised meeting format for holding the Chief Constable to account.

To reflect the transient nature of some services during 2019/20 the joint corporate governance framework, including all the supporting regulations were reviewed in October 2019, the date at which the alliance was due to end, and at which point some services were stood up within Warwickshire, to create a joint set of governance arrangements that applied to the Warwickshire PCC and Chief Constable only. These documents were again approved as part of the normal annual review process in March 2020, to reflect the continuing transitioning of some services, and as new staff and officers were recruited into posts as services were stood up in Warwickshire.

3. Our workforce

Many staff worked to deliver the objectives of the alliance during 2019/20. Management of change processes were undertaken during the course of the year in services that were being transitioned, as staff moved to positions within either force and further additional recruitment processes were undertaken to fill vacant posts and stand up services in Warwickshire. However, Warwickshire staff and those still working in services within the collaboration agreement have been instrumental in the delivery of effective policing in Warwickshire throughout 2019/20. An analysis of staffing is shown at table 1.

The table below shows the gender breakdown of the workforce employed by Warwickshire police at the end of 2019/20 across the different sectors.

Table 1. Workforce Analysis

	Male	Female	Total	Male %	Female %
Police Officers	687	340	1,027	66.89%	33.11%
Police Staff	346	540	886	39.05%	60.95%
Specials	75	15	90	83.33%	16.67%
PCSO's	42	52	94	44.68%	55.32%
Total	1,150	947	2,097	54.84%	45.16%

A Home Affairs Committee report highlighted the under representation of Black and Minority Ethnic (BAME) people in police forces in England and Wales. As a result of this report Warwickshire has been sought taking action to ensure that our force better represents the communities we police. The more recent Black Lives Matter campaign has again brought these issues to the fore and the need to reflect the diversity of our communities within the force remains a key focus for the Chief Constable and one which is fully supported by the PCC. 2019/20 has seen some significant increases in police officer numbers in Warwickshire, achieved mainly through the precept increase, but also through the national uplift programme and the Government commitment to recruit a further 20,000 officer nationally. The first uplift tranche for Warwickshire was for the recruitment of 41 additional officers, who were all in place by the end of March 2020, with the promise of additional

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officers over the next three years. Officer numbers now stand at some of the highest levels in the forces' history, and the planned recruitment should also provide an opportunity to increase BAME representation, address issues of diversity and equality in the force, ensure that the service is able to deal with the increases in demands it faces, the changing crime types and be more effective at protecting people from harm. The PCC is also keen to increase the number of Specials within the force, recognising the invaluable work that they carry out, and the force are therefore undertaking a Specials recruitment drive backed by more PCC funding.

Table 2 shows the breakdown across the various staffing groups of BAME employees in Warwickshire. Whilst there is some fluctuation across the groupings, on average 6.39% of Warwickshire police employees are from BAME communities at the end of 2019/20 compared to 5.63% at the end of March 2019, which goes some way in demonstrating the progress being made towards achieving increased diversity across the workforce.

Table 2. Workforce Ethnicity Analysis

	Total	BAME	BAME %
Police Officers	1,027	53	5.16%
Police Staff	886	65	7.34%
Specials	90	7	7.78%
PCSO's	94	9	9.57%
Total	2,097	134	6.39%

4. Financial Performance

In an effort to understand the financial performance of the force in 2019/20, it is essential to consider the wider economic climate that it is operating within. In response to many years of austerity and reduced public spending, Warwickshire police had been successful under the alliance arrangements of generating at least £35 million of savings, which helped it to deliver value for money for taxpayers, and to deliver responsive and effective operational policing services against a back drop of increased demand.

However, the cost pressures felt by Warwickshire, despite operating within the alliance were a reflection of the national picture. In October 2017 the police service nationally informed the Home Office that policing needed an additional £440 million in 2018/19 and £845 million in 2019/20 in order to cope with the increase in demand and pressures on police time arising from increases in overall crime levels, crimes becoming more complex, increased terrorist threat and the police increasingly being called on to provide a response where other public agencies lacked capacity or ability. In 2018/19, increased funding was driven at a local level by offering the flexibility to increase council tax by £12 for a band D property which was taken up by the PCC, and enabled the recruitment of new officers in Warwickshire to address the increases in demand. However, there were also additional cost pressures announced in the Chancellor's autumn statement 2018 for police officer pensions due to changes in Treasury Discount factors and other Pension Valuation Directions from HM Treasury, which indicated a significant increase in the employers' contribution rate from 2019/20. At national levels these additional police pension costs were anticipated to be an increase of £30-40 million, but the forecast increase in September 2018 was for an additional £417 million. Whilst the Treasury indicated it would fund £252 million of the extra cost in 2019/20 this still left a significant cost of £165 million for PCCs to fund from their local policing budgets. Further lobbying of Government by the Association of Police and Crime Commissioners (APCC) and

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the National Police Chiefs Council (NPCC) took place to seek additional funding in 2019/20 to cover the increased cost of police officer pensions to prevent further impact on local policing budgets.

As a result in December 2018, the Home Secretary outlined that:

“We will also help forces to both meet additional demand and manage financial pressures. In total, we will enable an increase in funding for the police system of up to £970 million, the biggest increase since 2010. This includes increases in Government grant funding, full use of precept flexibility, funding to support pension costs, and increased national funding to meet the threats from counter-terrorism and serious and organised crime.”

The £970million of additional funding was made up as follows:

£161m of core policing grant
 £153m of pensions grant
 £59m for additional counter terrorism funding
 £90m for additional serious organised crime work, and
 £509m from additional council tax flexibilities assuming all PCC’s exercised their full flexibility.

In Warwickshire the PCC is responsible for setting the total 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, and is underpinned by the governance arrangements.

The total annual budget for the group is funded through government grant and the precept. The PCC approved an 11.77% increase in precept in 2019/20 by applying the full flexibility on offer of £24 on a band D property. The breakdown of funding for the 2019/20 budget is shown in table 3 below. 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 2019/20 (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. Table 3 shown below, analyses how the budget is funded:

Table 3. Funding 2019/20

Where the Money Came From	Budget £m	Actual £m	%
Central Government Funding	53.940	53.940	0
Locally Raised Funding – Precept (Council Tax)	47.495	47.495	0
Total Funding (excluding reserves)	101.435	101.435	0.00

The PCC agreed a 2019/20 net revenue budget of £102.720m which includes the use of £1.285m of reserves resulting in a budget requirement of £101.435m. The budget is funded by £53.94m of government funding and a further £47.495m comes from the council tax

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through the precept, which the PCC increased by 11.77% or £24 on a band D equivalent property in 2019/20. The following table shows the outturn position by comparing the revised budget to the actual for 2019/20, firstly for the Alliance and then for Warwickshire Police.

Table 4. The Warwickshire PCC and Chief Constable Outturn for year ended 31 March 2020

Warwickshire Police	Budget £m	Budget Adjustments £m	Revised Budget £m	Actual £m	Variance £m
Police officers' pay	51.142	(0.473)	50.669	50.979	(0.310)
Police officers' overtime	1.246	0.263	1.509	2.187	(0.678)
Police staff pay	25.847	0.454	26.301	27.212	(0.911)
Police staff overtime	0.294	(0.002)	0.292	0.454	(0.162)
PCSO pay	2.869	0	2.869	2.688	0.181
Police pensions	1.301	0	1.301	1.48	(0.179)
Other employee expenses	0.455	0	0.455	1.238	(0.783)
Premises	3.104	0.008	3.112	3.109	0.003
Transport	2.149	0.061	2.210	2.421	(0.211)
Supplies & services	11.310	(0.241)	11.069	11.258	(0.189)
Third party payments	6.258	0.033	6.291	6.242	0.049
Capital financing	1.679	0	1.679	1.646	0.033
Expenditure	107.654	0.103	107.757	110.914	(3.157)
Income	(7.599)	(0.242)	(7.841)	(7.228)	(0.613)
Net Force	100.055	(0.139)	99.916	103.686	3.770
Office of the PCC	0.984	0	0.984	0.845	0.139
PCC – victims commissioning	0	0	0	0.081	(0.081)
PCC Commissioners grant scheme	1.681	0.165	1.846	1.739	0.107
PCC – Business, Rural & Cyber Crime	0	0	0	0	0
PCC – Crime Reduction Fund	0	0	0	0	0
Total PCC	2.665	0.165	2.830	2.665	0.165
Net Force	102.720	0.026	102.746	106.351	3.605
Total Use of Reserves	(1.285)	(0.026)	(1.311)	(4.916)	(3.605)
Net Force Budget Including Use of Reserves	101.435	0	101.435	101.435	0

Table 4 shows actual net expenditure in 2019/20 of £106.351m, which is £4.916m more than the core funding of £101.435m from Government grants and precept. This includes the expenditure on PCC controlled activity.

The total approved budget for 2019/20 allowed for a draw down from earmarked reserves of £1.285m to meet the in-year costs associated with ongoing programmes of work and one-off investments primarily in ICT. In considering the adequacy and use of reserves, in setting the 2019/20 Budget and MTFP, authority was granted to draw down a further £3.450m from

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earmarked reserves to meet reasonable costs incurred as a result of transitioning out of the alliance. Therefore, the total authorised use of reserves in 2019/20 was £4.735m. However, the outturn of £106.351m outlined above required an additional draw down of £0.181m from reserves which was subsequently approved by the PCC.

Some of the main causes of this variance are as follows:

- **Police Officer Pay – Overspend £0.310m.** The reason for this movement is partly the continued trend of there being less leavers than anticipated and the cost of transfers into the Force being higher than estimated. Progress on recruiting the uplift officers has also been good with all 41 officers recruited by March 2020.
- **Police Officer Overtime – Overspend £0.678m.** An element of the overtime overspend was anticipated and planned to maintain operational effectiveness in lieu of recruitment. Overtime also draws on the Chief Constable's Operational Contingency (OCON) for unforeseen operational events that the Force is required to respond to. Warwickshire have faced significant operational challenges during 2019/20 including policing HS2, a range of serious offences, and enquiries into serious historic crimes which also accounts for some of the additional overtime costs.
- **Police Staff Pay – Overspend £0.911m.** The reason for this is twofold. There has been an acceleration in recruitment to stand up services in Warwickshire as part of the transition and also an element of dual running costs whereby members of the Executive Team have been paid for fully by Warwickshire Police from the date they started, whereas the 2019/20 budget only provides for 31% of their costs.
- **Other Employee Expenses – Overspend £0.783m.** This includes £0.316m of redundancy costs including the cost or strain on the Local Government Pension Scheme (LGPS) of releasing the pension early, which will be met from reserves. The majority of the remainder of the overspend relates to training expenses. Following a skills gap analysis training has been undertaken in Digital Services and Force ops to ensure staff are appropriately skilled to undertake the work they are required to do and in leading change.
- **Transport – Overspend £0.211m.** The overspend is mainly related to accidents and repairs, which are partially offset by income recovered from 3rd parties.
- **Income – Under Achievement of £0.613m.** The main reasons for this are related to the lower levels of Mutual Aid received for policing events, at the request of other forces and vehicle sales income now transferred to capital. This has been partially offset by the Uplift grant, the National Cyber Specialist Programme grant, additional interest on cash balances and vetting income.

In addition to the spending on day-to-day activities, the PCC also 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.

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Table 5. Capital Programme outturn 2019/20

Programme Capital Expenditure for the year	Revised Approved Budget £m	Actual £m	Variance £m
Estates	3.647	0.223	(3.424)
ICT	8.456	1.946	(6.510)
Transport	1.001	0.788	(0.213)
Other eg plant and equipment	0.471	0.052	(0.419)
Total Expenditure	13.575	3.009	(10.566)
Programme Capital Funding for the year			
Capital Receipts	1.3	0.072	1.228
Capital Grants	0.4	0.442	(0.042)
Specific Grants	0	0.175	(0.175)
Section 106 Funding	0	0.048	(0.048)
Revenue Contribution to Capital Expenditure	0	0	0
Safer Roads reserve	0	0.026	(0.026)
Transformation Reserve	0	0.368	(0.368)
Infrastructure reserve	0	1.878	(1.878)
Borrowing	11.875	0	11.875
Total Funding	13.575	3.009	10.566

The variances in the actual expenditure are due to slippage in programmes primarily (£10.300m), but also some efficiency savings in projects that have emerged as underspending (£0.266m). The ICT projects have been undertaken jointly with West Mercia and are shared on a 69:31 basis. The following section however, provides a commentary on the investment across the capital programme that has been made in 2019/20.

The estates and ICT programmes account for the majority of the slippage. The capital programme was originally constructed under the alliance, therefore, the programme contained projects, some of which had started, which were no longer appropriate for Warwickshire in the future as a standalone force, and thus the strategy for Warwickshire was re-considered mid-year. Inevitably this led to a pause in projects to enable the due diligence to be undertaken which inevitably led to lower expenditure in 2019/20 than was originally planned for projects that were continued.

The capital programme (budget) was reconfigured to accommodate the design by the Change Team, known as Evolve, for Warwickshire's post alliance state, however there was always a recognition that the precise timings for the estates and ICT works would have to be refined as the discovery phase was progressed. This has also had the effect of increasing the slippage of some expenditure between 2019/20 and 2020/21.

The ICT / Digital Service programme which forms a considerable part of the capital programme is complex, and there are a number of interdependencies between projects. The

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ICT infrastructure was in need of significant investment in 2019/20 and over the medium term to undertake remedial works to stabilise the infrastructure and to upgrade systems. However, some of this work has been delayed due to its complexity, emerging issues and the capacity of the shared ICT Team. However, the work continued around the new ICT Infrastructure and collaboration programmes which will enable Warwickshire to transition to its new collaborative partner – West Midlands police and there are no significant delays identified at this time, although the pandemic may have a bearing on progress if the outbreak is prolonged.

The ICT Capital programme also contains the Emergency Services Network (ESN) programme, which is a national programme across a range of public bodies, to replace the current Airwave radio system and deliver better voice and data services. This is a large and complex national project, which has experienced various challenges resulting in delays and contributing to the 2019/20 slippage. It is anticipated that the ESN programme will not see the full spending of the identified budget due to such issues until 2022/23 although this may get delayed again with the recent decision to exclude Huawei from 5G implementation in the UK, but the position is currently unclear.

With regard to the estates programme the focus has been on the immediate recommission and repurposing of the Leek Wootton HQ site in response to the termination of the alliance. Some of this work has also been paid for through the revenue budget as it did not meet the definition of capital works. The roof replacement at Stratford, originally scheduled for 2019/20, has been delayed and is now planned to take place in 2020/21. The Estates Strategy is under review and it is anticipated that this will inform the extent and nature of future capital investment. Until such time as the Estates Strategy is in place capital expenditure will be limited to repairs maintenance and modest developments.

The Slippage on the Body Armour Replacement project, which accounts for £0.400m against Other Equipment is due to delays on the national procurement exercise.

Funding for the 2019/20 capital programme is also shown in table 5. This fully reflects the strategy set out in the MTFP and the 2019/20 Budget agreed in February 2019, along with any subsequent amendments made in light of the evolving financial position of the Force and the consequences of transitioning out of the alliance. In establishing the financing of the capital programme, priority is first given to exhausting capital receipts and non-specific capital grant. Specific grant is used to fund specific projects where the conditions of the grant have been satisfied. Any remaining financing will be a combination of reserves and borrowing.

The net £10.5m cash settlement with West Mercia Police will be used to fund a substantial part of the change programme, which contains the necessary and reasonable costs of re-establishing Warwickshire Police as a result of West Mercia Police terminating the alliance. The payment will initially be added to reserves, and these reserves will be utilised in accordance with the strategy over the medium term and as per the financing shown in table 5.

Medium Term Financial Plan, reserves and the economic outlook

The Medium Term Financial Plan (MTFP) is approved with the annual budget each February, and was last refreshed in February 2020. Since then a number of financial strategies have also been updated and reviewed to ensure they too reflect the latest

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information and position, these include the capital strategy, treasury management strategy and reserves strategy. In updating the MTFP, given the absence of any firm information on future recruitment levels, government grant or precept levels, assumptions in these areas have been made, and the result is that the approved MTFP requires significant savings in future years, but also moves to a more sustainable position with less reliance on reserves to finance in year budget gaps. This issue will be kept under review and changes in assumptions will also be addressed as part of the budget setting process for 2021/22 when we will also need to factor in the additional costs from the Covid-19 pandemic. These will be updated in coming months as we continue work on the next budget cycle. The MTFP provides for inflationary increases in pay and non-pay, the 41 additional uplift officers and future year uplift estimates, investment in police officers, staff and services, particularly technology and infrastructure to facilitate a smooth transition of services to their new state, which will enable increased productivity and more resilient services. Much of this investment has only been possible because of the additional flexibility in the council tax precept, the national uplift grant and the willingness of the PCC to invest heavily by utilising reserves in key services.

The total savings required in the most recent refresh of the MTFP identify £4.609m over the period 2020/21 to 2022/23, and a further achievement of an extra £1.500m of income from vetting. These are stretching targets that will require planning in good time to enable effective delivery. The Evolve Change team will be leading on this piece of work for the force, which will be scrutinised and shared with the OPCC for final approval.

The PCC's Medium Term Financial Plan, budget report and capital, treasury management and reserves strategy are all available on the PCC's website.

As at the 31 March 2020 Warwickshire PCC reserves stand at £20.999m. Reserves are an important part of the PCC's financial strategy to deliver the objectives set out in the Police and Crime Plan and the MTFP. During 2019/20 there was a significant draw down from reserves to part finance expenditure incurred during the year to enable the force to prepare and transition services away from the alliance. A settlement on costs was reached with West Mercia, following the alliance termination, which resulted in a net payment to Warwickshire of £10.5m. This money will help to finance the ongoing transitional and transformational investment required to enable Warwickshire to exit from the alliance smoothly over the next twelve months, and establish its new service delivery models and collaborative working with other forces. Note 9 in the Accounts provides an analysis of the reserves at the 31 March 2020 and shows the movement since 31 March 2019 whilst table 6 shows how the Warwickshire PCC's reserves are planned to be used during the period up to 31 March 2023. The overall financial strategy is to operate a good and balanced budget, whereby resources match expenditure, thus creating a sustainable budget with no reliance on reserves to finance the annual budget. The current MTFP and reserves strategy adheres to this approach.

Table 5. Warwickshire Reserves

Reserve	Opening Balance 31/03/2020 £m	Transfer (from)/to Reserves			Closing Balance 31/03/2023 £m
		2020/21 £m	2021/22 £m	2022/23 £m	
General Reserve	5.000	0.000	0.000	0.000	5.000
Budget Reserve	1.707	(1.255)	(0.452)	0.000	(0.000)

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Transformation Reserve	9.538	(9.538)	0.000	0.000	0.000
Investment in infrastructure	1.165	(1.165)	0.000	0.000	(0.000)
PCC grants and initiatives	1.589	(0.500)	0.000	0.000	1.089
Safer Roads partnership reserve	0.300	(0.300)	0.000	0.000	0.000
Redundancy Reserve	0.400	(0.200)	(0.200)	0.000	0.000
Insurance reserve	0.300	(0.150)	(0.150)	0.000	0.000
Income risk reserve	0.500	(0.250)	(0.250)	0.000	0.000
COVID-19	0.500	(0.500)	0.000	0.000	0.000
Total	20.999	(13.858)	(1.052)	0.000	6.089

The economic outlook remains very uncertain. The general election in December 2019 brought increased political certainty, but Brexit and the coronavirus continue to create huge uncertainty for the economy over the short, medium and longer term. Interest rates have been reduced to some of the lowest levels ever recorded, and they are expected to remain at these low levels for some time. It remains unclear what impact Brexit will have on the economy and public sector finances, so this remains an issue for financial planning purposes over the medium term.

However, the unexpected and huge increases in public spending and borrowing by Government to deal with the Coronavirus pandemic provide another layer of uncertainty on future central funding for policing as well as significant concerns regarding the levels of local precept funding, as collection rates and the number of properties from which council tax will be collected is likely to be affected hugely by a down turn in the economy based on current national forecasts. All of these new and ongoing financial pressures across the MTFP coupled with an increase in operational demand, mean the next few years will be challenging, but work is in hand to make sure that our key priority services are maintained to the highest standards possible within the available funding. We will continue to be robust in driving out all possible savings from non-staff budgets and ensure that, as far as practicably possible, our staff are delivering the right service at the right time as efficiently and effectively as possible.

Pension Liabilities

The value of net pension liabilities is shown in the group balance sheet and is split across police officers and police staff. Further specific details are contained within the summary of the statement of accounts section towards the end of this narrative report. However, in general terms, the police officer pension scheme is an unfunded scheme administered by the Chief Constable. Its status as an unfunded scheme means that there are no assets built up to meet the pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due. Both police officers and the employer (i.e. the Chief Constable) make annual contributions which are paid into the Police Pension Fund. In turn, pensions are paid from the Fund to retired officers. The Home Office funds the difference between actual pension payments and pensions income through an annual top-up grant.

Police staff are eligible to join the Local Government Pension Scheme (LGPS) administered by Warwickshire County Council. This is a funded scheme whereby assets are invested to help fund future liabilities. In 2019/20 the Group paid employer's contributions in addition to contributions paid directly by staff. The last valuation was in April 2019 which is now reflected through an increase in the employer contribution rate in 2020/21.

Narrative Report**Treasury Management**

The PCC approves a Treasury Management and Investment Strategy before the start of each financial year and receives regular updates on treasury performance throughout the year. These reports are also scrutinised by the Joint Audit and Standards Committee prior to their approval by the PCC.

Total investments, cash and cash equivalents at 31 March 2020 were £4.859m. These levels are at a point in time and will be affected most significantly in the future by the value and use of reserves, the disposal of assets and the levels of capital investment.

As part of the 2019/20 approved budget the PCC approved external borrowing to fund the planned capital spend. Whilst no further borrowing was required in 2019/20 due to lower capital expenditure than planned, as at the 31st March 2020 the PCC had total external borrowings of £12.135m and internal borrowing from cashflow monies of £1.311m. The combined 'debt' figure of £13.446m is well within the authorised prudential limit for external debt of £40 million as approved by the PCC in his treasury management strategy in March 2019 and more recently in March 2020.

5. Non-financial Performance

The non-financial performance of the PCC controlled areas of spend and that of Warwickshire Police is considered separately in this section. The PCC prepares an Annual Report where he outlines all the achievements and the work of the office in the preceding 12 months. That document should be read in conjunction with this document to provide a full and detailed picture of PCC non-financial performance.

The PCC has seen an increase in the number of public contacts with the office over the last few years, and significantly more contacts in the early part of 2020 during the coronavirus pandemic. The public contact volumes are only those recorded through the Administration team and Policy leads, on a monthly basis, and expressed over calendar years. Recording of contacts is improving, but there has also been a noticeable increase in volumes. Other contact may also occur directly with individuals and may not always be shown in the recorded figures below:

End of	Recorded contacts to OPCC
2017	1,025
2018	835
2019	1,377
As at end of June 2020	906

The PCC receives an annual grant from the Ministry of Justice to commission services for victims and witnesses of crime. In 2019/20 the award was £0.652m and was topped up by additional local PCC funding to support victims of crime. This combined funding has helped to deliver the following services and benefits:

- Victim Support received £489,941 for general victims support related services and restorative justice, which has led to 21 new case restorative justice referrals in 2019/20 and over 7,000 new referrals of general victims of crime. A significant proportion of the 7,000 referrals were provided with support and other more tailored

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support has subsequently been provided with these victims at varying levels to help them cope and recover.

- Refuge are co-commissioned with Warwickshire County Council and receive a contribution from the PCC of £125,000 to deliver Independent Domestic Violence Advisory services.
- Barnardo's received £146,143 to provide a service to support young victims of sexual exploitation. ROSA and Barnardo's also act via a consortium bid to provide sexual abuse and violence recovery services across the county at an annual cost of £228,364. During the last year they have received over 250 referrals into the service and supported many young victims
- The PCC has also commissioned an adult and child substance misuse service at a combined cost of £220,637 through CGL and Compass, who have helped many, often vulnerable people deal with their misuse issues.

In addition to these commissioned services the PCC also provides financial support to the 4 local community safety partnerships in Warwickshire to address local crime reduction and safety initiatives, prioritised by the local partnerships. He also provides financing to the Local Authorities to fund cyber and business crime advisors, rural crime coordinators and a prevent officer.

The PCC ran two grant bidding rounds in 2019/20. One for the annual commissioners grants whereby organisations can apply for funding to address police and crime plan objectives, and a further round for road safety grants, for work to specifically focus on improving road safety across the county. The organisations and levels of support awarded under the Commissioners grants round vary, and are shown on the PCC's website, but many projects focus on positive diversionary activity work to help reduce anti-social behaviour, specific projects to help keep communities safe, support for domestic abuse victims and work to deter re-offending. The Road safety grants round was the first of its kind in the county in 2019/20 and further bidding rounds are anticipated in 2020/21.

The achievement of Warwickshire Polices vision to 'Protect People from Harm' where harm constitutes death, injury, loss and distress is achieved through the commitment and actions of all our workforce; police officers, police community support officers, police staff, special constables and volunteers. This is supported and enhanced by the valuable contribution that the communities of the two policing areas make, whether giving their time as volunteers or engaging with the force in other ways. The PCC supports many of these initiatives through his extensive and varied grant scheme, the commissioning of services to support the objectives contained within the Police and Crime Plan as outlined above, and his extensive community engagement work. The PCC attends as many community engagement events as his diary will allow, to support the various organisations and projects he supports and their role in delivering key outcomes, but also to listen to the views and issues raised by communities on policing and crime. The Commissioners office also work closely with the four local Community Safety Partnerships in Warwickshire. 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, all of which help to achieve the vision of protecting people from harm. Some of the PCC's engagement activity was curtailed towards the end of 2019/20 as a result of the coronavirus pandemic, and the country going into lockdown. However, the PCC continued to seek engagement and communicate with partners and the public during this period via electronic means.

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The PCC also holds the Chief Constable to account for the performance of the force. In 2019/20 the PCC agreed again with the Chief Constable that there would 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 and performance in achieving this is discussed formally at a monthly 'deep dive performance' holding to account meeting.

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. This information is available to view at a high level across the organisation. Daily policing is directed by the Chief Constable, which is informed by the Police and Crime Plan and the Strategic Assessment, which is an assessment of the highest risks and harms at national and local levels.

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. Whilst, 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, we always seek to ensure that high standards of conduct are enforced, and the Professional Standards Team seek to proactively address concerns that are raised with them and to ensure that we learn from our experiences. The PCC and his office also hold the Force to account and any arising issues may also be investigated and reported through these channels, along with a shared Complaints Appeals Manager with West Midlands OPCC to deal with the recent changes in the appeals process.

Table 7 shows a summary of our performance for 2019/20 against the various categories of crime, and compares this to the number of crimes recorded in the previous year. These figures indicate that total recorded crime decreased slightly by approximately 3 incidents compared to 2018/19. Total recorded crimes have generally continued to increase nationally reflecting 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. Whilst the policing performance statistics for 2019/20 show a positive direction of travel in some crime areas – burglary, vehicle offences and criminal damage for example, it shows a less positive picture in rape and sexual violence crimes and other crimes involving violence.

Policing Performance**Table 7. Policing performance 2019/20**

Crime Category	Volume	Change on 2018/19
Total Recorded Crime	42,369	-3
Homicide	9	+6
Violent Against the Person with Injury	4,683	+67
Violent Against the Person without Injury	9,921	+1,001
Rape	564	+158

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Other Sexual Offences	948	+71
Robbery (business)	55	-7
Robbery (personal)	370	-35
Burglary – (all)	3,610	-473
Shoplifting	3,348	+50
Vehicle Offences	4,817	-160
Theft from Person	378	-75
Bicycle theft	565	-137
All other Theft Offences	4,534	+19
Criminal Damage and Arson	4,070	-619
Public Order offences	2,332	+18
Possession of Weapons offences	486	+66
Drug offences	928	+22
Miscellaneous crimes against society	751	+25

*Please note these figures may differ to equivalent figures quoted elsewhere due to differences in when the data is reported.

In terms of safety on our roads 2019/20 saw a decrease in the number of fatalities, with 28 road deaths compared to 36 in 2018/19, but improving road safety remains a key focus for the PCC and Chief Constable through increased investment. Satisfaction in policing services generally is measured through the national crime survey (England and Wales). National satisfaction rates in 2019/20 averaged about 75%, with the figures for Warwickshire being broadly comparable to the national average.

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 2019/20, 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 were released in September 2019 and were as follows:

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

An integrated report is now produced on the inspection findings and the full details of the most recent HMICFRS inspection reports for Warwickshire can be found at: www.justiceinspectors.gov.uk/hmicfrs/peel-assessments/peel-2019/warwickshire/. Annual inspections are undertaken, although it usually takes some time to produce the final report, which often fall into the next financial year reporting period. The inspection regime and work

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by HMICFRS is supported by reviews of the force management statements particularly on risk and increased force monitoring. More details on the inspection process and results are published on the HMICFRS website.

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. The Joint Audit and Standards Committee also receive regular updates on this area of work to provide independent oversight and monitoring of performance to achieve the recommended actions.

Whilst the ending of the strategic alliance was not the desired position of Warwickshire, it provided an opportunity to reassess and evaluate the mechanisms for future service delivery. As a result, new collaboration agreements have been signed with West Mercia in four areas of service to cover the period until March 2021, with flexibility to extend for a further 6 months, and future collaborations with West Midlands have also been approved to commence from April 2021. These collaborations will continue to ensure that costs are transparent, and provide value for money for Warwickshire communities to facilitate efficient and effective policing. Other collaborations and partnership working also exist including at the Justice Centres covering various criminal justice service areas in the north and south of the county, regionally for example through the regional organised crime unit and the regional policy officers who support the work of the PCC's across the region and also to deliver estates services through Place Partnership Limited (PPL). The police headquarters at Leek Wootton is now fully re-designated and services are delivered directly from that site, and it is therefore an operational asset on the balance sheet. PPL have assisted with some planned estates rationalisation, with the imminent sale of Southam Police Station. Other estate is being invested in, for example the new roof at Stratford police station and this work will continue in line with the capital programme in future years. Warwickshire police and the PCC are equal shareholders in addition to other bodies in Place partnership Ltd, which operates as a Teckal company. Worcestershire County Council, one of the other equal PPL shareholders served notice to withdraw from the arrangement from March 2021. The implications of this decision on PPL and future estates provision will be considered over the coming months to ensure that service provision is maintained in Warwickshire and that it is efficient, meets business needs and provides value for money.

6. The Coronavirus Pandemic

The Coronavirus pandemic outbreak towards the end of March despite being primarily a public health emergency, required a significant police response in terms of maintaining business as usual and policing specific issues arising as a consequence of the pandemic. In response and with the support of the PCC the Chief Constable set up a covid-19 command structure and dedicated team which linked in nationally and regionally to other forces and the Home Office, which follows NPCC emergency incident response protocols. The PCC and Force also linked in to other public bodies through the Local Resilience Forum. Warwickshire Police (PCC and Chief Constable) have been well placed, as an emergency service, and remained fully operational throughout the lockdown, implementing business continuity plans to maintain capacity and capability and deploying technology to enable distance working. It is anticipated that some of the measures taken to enable more agile working will be retained

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and lead to more efficient ways of working in the future. Workplace planning has followed national guidance and it continued to adapt during the changing circumstances and guidance during the pandemic

The community response to policing has been well received with high levels of satisfaction with the Forces approach of Engage, Explain, Encourage and Enforce. The financial consequences of the pandemic for the PCC are still uncertain and will be viewed over the short and longer term. Full reimbursement from the Home Office for the PPE equipment procured directly by the force has only recently been confirmed, with further details awaited on the process for receiving this. The Home Office are collecting information, on a monthly basis, from all 43 forces in England and Wales in respect of their additional Covid-19 costs and savings so it is envisaged that this will drive the reimbursement. The position on reimbursement of other costs is even less certain, but it is anticipated that the Home Secretary will announce her decision on future grant support later this year, following ongoing consultation with the Association of Police and Crime Commissioners (APCC), the National Police Chiefs Council (NPCC) and HM Treasury. All costs and savings associated with Covid-19 will continue to be monitored, tracked and reported to Chief Officers and the PCC on a regular basis, including in the Holding to account meetings. The supply of PPE has been an issue for health services particularly during the early days of the pandemic, but the force have been able to effectively manage these supplies during this period, along with the supply of regular day to day goods and services needed for policing. The Force and PCC chose to support their suppliers by paying them in advance of payment terms to help with cash flow issues and other more targeted support through a retainer scheme for forensics. Cashflow has been an issue with some forces during the pandemic, but this has remained generally healthy in Warwickshire, during the crisis. Further information and cash flow will be supplied to the PCC in the end of year Treasury report.

The long term effect of the pandemic is difficult to assess at this stage and very much depends on the impact on the economy and the government response, as well as the cost implications of the various rescue packages that the government have put in place. Perhaps the most significant current risk arising from the pandemic is the uncertainty on future funding levels. The CSR is planned for the autumn and will provide the first indicator on future funding and wider public spending plans. Approximately 50% of annual funding is from Council Tax, but this also poses a risk, as this will be reduced by the level of unpaid council tax, the reduction in house building, the number of people in receipt of council tax support and vacancy levels, for example. The budget for 2020/21 was agreed in February 2020 and was thought to be adequate but this was before Covid-19. The pandemic has impacted on demand and the types of crime, and although this is returning to more normal levels, some changes may be permanent; how the force responds to this will be a source of ongoing development, but it could result in additional financial demands as yet un-provided for. The financial impact of Covid-19 on the current year (2020/21) is only just beginning to be understood and this too will continue to evolve. The PCC has established a separate earmarked reserve of £0.500m to deal with some of these costs, if they are not reimbursed, and this will be monitored over the coming year. The “new norm” following Covid-19 will also require us to revisit the MTFP assumptions and potentially reassess the best way to bridge the anticipated “gaps” in our future funding.

Throughout the pandemic, the work of the OPCC has continued with his regular holding to account meetings with the Chief Constable, along with the monthly governance group meetings and performance management meetings, thus enabling him to fulfil one of his most critical and primary roles. During the crisis, the OPCC has seen significantly more public

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contact, which it has responded to positively. At the height of the pandemic the OPCC supported the force response with two members of staff transferring across to assist the Chief Officer team. The OPCC also introduced an extra round of due diligence work to the final pre-payment stage of the Commissioners grants for 2020-21 by carrying out a project risk assessment and as a result amending some grants to phased payments to ensure project delivery and protect public money.

The OPCC was also successful during the pandemic outbreak in securing additional funding to help support victims. The Ministry of Justice issued some Covid19 extraordinary funding to Warwickshire of £0.218m to fund increased domestic and sexual abuse services. This was further supplemented, following a successful bid by the OPCC for four additional Independent Sexual Violence Advisors in the County, which will help improve the service provision in this area for the next two years at least, helping victims to cope and recover from their experiences.

The PCC has strong financial control mechanisms and planning processes in place, and its reserve position is healthy. The PCC is working closely with the force to identify efficiency savings and will incorporate this work into its medium term financial planning to ensure that the force is resilient, services provide value for money and that the strategy of a good and balanced budget is achieved

7. Corporate Risks and horizon scanning

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. The PCC and force risk registers are reviewed regularly by the respective chief officer teams and they are also reported to the Joint Audit and Standards Committee to provide oversight and to ensure that risks are managed. The key risks for the Warwickshire PCC in 2019/20 are listed below, actions were in place to mitigate these risks in 2019/20 and various activities flow from these. The risks during the year were:

- 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.

The risk strategy and registers have recently been reviewed more fundamentally for the force and the PCC, as more services transition from the alliance and embed within Warwickshire. This review has resulted in changes to the style of the risk register and the strategic risks have been reviewed and updated to ensure they reflect the current position. The current strategic risks are identified as:

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- The risk of the PCC not meeting his statutory responsibilities;
- The risk of failing to manage our finances effectively across the MTFP;
- The risks arising from re-establishing Warwickshire as a standalone force.
- The risk of inadequate commissioning of Services;
- The risk that we do not manage our partnerships effectively including their performance.
- The risk of the PCC failing to engage with the community.
- The risks arising from the Coronavirus pandemic

The PCC risk strategy and the reviewed risk register is currently going through the formal approval process, and will be finalised over the coming months. Notwithstanding this, the risk register continues to be updated regularly, and is reported to the Joint Audit and Standards Committee for feedback and scrutiny.

Horizon Scanning

A review of challenges the force and wider public services are likely to face 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 service is seeing a technological shift and resulting increase in demand from the 'cyber related' element of criminality. 'Cyber related' crime covers a wide range of offence types from international fraud, to online child sexual exploitation, to digitally enabled high volume, low level criminality, such as harassment via social media. The use of technology as a means of interconnectivity continues to increase, relentlessly, becoming more culturally engrained and making the world a tangibly smaller place. Forensic retrieval of evidence from digital devices is becoming an ever-greater challenge, due to the sheer quantity of internet enabled devices available, the areas of criminality linked to and the vast increase in storage and connectivity.
- Technology has enabled many crime types that traditionally the police did not have to manage in the same way. Online sexual exploitation of children and vulnerable people, sharing of indecent images and similar cyber offences committed through the anonymity that the internet offers is an area of hidden demand that we predict will rise in the future. At a lower level, the rise of social media, drawing significant levels of threat, hate and criminality that is often seen to require a police response.
- The wider vulnerability agenda is clearly a priority for many forces, the inspectorate, government agencies and the third party sector, with an increased focus on Domestic Violence and abuse, Modern Slavery, Human Trafficking and Child Exploitation. As these areas of vulnerability become more visible and the expectation of positive action increases, this could impact on resources from not only a police perspective, but also from a social care and third sector standpoint.
- There has been an increased focus on tackling cross border criminality, especially activity related to 'County Lines', which relates to Organised Criminal Groups (OCG) importing drugs from one area to another, often utilising children or vulnerable adults.

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- The digitalisation and diversification of online and social contact channels is a future demand we will need to carefully consider as part of our future digital public contact estate. People interact with most organisations digitally now and this is a preferred method of contact. There are also increased expectations around how the public are able to maintain contact with investigating officers or with members of their local Safer Neighbourhood Team (SNT), in line with how they may keep in contact with commercial organisations.
- There are likely to be unprecedented economic challenges over the coming years as a result of the impact of COVID-19 on the economy, but also the impact of Brexit. It is likely that public sector funding will be under pressure and there is the risk of heightened public disorder. COVID-19 is likely to be with us for some time and impacts on all areas of how we deliver our service.
- HS2 is a large national infrastructure project linking London, via high speed rail, to Birmingham as part of stage 1. The line from London to Birmingham will intersect Warwickshire in the south of the county, then through to the north of the county. This project is generating significant public attention and interest which will require a long term continuing policing response.
- The Police Service will begin to see the impact of the 2015 pension changes, which represents a potential risk and challenge for the service. Additionally, the recent ruling in relation to police pensions, that the transitional provisions were deemed to be discriminatory, will have an impact due to the likelihood that will be given the opportunity to return to their original schemes.

8. Conclusion and acknowledgements

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. During 2019/20 the force has made great strides in recruiting additional police officers under the national Police Uplift programme. Warwickshire Police has been asked to recruit an additional 41 police officers by March 2021, with funding provided for 14 of these in 2019/20. In reality, the force have recruited all of the 41 officers before the 31st March 2020. Despite these additional resources, 2020/21 will undoubtedly be another challenging year, but the force will continue to work towards transitioning the final four areas of services which remain collaborated with West Mercia, they will be working hard to establish the new ways of working with its new partner West Midlands police, and they will continue to deal with the ongoing impact of the coronavirus pandemic and the uncertainty and changes to normal life that it has brought, and more specifically to risks on the future funding levels for policing services in Warwickshire. Risks around all of these areas of work will continue to be monitored – financial and non-financial - to ensure that the PCC and the force achieve their vision of protecting people from harm, by working with partners, to deliver effective and efficient policing services that provide value for money to taxpayers and all Warwickshire communities.

The production of the Statement of Accounts would not have been possible without the exceptionally hard work of colleagues in the Force Finance Department. I would like to express my gratitude to all colleagues who have assisted in the preparation of this document. I would also like to thank them for all their support during the year.

Sara Ansell

Treasurer, Warwickshire Office of the Police and Crime Commissioner

Summary on the Statement of Accounts

The Accounts and Audit Regulations 2015 require the PCC and Chief Constable to produce a Statement of Accounts each financial year. These statements contain a number of different elements which are explained below.

As previously mentioned in this statement 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.

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 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;

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- 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 2020 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.

For completeness, the Group and PCC Accounts should be read alongside the Chief Constable's Accounts.

The CIES shows a deficit on the provision of services of £89.328m. 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.

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

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Staff and Police Community Support Officers' retirement benefits, which at the 31 March 2020 is £1,165.6m. 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, have changed.

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 93.

UK exit from the European Union (non-adjusting event)

The UK left the EU on 31st January 2020 entering a transition period that is planned to end on 31st December 2020. This decision may have an impact on our future accounting assumptions and estimates and we will keep up to date with the situation as it unfolds and as information is available to ensure that this is considered in future years. Areas that may be affected are:

- Future levels of Government support / funding;
- The potential for an economic downturn / recession and impact on service provision / finances;
- Impact on interest rates and investment income;
- Potential impact on property valuations and the Pension Funds.

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 2019/20 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 2019/20 and the Service Reporting Code of Practice 2019/20 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 2019/20.

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.

Statement of Accounting Policies

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;

Statement of Accounting Policies

- 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.

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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 2020;
- 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

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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.

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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.

The triennial valuation of the Local Government Pension Scheme took place during 2019/20 and the effects of this have been reflected in the changes to the figures by the scheme's actuaries, Hymans Ltd, in preparing their report for 31 March 2020. Further information can be found in Note 35.

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

Statement of Accounting Policies

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 de-recognition 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.

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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

Statement of Accounting Policies

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.

Statement of Accounting Policies

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 £1.168m 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 2020. The valuers provided the PCC with assurance that there had been no material changes in the valuations between the valuation date and 31 March 2020 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 2019/20), however this was then revised as at 31

Statement of Accounting Policies

March 2020 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.

Statement of Accounting Policies

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.

Statement of Accounting Policies

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.

Statement of Accounting Policies

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 2019/20.

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 2019/20 (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 2020 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 2020.

Sara Ansell

Treasurer to the Police and Crime Commissioner for Warwickshire

Date:

Independent Auditor's Report

**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

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.

2018/19 Gross Expenditure £000	2018/19 Gross Income £000	2018/19 Net Expenditure £000		Notes	2019/20 Gross Expenditure £000	2019/20 Gross Income £000	2019/20 Net Expenditure £000
159,358	(5,755)	153,603	Policing Services		189,517	(12,386)	185,356
3,083	(659)	2,424	Police and Crime Commissioner		3,319	(652)	2,666
162,441	(6,414)	156,027	Net Cost of Policing Services	1	192,835	(7,813)	(185,022)
		1,118	Other operating expenditure – Loss on disposal of non-current assets (<i>Note 22</i>)				733
		0	Extraordinary item – Settlement with West Mercia (<i>Note 25</i>)				(10,500)
		31,033	Financing and investment net expenditure (<i>Note 11</i>)				32,709
		(112,856)	Taxation and non-specific grant income (<i>Note 12</i>)				(118,636)
		75,322					89,328
		(64)	(Surplus) or deficit on revaluation of Property, Plant & Equipment Assets (<i>Note 9 (i)</i>)				(1,633)
		29,096	Re-measurement of the net defined benefit liability (<i>Note 35</i>)				(118,650)
		29,096	Other Comprehensive Income & Expenditure				(120,283)
		104,354	Total Comprehensive Income & Expenditure				(30,955)

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	2019/20 Gross Expenditure £000	2019/20 Gross Income £000	2019/20 Net Expenditure £000
5,615	(10,626)	(5,011)	Policing Services		5,938	(12,386)	(6,448)
3,083	(659)	2,424	Police and Crime Commissioner		3,318	(652)	2,666
8,698	(11,285)	(2,587)	Cost of Policing Services	1	9,256	(13,038)	(3,782)
102,632	0	102,632	Funding to the Chief Constable for financial resources consumed	10	114,191	0	114,191
111,330	(11,285)	100,045	Net Cost of Policing Services		123,447	(13,038)	110,409
		1,118	Other operating expenditure – Loss on disposal of non-current assets (<i>Note 22</i>)				733
		0	Extraordinary item – Settlement from West Mercia – (<i>Note 25</i>)				(10,500)
		474	Financing and investment net expenditure (<i>Note 11</i>)				655
		(95,475)	Taxation and non-specific grant income (<i>Note 12</i>)				(103,000)
		6,162	Deficit or (Surplus) on Provision of Services				(1,703)
		(64)	(Surplus) or deficit on revaluation of Property, Plant & Equipment Assets (<i>Note 9 (i)</i>)				(1,633)
		(64)	Other Comprehensive Income & Expenditure				(1,633)
		6,098	Total Comprehensive Income & Expenditure				(3,336)

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 2018		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)	(29,096)	(104,354)
Adjustments between accounting basis and funding basis under regulations	7	79,736	0	79,736	0	12	79,748	(73,848)	0
Net Increase before transfers to Earmarked Reserves		(1,486)	0	(1,486)	0	12	(1,474)	(102,880)	(104,354)
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)	(102,880)	(104,354)
Balance at 31 March 2019 Carried Forward		5,000	12,688	17,688	0	12	17,700	(1,136,557)	(1,118,857)
Movement in reserves during 2019/20									
Total Comprehensive Income and Expenditure	1	(89,328)	0	(89,328)	0	0	(89,328)	120,283	30,955
Adjustments between accounting basis and funding basis under regulations	7	92,640	0	92,640	0	(12)	92,628	(92,628)	0
Net Increase before transfers to Earmarked Reserves		3,312	0	3,312	0	(12)	3,300	27,655	30,955
Transfers to/from Earmarked Reserves	8	(3,312)	3,312	0	0	0	0	0	0
Increase/(Decrease) in Year		0	3,312	3,312	0	0	3,312	27,655	30,955
Balance at 31 March 2020 Carried Forward		5000	16,000	21,000	0	0	21,000	(1,108,902)	(1,087,902)

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 2018		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
Movement in reserves during 2019/20									
Total Comprehensive Income and Expenditure	1	1,703	0	1,703	0	0	1,703	1,633	3,336
Adjustments between accounting basis and funding basis under regulations	7	1,609	0	1,609	0	(12)	1,597	(1,597)	0
Net Increase before transfers to Earmarked Reserves		3,312	0	3,312	0	(12)	3,300	36	3,336
Transfers to/from Earmarked Reserves	8	(3,312)	3,312	0	0	0	0	0	0
Increase/(Decrease) in Year		0	3,312	3,312	0	(12)	3,300	36	3,336
Balance at 31 March 2020 Carried Forward		5,000	16,000	21,000	0	0	21,000	58,849	79,849

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 2019 £000	The Group as at 31 March 2019 £000		Notes	The PCC as at 31 March 2020 £000	The Group as at 31 March 2020 £000
80,047	80,047	Property, Plant & Equipment	21	79,635	79,635
375	375	Investment Property	23	247	247
999	999	Intangible Assets	24	672	672
127	127	Long Term Debtors	14	82	82
0	0	Long Term Debtors – Settlement WM	25	4,500	4,500
81,548	81,548	Long Term Assets		85,136	85,136
625	625	Assets Held for Sale	22	800	800
5,005	9,007	Short Term Debtors	25	11,207	13,780
10,279	10,279	Cash and Cash Equivalents	26	4,859	4,859
2,941	0	Intra-Group Debtor	10	887	0
18,850	19,911	Current Assets		17,753	19,439
(1,730)	(1,730)	Short Term Borrowing	30	(982)	(982)
(8,883)	(11,779)	Short Term Creditors & Provisions	27	(10,004)	(13,802)
(10,613)	(13,509)	Current Liabilities		(10,986)	(14,784)
(12,135)	(12,135)	Long Term Borrowing	29	(11,152)	(11,152)
0	(1,193,535)	Liability Relating to Defined Benefit Pension Schemes	35	0	(1,165,639)
(688)	(688)	Revenue Grants Receipts in Advance	13	(488)	(488)
(449)	(449)	Capital Grants Receipts in Advance	13	(414)	(414)
(13,272)	(1,206,807)	Long Term Liabilities		(12,054)	(1,177,693)
76,513	(1,118,857)	Net Assets / (Liabilities)		79,849	(1,087,902)
17,700	17,700	Usable Reserves	8	(21,000)	(21,000)
58,813	(1,136,557)	Unusable Reserves	9	(58,849)	1,108,902
76,513	(1,118,857)	Total Reserves		(79,849)	1,087,902

The Statement of Accounts were authorised for issue on 31 July 2020.

Financial Statements

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 2018/19 £000	The Group 2018/19 £000		Notes	The PCC 2019/20 £000	The Group 2019/20 £000
6,162	75,322	Net deficit (surplus) on Provision of Services	1,10	(1,703)	89,328
(11,066)	(80,226)	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	32	2,432	(88,604)
348	348	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	32	700	700
(4,556)	(4,556)	Net cash flows from Operating Activities		1,429	1,424
1,613	1,613	Investing Activities	33	2,265	2,265
946	946	Financing Activities	34	1,731	1,731
(1,997)	(1,997)	Net (increase) or decrease in cash and cash equivalents		5,425	5,420
(8,282)	(8,282)	Cash and cash equivalents at the beginning of the reporting period	26	(10,279)	(10,279)
(10,279)	(10,279)	Cash and cash equivalents at the end of the reporting period	26	(4,859)	(4,859)

Wendy, you will need to revisit this when Kit has worked out what is wrong with his journal, £4K difference on MIRS.

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

	2019/20 Net Expenditure Chargeable to the Police Fund Balances	2019/20 Adjustments between the Funding and Accounting Basis (Note 1 (a))	2019/20 Net Expenditure in the CIES
	£000	£000	£000
Policing Services	105,958	76,398	182,356
Police and Crime Commissioner	2,665	0	2,665
Net Cost of Policing Services	108,623	76,398	185,021
Other income and expenditure	(101,435)	16,242	(85,193)
Extraordinary item – Settlement from WM	(10,500)	0	(10,500)
(Surplus) or deficit on provision of Services	(3,312)	92,640	89,328

Opening Police Fund at 31 March 2019	(17,688)
Less Deficit on Police Fund in Year	(3,312)
Closing Police Fund at 31 March 2020	(21,000)

	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	60,110	153,603
Police and Crime Commissioner	2,424	0	2,424
Net Cost of Policing Services	95,917	60,110	156,027
Other income and expenditure	(94,431)	13,726	(80,705)
(Surplus) or deficit on provision of Services	1,486	73,836	75,322

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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)

The PCC

	2019/20 Net Expenditure Chargeable to the Police Fund Balances	2019/20 Adjustments between the Funding and Accounting Basis (Note 1 (a))	2019/20 Net Expenditure in the CIES
	£000	£000	£000
Policing Services	(7,228)	780	(6,448)
Police and Crime Commissioner	2,666	0	2,666
Net Cost of Policing Services	(4,562)	780	(3,782)
Funding to the Chief Constable for financial resources consumed	113,186	1,005	114,191
Other income and expenditure	(101,435)	(177)	(101,612)
Extraordinary item – Settlement from WM	(10,500)	0	(10,500)
(Surplus) or deficit on provision of Services	(3,311)	1,608	(1,703)

Opening Police Fund at 31 March 2018	(17,688)
Less Deficit on Police Fund in Year	(3,311)
Closing Police Fund at 31 March 2019	(20,999)

	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)

1(a) Note to the EFA

Adjustments between Funding and Accounting Basis

The Group

2019/20					
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	2,290	74,335	(504)	277	76,398
Police and Crime Commissioner	0	0	0	0	0
<i>Net Cost of Services</i>	2,290	74,335	(504)	277	76,398
Other income and expenditure from the Funding Analysis	(958)	16,419	504	277	16,242
Difference between Police Fund surplus or deficit and CIES surplus or deficit	1,332	90,754	0	554	92,640

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	55,736	(474)	246	66,010
Police and Crime Commissioner	0	0	0	0	0
<i>Net Cost of Services</i>	4,602	55,736	(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	68,914	0	395	73,836

Supplementary Financial Statement

The PCC

2019/20					
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	713	0	96	(29)	780
Police and Crime Commissioner	0	0	0	0	0
<i>Net Cost of Services</i>	713	0	96	(29)	780
Funding to the Chief Constable	1,576	0	(600)	29	1,005
Other income and expenditure from the Funding Analysis	(958)	0	504	277	(177)
Difference between Police Fund surplus or deficit and CIES surplus or deficit	1,331	0	0	277	1,608

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
<i>Net Cost of Services</i>	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

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.

Supplementary Financial Statement

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**

2018/19 £000		2019/20 £000
46,889	Police officers pay	53,165
27,948	Police staff pay	30,976
1,380	Police pensions	1,480
969	Other Employee Expenses	1,273
23,294	Pensions current cost of service	36,938
(11,570)	Cost of pensions based on cash flows	(16,554)
246	Accumulated absences	277
23,658	Other service expenditure	25,721
44,012	Non distributed costs	53,951
5,615	Depreciation, Amortisation, Revaluation Loss and REFCUS	5,608
644	Interest payable	600
30,559	Net interest on the net defined benefit liability	32,054
1,118	Loss on disposal of non-current assets	733
194,762	Total Expenditure	226,222
(3,959)	Fees, charges and other service income	(4,336)
(85)	Investment property income and gain on change in fair value	(96)
(85)	Interest and investment income	151
(41,345)	Income from council tax	(47,218)
(73,966)	Government grants and contributions	(74,894)
0	Extraordinary item: Settlement from West Mercia	(10,500)
(119,440)	Total Income	(136,894)
75,322	Deficit on the Provision of services	89,328

The PCC

2018/19 £000		2019/20 £000
618	Police staff pay	622
7	Other employee expenses	5
2,459	Other service expenditure	2,691
644	Interest payable	600
1,118	Loss on disposal of non-current assets	733
743	Capital Charge between PCC and Chief Constable - net	713
102,632	Funding to the Chief Constable for financial resources consumed	114,191
108,221	Total Expenditure	119,555
(3,959)	Fees, charges and other service income	(4,336)
(85)	Investment property income and gain on change in fair value	151
(85)	Interest and investment income	(85)
(41,345)	Income from council tax	(47,218)
(56,585)	Government grants and contributions	(59,259)
0	Extraordinary item: Settlement from West Mercia	(10,500)
(102,059)	Total Income	(121,258)
6,162	Deficit on the Provision of services	(1,703)

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. The Standards are as follows:

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015 - 2017 Cycle
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement

None of the above are expected to have a material impact on the Accounts of the Group. The implementation of IFRS 16 – Leases for Public Sector Accounts has again been deferred, this time due to Covid-19, until 1 April 2021 so there is no requirement to consider this in the 2019/20 Accounts.

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 2019/20 and was deemed to still be appropriate for 2019/20. 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 2018/19, 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 2020. 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 2020 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 2020 is £79.6m (£80.0m as at 31 March 2019).

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 2020.

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 gain of £118.65m, compared to a loss of £29.1m in 2018/19. 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 £53.9m 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 decreased by £27.896m to £1,165.6m at 31 March 2020. Further information regarding the Pensions Liabilities can be found in Note 35.

6. Events After the Reporting Period

The unaudited Statement of Accounts was issued by the Treasurer to the PCC on 31 July 2020. Events taking place after this date are not reflected in the financial statements or notes.

In March 2020 Worcestershire County Council gave notice of its intention to exit the joint operation known as Place Partnership Limited (PPL) effective from 1st April 2021. This is a single asset management company co-owned by West Mercia Police, Warwickshire Police, Worcestershire County Council and Hereford & Worcester Fire Authority. The remaining partners are considering their response.

On 23 March 2020 the UK entered a state of 'lockdown' in response to the Coronavirus outbreak. West Mercia Police has continued the majority of its operations throughout the lockdown period providing personal protective equipment to its officers and staff and applying social distancing within its estate. The impact of Coronavirus, although more prolonged has been dealt with under the force's existing major incident protocols and is not expected to have any material impact on the force as a going concern.

Following the Supreme Court denying the government permission to appeal the Court of Appeal's judgment in light of the McCloud pensions' case, a consultation paper for the remedy of pensions for affected members was issued in July 2020 for discussion. The Force's actuaries made estimates of the effect of the pensions' remedy prior to this paper being released, and since there is no agreed remedy at this stage, the actuarial figures have been included in 2018/19 and 2019/20 figures in the financial statements.

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.

2019/20	Usable Reserves		
	Police Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied
	£000	£000	£000
Adjustments to the Revenue Resources			
<i>Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:</i>			
Pensions Costs (transferred to or from Pensions Reserve)	(90,754)	0	0
Council tax (transfers to or from Collection Fund)	(277)	0	0
Holiday pay (transferred to the Accumulated Absences Reserve)	(277)	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)	(5,350)	0	12
<i>Total Adjustments to Revenue Resources</i>	(96,658)	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)	1,050	0	0
Capital expenditure financed from revenue balances (transfer to the CAA)	2,268	0	0
<i>Total Adjustments between Revenue and Capital Resources</i>	3,344	(26)	0
Adjustments to Capital Resources			
Application of capital receipts to finance capital expenditure	0	73	0
Application of capital grants to finance capital expenditure	674	0	0
Cash payments re deferred capital receipts	0	(47)	0
<i>Total Adjustments to Capital Resources</i>	674	26	0
Total Adjustments - Group	(92,640)	0	12
<i>Less: Chief Constable only adjustments</i>			
Pensions Costs	90,754	0	0
Holiday pay	277	0	0
Total Adjustments - PCC	(1,609)	0	12

2018/19	Usable Reserves		
	Police Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied
	£000	£000	£000
Adjustments to the Revenue Resources			
<i>Amounts by which income and expenditure included in the CIES are</i>			

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<i>different from revenue for the year calculated in accordance with statutory requirements:</i>			
Pensions Costs (transferred to or from Pensions Reserve)	(68,914)	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)
<i>Total Adjustments to Revenue Resources</i>	<i>(75,350)</i>	<i>0</i>	<i>(12)</i>
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
<i>Total Adjustments between Revenue and Capital Resources</i>	<i>1,039</i>	<i>(26)</i>	<i>0</i>
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
<i>Total Adjustments to Capital Resources</i>	<i>475</i>	<i>26</i>	<i>0</i>
Total Adjustments - Group	(73,836)	0	(12)
<i>Less: Chief Constable only adjustments</i>			
Pensions Costs	68,914	0	0
Holiday pay	246	0	0
Total Adjustments - PCC	(4,676)	0	(12)

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 2019/20. 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 2018 £000	Transfers out 2018/19 £000	Transfers in 2018/19 £000	Balance at 31 March 2019 £000	Transfers out 2019/20 £000	Transfers in 2019/20 £000	Balance at 31 March 2020 £000
Budget Reserve	(4,869)	4,230	0	(639)		(1,068)	(1,707)
PCC Grants and Initiatives	(200)	0	(100)	(300)		0	(300)
Transformation	(900)	496	(458)	(862)		(8,676)	(9,538)
Investment in	(5,753)	0	(2,338)	(8,091)	6,926		(1,165)

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Infrastructure							
Insurance	(300)	0	0	(300)		0	(300)
Income Risk	(500)	0	0	(500)		0	(500)
Redundancy	(400)	0	0	(400)		0	(400)
Safer Roads	(1,252)	21	(365)	(1,596)	7		(1,589)
COVID-19	0	0	0	0	0	(500)	(500)
Earmarked Reserves	(14,174)	4,747	(3,261)	(12,688)	6,933	(10,244)	(15,999)
General Reserves	(5,000)	0	0	(5,000)	0	0	(5,000)
Total	(19,174)	4,747	(3,261)	(17,688)	6,933	(10,244)	(20,999)
Capital Receipts Reserve	0	74	(74)	0	0	0	0
Capital Grants Reserve	0	0	(12)	(12)	12	0	0
Total	(19,174)	4,821	(3,347)	(17,700)	6,945	(10,244)	20,999

Capital grants have been used to fund capital expenditure during 2019/20.

The purposes of the Earmarked Reserves are as follows:

- **Budget Reserve** to support the budget where required;
- **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. In 2021 this will include the settlement from West Mercia which will fund the set up costs for Warwickshire Police as we transition from the alliance;
- **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.
- **COVID-19 Reserve** is the funding set aside during the pandemic in 2019/20, and it is likely to continue to be a main focus of the Force, at least in the earlier part of 20/21.

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 2019 £000		31 March 2020 £000
	The PCC	
(9,939)	Revaluation Reserve	(11,365)

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(48,421)	Capital Adjustment Account	(47,355)
(169)	Deferred Capital Receipts Reserve	(122)
(284)	Collection Fund Adjustment Account	(7)
(58,813)	PCC Total:	(58,849)
	The Chief Constable Unusable Reserves	
1,193,535	Pension Reserve	1,165,639
1,835	Accumulated Absences Account	2,112
1,195,370	Total: Chief Constable Unusable Reserves	1,167,751
1,136,557	Total Group Unusable Reserves	1,108,902

(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.

2018/19			2019/20	
£000	£000		£000	£000
	(10,078)	Group and PCC Balance as at 1 April		(10,078)
(343)		Upward revaluation of assets	(1,633)	
279		Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	0	
	(64)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		(1,633)
203		Difference between fair value depreciation and historical cost depreciation	207	
0		Accumulated gains on assets sold or scrapped	0	
	203	Amount written off to the Capital Adjustment Account		207
	(9,939)	Group and PCC Balance as at 31 March		(11,365)

(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.

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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.

2018/19			2019/20	
£000	£000		£000	£000
	(50,684)	Group and PCC Balance as at 1 April		(48,421)
		Reversal of items relating to capital expenditure debited or credited to the CIES:		
4,197		Charges for depreciation and impairment of non-current assets	4,359	
26		Revaluation losses (gains) on PPE	(455)	
0		(Gains)/losses on changes in fair value of investment property	151	
471		Amortisation of intangible assets	329	
1,144		Amounts of non-current assets written off on disposal as part of the gain/loss on disposal to the CIES	759	
718		Revenue expenditure funded from capital under statute	1,168	
(718)		Donated Assets	(1,168)	
	5,838	Net written out amount of the cost of non-current assets consumed in the year		5,143
		Capital financing applied in the year:		
(74)		Use of the Capital Receipts Reserve to finance new capital expenditure	(73)	
(475)		Capital grants and contributions credited to the CIES that have been applied to capital financing	(674)	
0		Application of grants to capital financing from the Capital Grants Unapplied Account	(12)	
(906)		Statutory provision for the financing of capital investment charged against the General Fund	(1,050)	
132		Capital expenditure funded from Reserves – Note £153k reversal re Telematics (see Note 21) less use of reserves in year to fund capital £21k	(2,272)	
(227)		Capital expenditure charged against the General Fund	4	
	(1,550)			(4,077)
	(48,421)	Group and PCC Balance as at 31 March		(47,355)

(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

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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:

2018/19 £000		2019/20 £000
1,095,525	Group and Chief Constable Balance as at 1 April	1,193,535
29,096	Re-measurement of the net defined benefit liability	(118,650)
97,865	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	122,943
(28,951)	Employer's pensions contributions and direct payments to pensioners payable in the year	(32,189)
1,193,535	Group and Chief Constable Balance as at 31 March	1,165,639

(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.

2018/19 £000		2019/20 £000
(433)	Group and PCC Balance as at 1 April	(284)
149	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	277
(284)	Group and PCC Balance as at 31 March	(7)

(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.

2018/19			2019/20	
£000	£000		£000	£000
	1,589	Group and Chief Constable Balance as at 1 April		
(1,589)		Cancellation of accrual made at the end of the preceding year	(1,835)	
1,835		Amount accrued at the end of the current year	2,112	
	246	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		277
	1,835	Group and PCC Balance as at 31 March		2,112

(vi) Deferred Capital Receipts Reserve

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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 2019/20 amounts to £114.191m (£102.632m in 2018/19). 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 £1.862m (£2.941m in 2018/19) being the net balance of funding not settled between the PCC and Chief Constable as at the 31 March; this relates mainly to the balance of Debtors and Creditors shown in each of the single-entity accounts as at this date.

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

2018/19 £000		2019/20 £000
158,614	Chief Constable's Cost of Services	188,804
30,559	Interest on the net defined benefit liability	32,054
(17,381)	Home Office grant towards the cost of retirement	(15,636)
29,096	Re-measurement of the net defined benefit liability	(118,650)
200,888	Resources consumed	86,572
	Items removed through the MIRS:	
(98,010)	Movement in pensions liability	27,896
(246)	Movement in accumulated absences liability	(277)
102,632	Total resources consumed for the year by the Chief Constable and funded by the PCC	114,191

11. Financing and Investment Income and Expenditure

2018/19 £000		2019/20 £000
644	Interest payable	600
(85)	Interest receivable	(96)
(85)	Income and expenditure in relation to investment properties and changes in their fair value	151
474	Total for the PCC	655
30,559	Net interest on the net defined benefit liability (Chief Constable)	32,054
31,033	Total for the Group	32,709

12. Taxation and Non-Specific Grant Income

2018/19 £000	2018/19 £000		2019/20 £000	2019/20 £000
	(41,345)	Council tax precepts		(47,218)
(30,602)		Police Grant	(31,268)	
(17,181)		Ex-DCLG Formula Funding	(17,519)	
(3,910)		Local Council Tax Support Grant	(3,910)	
(1,244)		Council Tax Freeze Grant	(1,244)	
(425)		Capital grants	(434)	
(768)		Capital Contributions	(1,407)	
	(54,130)	Total Non-specific Grant Income		(55,782)
	(95,475)	Taxation and Non-Specific Grant Income – PCC		(103,000)
	(17,381)	Home Office grant towards the cost of retirement benefits – Chief Constable		(15,635)
	(112,856)	Taxation and Non-Specific Grant Income – The Group		(118,635)

13. Grant Income

The Group credited the following grants, contributions and donations to the CIES in 2019/20:

2018/19 £000		2019/20 £000
(95,475)	Credited to Taxation and Non Specific Grant Income – PCC, as per Note 12	(103,000)
(17,381)	Home Office Grant towards the cost of retirement benefits in Chief Constable Accounts	(15,635)
(112,856)	Credited to Taxation and Non Specific Grant Income - Group	(118,635)
	Credited to Services	
(1,398)	Speed Awareness Contributions	(1,268)
(647)	Victims Support Services	(652)
	Operation Uplift	(198)
(157)	DBS Vetting	(157)
(106)	Proceeds of Crime Contributions	(81)
(72)	Counter Terrorism Grant	(63)
(43)	National Cyber Specialist Program	(90)
(32)	Emergency Services Network (ESN)	(48)
0	CEO Fund	(20)
0	COP Innovation & Knowledge	(2)
(2,455)	Total Credited to Services – PCC and Group	(2,579)

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

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£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 (£0.080m, shown above), the balance of £0.640m 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 2019 £000		31 March 2020 £000
(46)	Warwickshire Safety Camera Unit Partnership	(46)
(15)	Stratford District Council (Section 106)	0
(33)	Warwick District Council (Section 106)	0
(94)	Warwick District Council (Section 106) – received June 2017	(94)
(108)	Stratford District Council (Section 106) – received April 2018	(108)
(153)	Warwick District Council (Section 106) – received March 2019	(153)
0	Laser Scanning Grant – via PCC for Sussex 2019/20	(13)
(449)	Total	(414)

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.

2018/19 £000		2019/20 £000
(80,752)	Contribution from Warwickshire	(70,556)
(179,735)	Contribution from West Mercia	(31,694)
(260,487)	Total Funding provided to the Alliance	(102,250)
222,454	Pay and allowances	66,791
5,831	Transport costs	5,394
30,732	Supplies and Services	29,498
9,425	Third Party Payments	9,124
(7,955)	Income	(8,557)
260,487	Total Expenditure (pooled)	102,250

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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 2018/19 to reflect this change. In 2019/20, the operating costs for Warwickshire Police were £3.073m (£2.966m in 2018/19) 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 2020 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 £33.666m as at 31 March 2020 (£34.385 as at 31 March 2019): 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:

2018/19		2019/20
£000		£000
(13,475)	Contribution from West Midlands Police	(14,026)
(3,789)	Contribution from West Mercia Police	(3,783)
(3,681)	Contribution from Staffordshire Police	(3,675)
(1,840)	Contribution from Warwickshire Police	(1,837)
(2,399)	WMROCU Grant	(2,399)
(270)	National Cyber Security Programme funding	(270)
(165)	Regional Asset Recovery Team grant	(166)
(532)	ROCU Reserves	(693)
(1,784)	PTF Grants	(1,134)
(625)	Additional Home Office funding (grant provided at year end in 2017/18 and 2019/20) *	0
(28,560)	Total funding provided to the WMROCU	27,983

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1,056	Regional Asset Recovery Team (RART)	995
165	RART – ACE team	195
645	Regional Cyber Crime Unit	637
315	Regional Fraud Team	288
927	Regional Prisons Intelligence Unit	922
943	UKPPS (protected Persons)	8
56	Operational Security (OPSY)	61
46	Regional Government Agency Intelligence Network (GAIN)	50
1,181	Command Team	1,533
5,484	Regional Confidential Unit	5,527
716	TIDU – Technical Intelligence	624
180	Enabling Services	305
4,473	SOCU	4,628
7,850	Regional Surveillance Unit (FSU)	8,266
259	Threat Assessment Team (ROCTA)	122
474	Disruption Team	266
3,165	Other Regional Operations	3,555
625	Additional Contribution to Reserves *	0
28,560	Total Expenditure	27,983
0	Total Net Expenditure	0

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 £0.380m in 2019/20, (£0.306m in 2018/19) 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 £0.077m and a short term debtor of £0.045m, 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.

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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 £3.957m (£3.711m as at 31 March 2019) 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

2018/19 £000		2019/20 £000
	Income	
(1,354)	Contribution from partners	(1,495)
(65)	Other income	0
(1,419)	Total Income	(1,495)
	Expenditure	
48	Pay and Allowances	50
1,288	Premises	1,370
60	Supplies & Services	61
1,396	Total Expenditure	1,481
(23)	Net (Income) / Expenditure	(14)

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Southern Justice Centre

2018/19 £000		2019/20 £000
	Income	
(2,985)	Contribution from partners	(3,043)
(26)	Other income	(45)
(3,011)	Total Income	(3,088)
	Expenditure	
72	Pay and Allowances	76
2,410	Premises	2,470
77	Supplies & Services	82
436	Capital Charges – loan repayment	435
2,995	Total Expenditure	3,063
(16)	Net (Income) / Expenditure	(25)

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 2018 £000	Transfers out 2018/19 £000	Transfers in 2018/19 £000	Balance at 31 March 2019 £000	Transfers out 2019/20 £000	Transfers in 2019/20 £000	Balance at 31 March 2020 £000
Sinking fund	(3,946)	43	(669)	(4,572)	121	(685)	(5,136)
General Reserve	(193)	65	(40)	(168)	34	(39)	(173)
TOTAL	(4,139)	108	(709)	(4,740)	155	(724)	(5,309)

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 2019/20.

Exit packages include charges by the LGPS in respect of benefits paid before normal retirement age. There were no compromise agreements covering the 2019/20 exit packages. All of the employees left the organisation prior to 1 April 2020. 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	
	2018/19	2019/20	2018/19 £000	2019/20 £000
£0 - £20,000	2	2	20	43
£20,001 - £40,000	1	0	38	0

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£60,001 - £80,000	0	0	0	0
£100,000 - £150,000	0	0	0	0
£150,000 +	1	1	264	247
Total	4	3	322	290

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 1 - Mr M Jelley – Note 1	2019/20	141,444	0	0	7,053	6,555	0	0	155,051
	2018/19	138,271	0	0	7,475	10,646	0	16,774	173,166
Deputy Chief Constable 1 - Note 2	2019/20	0	0	0	0	0	0	0	0
	2018/19	41,219	0	0	2,705	1,772	0	0	45,696
Deputy Chief Constable 2 - Note 3	2019/20	118,421	0	0	5,207	3,423	0	36,710	163,761
	2018/19	110,900	0	0	7,303	3,423	0	26,838	145,041
Asst Chief Constable 1 – Note 4	2019/20	100,700	0	0	2,120	4,226	0	31,217	138,263
	2018/19	86,613	0	0	0	4,226	0	20,960	111,800
Asst Chief Constable 2 – Note 5	2019/20	101,412	0	0	1,239	0	0	27,466	130,118
	2018/19	73,559	0	0	1,239	0	0	15,781	90,579
Director of Enabling Services 1 – Note 6	2019/20	0	0	0	0	0	0	0	0
	2018/19	57,335	0	0	8,480	0	0	9,976	75,792
Transformation Director – Note 7	2019/20	10,981	0	0	0	0	0	1,988	12,969
	2018/19	110,923	0	0	0	0	0	19,301	130,224
Director of Finance – Note 8	2019/20	87,304	0	0	0	0	0	15,889	103,193
	2018/19	83,840	0	0	0	0	0	14,588	98,428

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Director of Enabling Services 2 – Note 9	2019/20	82,654	0	0	0	0	0	15,043	97,698
	2018/19	0	0	0	0	0	0	0	0
Police & Crime Commissioner – Note A	2019/20	66,300	0	0	0	0	0	12,067	78,367
	2018/19	66,192	0	0	0	0	0	11,517	77,709
Deputy PCC – Note B	2019/20	73,355	0	0	0	0	0	13,351	86,706
	2018/19	72,796	0	0	0	0	0	12,667	85,463
Chief Finance Officer to the PCC Note C	2019/20	31,806	0	0	0	0	0	5,789	37,595
	2018/19	0	0	0	0	0	0	0	0

Notes:

1	CC Started in post 1 April 2015
2	DCC Retired 10 August 2018
3	DCC became substantive 11 Sept 2018 after a short period Acting up.
4	ACC became substantive from 6 May 2019
5	ACC Acted up from 13 August 2018 till 20/4/2020 when the post holder became substantive.
6	Left 5 October 2018 following redundancy
7	Left 5 May 2019
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	Started in post 9 October 2019
A	Following the PCC elections on 7 May 2016, the PCC commenced in office on 12 May 2016.
B	The Deputy PCC commenced in post on 21 July 2016
C	The Treasurer to the PCC Started in post 9 October 2019
*	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.
**	Treasurer in the PCC office costs are shared 50:50 between Warwickshire & West Mercia Police during 2018/19. The previous Treasurer remains at West Mercia Police and started in post 17/08/2015.

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

Number of Employees		Remuneration Band	Number of Employees	
Group	PCC		Group	PCC
2018/19	2018/19		2019/20	2019/20
54	0	£50,000 - £54,999	82	0
31	0	£55,000 - £59,999	45	0
8	0	£60,000 - £64,999	9	0
4	1	£65,000 - £69,999	5	1
1	1	£70,000 - £74,999	5	1

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6	0	£75,000 - £79,999	2	0
3	0	£80,000 - £84,999	5	0
3	0	£85,000 - £89,999	4	0
0	0	£100,000 - £104,999	1	0
1	0	£110,000 - £114,999	0	0
1	0	£115,000 - £119,999	1	0
0	0	£140,000 - £144,999	1	0
1	0	£155,000 - £159,999	0	0
113	2	Total	160	2

17. External Audit Costs

	2018/19	2019/20
	£000	£000
Chief Constable	11,550	10,150
PCC	23,897	35,397
Total for the Group	35,447	45,547

Grant Thornton UK LLP provided no non-audit services during the year (nil in 2018/19).

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

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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 2019/20 of £19.1m (£48.6m in 2018/19) and £10.4m (£39.4m in 2018/19) respectively as shown in the table below. Cross charges are reducing as each force separates areas of business.

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 2019/20, the Group incurred spend of £1,523m with Warwickshire County Council (grants, legal services, internal audit services pensions’ 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	19,105	(10,350)
Local Authorities in the Policing Area	2,994	(23)

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Other Local Authorities	0	(2)
Seconded Police Officers	0	(402)
Other Police Forces	2,331	(353)
Place Partnership Limited	3,530	0
Total	27,975	(11,130)

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 2019/20. As Warwickshire transitions from the alliance and sets up separate contracts, cross charges continue to decline.

The following table shows the five suppliers with which the Group incurred the greatest expenditure in 2019/20 (excluding PPL):

	Expenditure
	£000
Warwickshire County Council	1,523
KCOM Group	961
PCC for West Midlands	817
AON UK Limited	685
Allstar Business Solutions Limited	624

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 2019		31 March 2020
£000		£000
120	Not later than one year	141
220	Later than one year and not later than five years	125
43	Later than five years	32
383	Total PCC and Group	298

The amount paid in 2019/20 was £0.120m (£0.155m in 2018/19).

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

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and Ilmington. All these properties are owned by the PCC. The lease payments receivable in future years are:

31 March 2019 £000		31 March 2020 £000
33	Not later than one year	21
85	Later than one year and not later than five years	85
57	Later than five years	36
175	Total PCC and Group	142

The rent received in 2019/20 was £0.045m (£0.109m in 2018/19).

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.

2018/19 £000		2019/20 £000
25,014	Opening Capital Financing Requirement – PCC and Group	25,029
	Capital investment:	
844	Property, plant and equipment	1,836
3	Intangible assets	0
871	Revenue expenditure funded from capital under statute	1,168
	Sources of finance:	
(74)	Capital receipts	(73)
(475)	Government grants and other contributions	(674)
	Sums set aside from revenue:	
(227)	Direct revenue contributions	4
(21)	Contribution from Reserves	2,273
(906)	Minimum Revenue Provision	(1,050)
25,029	Closing Capital Financing Requirement – PCC and Group	28,513
	Explanation of movements in the year	
921	Increase in underlying need to borrow in respect of capital expenditure not financed by other means (and unsupported by government financial assistance)	2,434
(906)	Decrease in underlying need to borrow in respect of Minimum Revenue Provision for the year	(1,050)
15	Increase/(Decrease) in Capital Financing Requirement	3,484

Capital Commitments

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As at 31 March 2020, the Group had capital commitments of £0.810m (£0.221m as at 31 March 2019).

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 REFUS payment to the PCC for West Mercia equivalent to the expenditure incurred. ICT Equipment Assets amounting to £0.402m (£0.531m in 2018/19) and ICT Assets under Construction amounting to £0.735m (£0.164m in 2018/19) 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 £0.017m (£0.048m in 2018/19) have been treated in this manner. No ICT Assets under Construction (£0m in 2018/19) have been treated in this manner in 2019/20.

PCC and Group Movements in 2019/20	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 2019	72,918	5,766	27,508	0	747	106,939
Additions	200	788	529	0	319	1,836
Transfer (to) / from Assets Under Construction	106	0	(74)	0	(30)	2
Transfer (to) / from Assets Held for Sale	0	0	0	0	0	0
Donated Assets	0	0	402	0	759	1,161
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(343)	0	0	0	0	(343)
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	455	0	0	0	0	455
De-recognition – disposals	0	(768)	0	0	0	(768)
De-recognition – donated	0	0	(77)	0	(637)	(714)
De-recognition – other	0	0	0	0	0	0
At 31 March 2020	73,336	5,786	28,288	0	1,158	108,568

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Less Accumulated Depreciation and Impairment						
At 1 April 2019						
Depreciation charge	(348)	(3,736)	(22,808)	0	0	(26,892)
Depreciation written out to the Revaluation Reserve	(207)	0	0	0	0	(207)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(1,667)	(874)	(1,817)	0	0	(4,358)
Revaluation increases / (decreases) recognised in the Revaluation Reserve	1,801	0	0	0	0	1,801
De-recognition – disposals	0	724	0	0	0	724
De-recognition – other	0	0	0	0	0	0
At 31 March 2020	(421)	(3,886)	(24,625)	0	0	(28,932)
Net book value at 31 March 2020	72,915	1,900	3,663	0	1,158	79,636
Net book value at 31 March 2019	72,570	2,030	4,700	0	747	80,047

During 2019/20, Warwickshire PCC and Chief Constable took the decision not to proceed with the implementation of the Telephony system. This was a joint project with West Mercia PCC and Chief Constable and 31% of the total costs to 31 March 2019 had been donated from West Mercia to Warwickshire and were being shown in the Warwickshire PCC balance sheet as an Asset under Construction, amounting to £0.576m. REFCUS payments from Warwickshire to West Mercia had been made to fund this expenditure. The Warwickshire portion of the Asset has now been donated back to West Mercia and is shown as a Donated Asset in the table above. The REFCUS payment is still a valid transaction as West Mercia are continuing with the implementation of the Telephony system.

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	(190)	0	0	0	0	(190)

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Sale						
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

During 2018/19, Warwickshire PCC and Chief Constable took 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 in the Warwickshire PCC balance sheet as an Asset Under Construction, amounting to £1.061m. REFUS payments from Warwickshire to West Mercia had been made to fund this expenditure. The Warwickshire portion of the Asset has now been donated back to West Mercia and is shown as a Donated Asset in the table above. The REFUS payment is still a valid transaction as West Mercia are continuing with the implementation of the Saab SAFE system.

During 2018/19, 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 £0.340m 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 REFUS and donated asset transactions amounting to £0.153m each)

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have been reversed in accordance with accounting guidance. This resulted in an additional charge to the CIES, reversed in the MIRS, and a corresponding increase in usable reserves.

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:

2018/19 PCC and Group		Land and buildings	Vehicles, Plant, Furniture & Equipment	Assets Under Construction	Total 2019/20 PCC and Group
£000		£000	£000	£000	£000
7,477	Carried at historical cost	0	5,563	1,158	6,721
0	Carried at current value at 31 March 2020	66,442			66,442
64,743	Carried at current value at 31 March 2019	6,350			6,350
7,667	Carried at current value at 31 March 2018	0			0
0	Carried at current value at 31 March 2017	0			0
0	Carried at current value at 31 March 2016	0			0
0	Carried at current value at 31 March 2015	0			0
107	Carried at current value at 31 March 2014	88			88
53	Carried at current value at 31 March 2013	35			35
80,047	Total Valuations	72,915	5,563	1,158	79,636

The Group held no surplus assets as at 31 March 2020 (31 March 2019 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 1 assets classified as held for sale as at 31 March 2020 (1 as at 31 March 2019).

2018/19 £000		2019/20 £000
245	Balance outstanding at start of year	

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435	Assets classified as held for sale	0
(51)	Revaluation gains via Revaluation Reserve	175
241	Revaluation gains via CIES	0
(245)	Assets re-classified as operational	0
0	Assets sold	0
625	Total	175

The loss of £0.733m on disposal of non-current assets shown in the CIES consists of the donation of the telephony asset returned to West Mercia PCC of £0.577m, unfulfilled Leek Wootton capital projects £0.061m, donation to W. Midlands Cameras £0.060, assets donated to W. Mercia PCC of £0.017m plus the loss on disposal of vehicles of £0.018m.

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 £0.023m from Ilmington Mast has been accounted for in 2019/20 (0.085m in 2018/19) 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):

2018/19 £000		2019/20 £000
375	Balance at start of the year – PCC and Group	375
0	Re-classification from Land and Buildings	0
0	Net gains/losses from fair value adjustments	(128)
375	Balance at end of the year – PCC and Group	247

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 REFUS payment to the PCC for West Mercia equivalent to the expenditure incurred. There were no Intangible Assets in 2019/20 (£0.176m in 2018/19) treated in this manner in 2019/20. Conversely, where the PCC for West Mercia's

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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 £0.006m (£0.002m in 2018/19) have been treated in this manner.

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

2018/19		2019/20
Software		Software
£000		£000
	Balance at start of year – PCC and Group	
7,520	Gross carrying amounts	7,697
(6,227)	Accumulated amortisation	(6,698)
1,293	Net carrying amount at start of year	999
3	Additions - purchased	0
0	Additions – transfer from Assets Under Construction	(3)
176	Donated Assets from West Mercia PCC	5
(2)	De-recognition – Assets donated to West Mercia PCC	0
(471)	Amortisation for the period	(329)
999	Net carrying amount at end of year	672
	Comprising:	
7,697	Gross carrying amount	7,699
(6,698)	Accumulated amortisation	(7,027)
999	Balance at end of the year – PCC and Group	672

25. Long Term Assets

Alliance Cessation – Long Term Debtor

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. A settlement was agreed between the two forces on 30th March 2020 at a net cash payment to Warwickshire Police of £10.5m. In accordance with the CIPFA Code of Practice for the recognition of income, this has not been recognised in 2018/19 accounts and will be accounted for in 2019/20. Warwickshire Police were in separation discussions with West Mercia Police following the breakdown of the alliance but at that time a settlement was neither probable nor measurable, and as such in accordance with the CIPFA Code of Practice we have not including any figures in the 2018/19 statement of accounts and the settlement will be accounted for in the 2019/20 statement of accounts. The settlement of reasonable costs of transition, payable by West Mercia Police to Warwickshire Police extinguishes the liabilities carried by Warwickshire in regard to the transition. The settlement is an 'exchange' in that Warwickshire Police have received the cash settlement. However, no contract exists, instead there is a legally binding Settlement Agreement. This settlement was

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reached in 2019/20 not 2018/19, therefore, the Settlement has been recognised in 2019/20, in line with the CIPFA Code of Practise.

26. 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 2019/20 and the comparative figures have been restated to reflect this. Further information regarding Debtors is shown in Notes 29 and 30 – Financial Instruments.

31 March 2019 £000		31 March 2020 £000
866	Trade Receivables	1,133
956	Prepayments	686
7,185	Other Receivables	11,961
9,007	Group Debtors	13,780
0	Less Chief Constable Debtors: Prepayments	0
(4,002)	Less Chief Constable Debtors: Other Receivables	(2,572)
5,005	PCC Debtors	11,208

27. Cash and Cash Equivalents

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

31 March 2019 £000		31 March 2020 £000
3	Cash held by the Group	3
284	Bank current accounts	4,811
9,992	Short term deposits	44
10,279	Total Group and PCC	4,858

28. 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 2019/20 and the comparative figures have been restated to reflect this. Further information regarding Creditors is shown in Note 29 – Financial Instruments.

31 March 2019 £000		31 March 2020 £000
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(1,792)	Trade Payables	(4,437)
(9,987)	Other Payables	(9,316)
(11,779)	Group Creditors	(13,753)
0	Less Chief Constable Creditors: Trade Payables	
2,896	Less Chief Constable Creditors: Other Payables	4,386
(8,883)	PCC Creditors	9,367

29. Provisions, Contingent Assets and Contingent Liabilities

No provisions were charged to the CIES in 2019/20 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. A settlement was agreed between the two forces on 30th March 2020 at a net cost of £10.5m, to be paid in three instalments from West Mercia, between April 2020 and July 2021. The first instalment of £6m has been recognised as a Short term debtor in 2019/20, and the last 2 instalments of £4.5m being over 12 months before payment is due, as a long term asset in the Group and the PCC's Accounts in 2019/20.

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.

30. 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

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As at 31 March 2020	£000	£000	£000	£000
Fair value through profit or loss	0	0	0	0
Amortised cost (previously loans and receivables)	0	0	4,859	11,487
Fair value through other comprehensive income	0	0	0	0

Debtors that are not financial instruments (taxes and payments in advance)	0	0	0	2,293
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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		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
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Financial Liabilities	Long Term		Current	
	Borrowings	Creditors	Borrowings	Creditors
As at 31 March 2020	£000	£000	£000	£000
Fair value through profit or loss	0	0	0	0
Amortised cost	11,137	0	982	7,991

Creditors that are not financial instruments (taxes, National Insurance and prepayments)	0	0	0	5,763
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Financial Liabilities	Long Term		Current	
	Borrowings	Creditors	Borrowings	Creditors
As at 31 March 2019	£000	£000	£000	£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
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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:

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	Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure
	£000	£000
2019/20		
Interest Revenue: financial assets measured at amortised cost	(96)	0
Interest Expense Payable and Similar Charges	600	0
2018/19		
Interest Revenue: financial assets measured at amortised cost	(85)	0
Interest Expense Payable and Similar Charges	644	0

The PCC received a £0.4m (£0.4m in 2018/19) contribution from the Southern Justice Centre partnership to meet the cost of the principal and interest on total outstanding loans of £4.4m (£4.8m as at 31 March 2019), 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 2020 of 0.26% for loans from the Public Works Loans Board (PWLB);
- discount rates of between 1.51% and 2.17% 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 2020		31 March 2019	
	Carrying amount	Fair Value	Carrying amount	Fair Value
	£000	£000	£000	£000
Financial Liabilities	12,135	15,812	13,549	17,070

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 2020) 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 £14.423m.

31. 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

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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 2020 the short- term investment balances were as follows:

2018/19 £000		2019/20 £000
2,000	- On call (available immediately) (variable rate)	0
7,992	- Repayable in 1 month (fixed rates)	45
0	- Repayable in 2 months (fixed rates)	0
0	- Repayable in 3 months (fixed rates)	0
9,992	Total PCC and Group	45

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.

In March 2019/20 Warwickshire Police agreed to pay supplier invoices when they were processed rather than when they were due for payment to support our suppliers during the COVID-19 pandemic. The Force also took the decision to hold more cash at bank at this time, reducing our short term investments, in anticipation of higher costs to suppliers, purchasing PPE equipment and potential overtime requirements. This prudent approach will continue for at least 6 months with concerns over a second wave of the pandemic.

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 (£2.8m in 2019/20). Only a very small number of old, unrecoverable invoices amounting to £2,170 were written off in 2019/20.

The Group generally allows a 30 day standard credit term for customers, however £0.297m of the £0.451 balance outstanding from customers at 31 March 2020 was past the point of 30 days from the date of invoice. This past due amount can be analysed as follows:

31 March 2019 £000		31 March 2020 £000
107	Less than 3 months	147
37	3 to 6 months	108

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22	6 to 12 months	71
7	Over 12 months	20
173		346

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 2020		451
Historical experience of default	0.5	
Historical experience adjusted for market conditions at 31 March 2020	0.5	
Estimated maximum exposure to default at 31 March 2020		41
Estimated maximum exposure to default at 31 March 2019		25

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 2019/20 were set at £40m. The Group maturity analysis of its financial liabilities is:

31 March 2019 £000		31 March 2020 £000
1,730	Less than one year – Short-term Borrowing (includes no accrued interest at 31 March 2020 (£0.316 at 31 March 2019))	982
982	Between one and two years	997
3,230	Between two and five years	3,148
7,922	Between five and twenty years	7,008
13,864		12,135

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;

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- 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 2020 remained at £11.1m (£11.1m as at 31 March 2019) due to capital expenditure during the year as illustrated in Note 20. It is possible 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 2019/20 with all other variables held constant, the financial effect would be:

	£000
Increase in interest payable on fixed rate borrowings	121
Increase in interest receivable on fixed rate short term investments	(141)
Impact on Surplus or Deficit on the Provision of Services	(11)

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

32. 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 £0.272m.

33. Cash Flow Statement – Operating Activities

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

2018/19 £000		2019/20 £000
94	Interest received	88
(329)	Interest paid	(600)
(235)	Total – Group and PCC	(512)

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

PCC 2018/19 £000	Group 2018/19 £000		PCC 2019/20 £000	Group 2019/20 £000
(4,400)	(4,400)	Depreciation	(4,566)	(4,566)
(26)	(26)	Downward / (Upward) valuations	455	455
(471)	(471)	Amortisation of intangible assets	(329)	(329)
(2,560)	(1,435)	(Increase)/decrease in revenue creditors	1,866	(1,741)
(555)	(3,836)	Increase/(decrease) in revenue debtors	6,219	4,790
0	0	Increase in LT Assets	4,500	4,500
(1,910)	0	Movement in Intra-Group Funding	(4,803)	0
0	(68,914)	Movement in pension liability	0	(90,754)
0	0	Movement in provisions	0	(49)
0	0	Changes in fair value of investment property	(151)	(151)
(1,144)	(1,144)	Carrying amount of non-current assets sold	(759)	(759)
(11,066)	(80,226)	Total – PCC and Group	2,432	(88,604)

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

2018/19 £000		2019/20 £000
26	Proceeds from the sale of property, plant and equipment	26
322	Capital Grants	674
348	Total – Group and PCC	700

34. Cash Flow Statement – Investing Activities

2018/19 £000		2019/20 £000
1,718	Purchase of property, plant and equipment and intangible assets	3,027
21	Proceeds from the sale of property, plant and equipment (adjusted for Debtors)	(90)
(126)	Other receipts from investing activities	(672)
1,613	Total – Group and PCC	2,265

35. Cash Flow Statement – Financing Activities

2018/19 £000		2019/20 £000
946	Repayment of long-term borrowing	1,731
0	New loans	0
946	Total – Group and PCC	1,731

36. 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 4.3% share of PPL's LGPS assets and liabilities as at 31 March 2020 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 £33,666m as at 31 March 2020 (£34.365m as at 31 March 2019- figures amended but not sent to Warwickshire Police): 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

Legal Cases

The Chief Constable, along with other Chief Constables and the Home Office, currently has a number of claims in respect of unlawful discrimination arising from transitional provisions in the Police Pension Regulations 2015. These claims against the Police pension scheme (the Aarons case) had previously been stayed behind the McCloud / Sargeant judgement, but have now been lifted and a case management hearing was held on 25 October 2019. The resulting Order of 28 October 2019 included an interim declaration that the claimants are entitled to be treated as if they had been given full transitional protection and had remained in their existing scheme after 1 April 2015. This interim declaration applies to claimants only. However, the Government made clear that non-claimants who are in the same position as claimants will be treated fairly to ensure they do not lose out. This was re-iterated in the Written Ministerial Statement on 25 March 2020.

The Policing Minister has indicated that the remedy period will not end before 2022. It is anticipated the Treasury will consult on proposals to implement remedy in the coming months to be followed by primary legislation and scheme regulation.

Impact on pension liability

Allowing for all members to remain in their existing scheme as at 1 April 2015 would lead to an increase in the Police Pension Scheme liabilities. Scheme actuaries have estimated the potential increase in scheme liabilities for the force to be approximately £106m of pensions' scheme liabilities. This increase was reflected in the IAS 19 disclosure as a past service cost in the 2018/19 accounts.

The impact of an increase in scheme liabilities arising from the McCloud / Sargeant judgement will be measured through the pension valuation process, which determines employer and employee contribution rates. The next Police Pension valuation is due to be reported in 2023/24, although this timetable is subject to change.

The impact of an increase in 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 sufficient 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 police authority in the form of a central government top-up grant.

Compensation Claims

The employment tribunal has agreed a process for the consideration of compensation claims between April 2020 and January 2021. The basis of claims from claimants is due in April 2020 and the identity and banding of claims proposed by claimants is due in June 2020 for non-pecuniary claims and September 2020 for pecuniary claims. As at 31 March 2020, it is not possible to estimate the extent or likelihood of these claims being successful, and therefore no liability in respect of compensation claims is recognised in these accounts.

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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:

2019/20	LGPS £000	LGPS (PPL element) £000	Police Pension Schemes £000	Total £000
CIES				
Cost of Services:				
– current service costs	9,106	42	27,790	36,938
– past service costs and gain/loss from settlements	639	22	4,380	5,041
Financing and Investment Income and Expenditure				
– net interest expense	4,147	52	27,870	32,069
Total Post Employment Benefit charged to the surplus or deficit on the Provision of Services	13,892	116	60,040	74,048
Other Post-Employment Benefits charged to the CIES				
Re-measurement of the net defined benefit liability and return on plan assets	(21,786)	(77)	(96,787)	(118,650)
Total Post Employment Benefit charged to the CIES	(7,894)	(39)	(36,747)	(44,602)
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.	(13,892)	(116)	(60,040)	(74,048)
Actual amount charged against the Police Fund Balance for pensions in the year				
– employers' contributions payable to the scheme	3,702	24	27,423	31,149
– benefits paid direct to beneficiaries			1,040	1,040
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	42,970	44,012
Financing and Investment Income and Expenditure				

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- 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	85,410	97,865
Other Post-Employment Benefits charged to the CIES				
Re-measurement of the net defined benefit liability and return on plan assets	1,483	(49)	27,662	29,096
Total Post Employment Benefit charged to the CIES	13,863	26	113,072	126,961
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)	(85,410)	(97,865)
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

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:-

	LGPS £000	Police Pension Schemes £000	Total £000
2019/20			
Present value of the defined benefit obligation (including PPL £1.326m)	(145,653)	(1,070,150)	(1,215,803)
Fair value of plan assets (including PPL £1.326m)	99,074		99,074
Net liabilities arising from the defined benefit obligation	(46,579)	(1,070,150)	(1,116,729)

	LGPS £000	Police Pension Schemes £000	Total £000
2018/19			
Present value of the defined benefit obligation (including PPL £1.190m)	(162,846)	(1,135,360)	(1,298,206)
Fair value of plan assets (including PPL £1.190m)	104,671	0	104,671
Net liabilities arising from the defined benefit obligation	(58,175)	(1,135,360)	(1,193,535)

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

2019/20	LGPS £000	LGPS (PPL element) £000	Police Pension Schemes £000	Total £000
Opening balance at 1 April	(161,520)	(1,326)	(1,135,360)	(1,298,206)
Current service cost	(9,106)	(42)	(27,790)	(36,938)
Interest cost	(4,147)	(37)	(27,870)	(32,054)
Contributions by scheme participants	(1,328)	(9)	(4,330)	(5,667)
Re-measurement of liabilities	29,744	97	97,990	127,831
Benefits paid	2,805	29	31,500	34,424
Past service costs	(639)	(22)	(4,380)	(5,041)
Curtailments	0	0	0	0
Closing balance 31 March	(144,191)	(1,310)	(1,070,150)	(1,215,651)

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	(7,133)	(77)	(29,200)	(36,410)
Benefits paid	2,268	26	30,700	32,994
Past service costs	(1,042)	0	(42,970)	(44,012)
Curtailments	0	0	0	0
Closing balance 31 March	(161,520)	(1,326)	(1,135,360)	(1,298,206)

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)	2018/19 £000	PPL element 2018/19 £000	Total 2018/19 £000	2019/20 £000	PPL element 2019/20 £000	Total 2019/20 £000
Opening balance at 1 April	95,117	1,190	96,307	103,345	1,326	104,671
Interest income	2,601	32	2,633	2,543	37	2,580

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Re-measurement gain/loss: The return on plan assets, excluding the amount included in the net interest expense	3,049	94	3,143	(10,501)	(57)	(10,558)
Contributions by employer	3,593	26	3,619	3,702	24	3,726
Contributions from employees into the scheme	1,253	10	1,263	1,328	9	1,337
Benefits paid	(2,268)	(26)	(2,294)	(2,805)	(29)	(2,834)
Closing balance 31 March	103,345	1,326	104,671	97,612	1,310	98,922

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 budgeted to be made to the LGPS by the Chief Constable in the year to 31 March 2021 is £4.354m. Expected contributions for the Police Pension Schemes by the Chief Constable in the year to 31 March 2021 are £10.794m.

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 2019/20 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.

2019/20	LGPS £000	LGPS (PPL element) £000	Police Pension Schemes £000	Total £000
Changes in financial assumptions	29,744	(97)	152,277	181,924
Changes in demographic assumptions			(34,240)	(34,240)
Return on plan assets	7,958	20		7,978
Experience gains and losses			(21,250)	(21,250)
Total re-measurement	37,702	(77)	96,787	134,412

	LGPS	LGPS (PPL)	Police Pension	
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2018/19	£000	element) £000	Schemes £000	Total £000
Changes in financial assumptions	7,133	77	29,842	37,052
Changes in demographic assumptions	0	0	0	0
Return on plan assets	(5,650)	(126)	0	(5,776)
Experience gains and losses	0	0	(2,180)	(2,180)
Total re-measurement	1,483	(49)	27,662	29,096

LGPS Assets

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

	Total 31 March 2019 £000	Split of Assets between Investment categories %	Total 31 March 2020 £000	Split of Assets between Investment categories %
Cash & Cash Equivalents	1,461	1	1,384	1
Equities	17,630	17	0	0
Investment Funds & Unit Trusts	67,696	66	83,375	84
Private Equity	5,260	5	4,748	5
Property	11,298	11	9,704	10
Total Assets	103,345	100	99,211	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 2020. 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:

2018/19			2019/20	
LGPS	Police Pension Schemes		LGPS	Police Pension Schemes
		Mortality assumptions		
		Longevity at 65 for current pensioners:		
21.6 years	22.7 years	Men	21.6 years	21.9 years
23.8 years	24.3 years	Women	23.8 years	23.6 years
		Longevity at 65 for future pensioners:		

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22.5 years	24.6 years	Men	22.5 years	23.6 years
25.4 years	26.2 years	Women	25.4 years	25.2 years
2.35%	2.35%	Rate of CPI inflation	2.00%	2.00%
3.1%	4.35%	Rate of increase in salaries (long-term)	2.6%	4.00%
n/a	1.0%	Rate of increase in salaries (short-term)	n/a	1.00%
2.5%	2.35%	Rate of increase in pensions	1.8%	2.00%
2.4%	2.45%	Rate for discounting scheme liabilities	2.3%	2.25%

2018/19			2019/20	
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)	38,988	(38,988)
Rate of increase in salaries (increase or decrease by 1%)	25,509	(25,509)
Rate of increase in pensions (increase or decrease by 1%)	193,300	(193,300)
Rate for discounting scheme liabilities (increase or decrease by 1%)	239,100	(239,100)

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.

2018/19			2019/20	
£000	£000		£000	£000
		Contributions Receivable		
		From employer		
(6,082)		- Normal at 21.3% of pensionable pay (see below)	(10,058)	
(302)		- Ill Health Capital Sum Income	(355)	
(78)		- Other – Pre 1974 Contributions (West Midlands)	(74)	
(3,837)		From members (serving police officers)	(4,331)	
	(10,299)			(14,818)
	(749)	Individual Transfers In from other schemes		(133)
		Benefits Payable		
24,960		Pensions	25,804	
4,103		Commutations and Lump Sum retirement benefits	4,760	
155		Lump sum death benefits	0	
	29,218			30,564
		Payments to and on account of leavers		
27		Refunds of contributions	23	
10		Individual transfers out to other schemes	0	
	37			23
	18,207	Sub-total for the year before transfer from the Group of amount equal to the deficit		15,636
	(18,207)	Additional funding payable by the Group to meet deficit for the year		(15,636)
	0	Net Amount Payable / Receivable for the year		0
	826	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		0
	(17,381)	Actual Home Office Top Up funding		(15,636)

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.

Glossary of Terms

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Glossary of Terms

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

Creditors – Individuals or organisations to which the 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.

Glossary of Terms

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.

Glossary of Terms

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

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

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

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

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

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

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

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

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

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

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

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

Outturn – The actual amount spent in the financial year.

Glossary of Terms

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

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

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

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

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

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

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

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

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

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

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

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

Glossary of Terms

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Glossary of Terms

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

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

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

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

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

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

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

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

APPENDIX 1

Warwickshire Police and Crime Commissioner's Annual Governance Statement 2019/20