



Warwickshire
POLICE

**Chief Constable of
Warwickshire Police**

**Statement of
Accounts**

2020/21

THE CHIEF CONSTABLE OF WARWICKSHIRE POLICE

STATEMENT OF ACCOUNTS 2020/21

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Narrative Report

Message From Debbie Tedds the Chief Constable of Warwickshire Police

“The last year has been a challenging one for our communities and policing. Supporting our health colleagues in our collective response to the Covid-19 global pandemic while simultaneously redesigning and rebuilding our force, after exiting our strategic alliance arrangements with West Mercia Police, have tested the force’s agility and responsiveness.

I am extremely proud of how our force has been able to stand up such an impressive response during such unprecedented times while continuing to protect people from harm who live, work and visit the county.

We continue to evolve our policing model to ensure we are equipped with the operational resilience and skills to meet the growing diversity of modern day policing challenges while ensuring we retain our bedrock of proactive community policing.

Over the last 12 months Warwickshire Police, supported by the PCC and the national officer uplift programme, has been able to make significant investments to increase the numbers of police officers working across the county. The effect of this will see projected officer numbers at their highest ever in 2022, 1,100 police officers serving our communities.

Maximising the opportunities of this additional capability is essential and therefore we have particularly focused on strengthening our specialist areas, such as our dedicated child abuse, trafficking and exploitations team, retaining and building teams dedicated to tackling particular crime types that we know affect our county, such as vehicle crime and rural crime, and ensuring an enhanced focus on the areas of vulnerability and safeguarding where more complex demands continue to grow.

In 2020 we launched our five year strategic plan, appropriately titled Fit for the Future. This outlines the strategic priorities of the force in how we plan to prevent and protect, respond and reassure and deliver an effective and efficient service for years to come.

We have also been pleased that we have not only mirrored but amplified national trends in the last year around crime reductions. The force’s total crime reduction for 2020-21 was not only been consistent with the national picture but we also saw significantly greater reductions than regional forces including crime types such as robbery, sexual offences, burglary and vehicle crime. It has also been extremely pleasing to see our investment in proactive teams resulting in significant increases in drug offences as this means we are taking more drugs off our streets and bringing more offenders to justice.

I would like to personally, on behalf of the force, thank our communities for their ongoing support throughout the last year. I took over from Martin Jelley as Chief Constable on the 1st July 2021, having worked closely with him previously as part of the Chief Officer team, he recognised the privilege it was to lead the force and serve our Warwickshire communities over the last six years, and I look forward to doing the same in the future.

Warwickshire has an outstanding workforce, working alongside incredibly dedicated partners and with fantastic communities. I know the force will only go from strength to strength, putting the public at the heart of everything it does, for many years to come.”

Statement of Accounting Policies

Introduction

The policing landscape continues to be increasingly complex and the last twelve months have been no less challenging largely due to the ongoing Covid-19 response, the process of recruiting significant numbers of officers as part of the national uplift programme and the local process of transitioning services to a standalone basis in Warwickshire from the former Alliance. This has brought a number of financial pressures and a need to increase spending levels in 2020-21, but the Chief Constable, Director of Finance and their respective staff have done a good job in managing the force budget in very difficult circumstances, and this is now reflected in this Statement of Accounts.

As part of the 2020-21 budget, the PCC approved £111.590m of investment in policing services in Warwickshire, which has helped to deliver the ongoing service transition and transformation. This has been spent effectively and the benefits are being seen as more services are now delivered within the Warwickshire footprint and performance improvements are being achieved. ICT transition and transformation remains the single most significant challenge and this is due to be delivered from October 2021.

In the autumn of 2019 the Policing Minister formally announced the recruitment of an extra 20,000 police officers nationally by March 2023. The initial 6,000 officers were allocated to local policing using the national Police Funding Formula which means that Warwickshire Police (WP), was asked to recruit an extra 41 police officers before 31st March 2021, and a further 41 officers during 2021-22. The force has successfully achieved these recruitment targets and continues to embrace the national uplift programme as part of its ongoing work to swell officer numbers in Warwickshire.

The Covid-19 pandemic has had an unprecedented impact on the global economy, and on people's lives and freedoms, and the last financial year has seen Warwickshire police respond excellently to the challenges. It has adapted its policing style on a regular basis, as and when new government announcements were made to police the pandemic and has worked with partners effectively to achieve this. Further information on the pandemic response is provided later in this report, along with any governance implications which are included in the separate Annual Governance Statement.

Work has continued at pace, and despite the pandemic, to establish services in Warwickshire, following the alliance termination, but also to transform services to ensure that they are efficient and effective and provide for improved performance. This has resulted in increased spend not only for one-off costs but also for some elements of ongoing cost to 'land' services safely in Warwickshire Police, and in doing so minimising any impact on front line service delivery.

The 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:

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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
8. 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, although the May 2020 elections were postponed by twelve months to May 2021, due to the coronavirus pandemic. The term following that election will as a result be for a three year period. The role of the PCC is 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 of revenue budget for 2020-21 was £111.590m (including reserve usage), most of which is delegated to the Chief Constable to deliver operational policing, with just £2.730m being under the direct control of the PCC, for him to meet his statutory responsibilities.

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 first elected to the position of the Warwickshire PCC in May 2016, and has been more recently re-elected in May 2021. Following his re-election a new Police and Crime Plan is in the process of being prepared, but for his continuing term the existing Police and Crime Plan, updated by a coronavirus addendum to cover the period up to the end of March 2021 was the basis of his priorities for policing in Warwickshire. The plan was developed following an extensive consultation process with the public and partners, and a similar process will again be adopted to compile the new plan for his new term.

Throughout the Commissioners term of office, the plan has systematically been reviewed and monitored, to ensure it remains up to date and reflects the ambitions of the public for policing in Warwickshire, and also links with the forces fit for the future strategy for delivering operational 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 in the PCC's

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annual report and at public Police and Crime Panel meetings, although the ongoing accomplishment of these objectives will be through continued effective partnership working at all levels, not just with the force as its key partner, but also by working closely with Local Authorities and Community Safety Partnerships (CSPs), other key local stakeholders, and a variety of national and regional partnerships. Warwickshire police, including the PCC, has a number of effective partnerships in place at local, regional and national levels, and is committed to considering any new opportunities for collaborative and partnership working. This approach has been successful in delivering a number of benefits to local communities in Warwickshire and also enables the Home Secretary's national strategic policing requirement to be addressed, 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 and Chief Constable are both responsible for ensuring their business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for. They have legislative responsibilities to make arrangements to secure continuous improvement and value for money in the way functions are exercised, having regard to a combination of economy – spending less, efficiency – spending well, effectiveness – spending wisely and also equity – spending fairly.

In discharging this overall responsibility, the Chief Constable and PCC are responsible for putting in place proper arrangements for the governance of their affairs and facilitating the exercise of their 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 and Chief Constable have approved a joint corporate governance framework, which includes detailed finance and contract procedures, the approved scheme of delegation and also outlines the governance related aspects of risk management activities. They are required to formally review the governance arrangements annually, and these are published on the website. The governance framework is approved in March each year, to ensure that the arrangements adequately reflect current practise and the status of services given the transitional process for some services as they exit any former hosted or shared arrangements with West Mercia. The joint Annual Governance Statement (AGS) refers to this fully and also outlines a number of governance issues that require addressing in 2021-22, along with the progress the PCC and force have made to address the requirements of the financial management (FM) code. The FM code relates to the issue of financial sustainability and introduces an overarching framework of assurance which builds on some of the existing financial management good practise. It explicitly sets out the main financial management standards which includes, financial resilience, greater financial responsibility across the organisation, support for finance professionals and the role of finance to provide a catalyst for improvement. To achieve these standards, six principles are outlined in the FM code and the extent to which policing services in Warwickshire complies with them is considered in the AGS but will continue to be monitored and kept under review

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during the coming year. The AGS refers to no significant governance issues in 2021-22, but the following governance concerns are outlined, as requiring action:

- Monitor the progress including the benefits realisation and costs of the Evolve programme and specifically the ICT transition and transformation to ensure that Warwickshire moves to its new ICT infrastructure and operating systems, and that the remaining application migration is progressed in a safe, smooth and cost effective manner.
- Development of the Evolve 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 for forensics, from services delivered by West Mercia to services delivered by West Midlands from the 1st September 2021.
- Ensure that a smooth transition of transactional services occurs which will be delivered by Warwickshire Police from the 1st October 2021.
- Continue to develop the process and make progress on the recommissioning of services provided by the OPCC for victims and vulnerable groups.
- Continue to monitor the commercialisation of the national contractor vetting service, to deliver services and meet the income target outlined within the budget.

As mentioned previously, the AGS is published alongside the Accounts and provides a detailed explanation of the joint governance framework, and how each entity has complied with that framework over the last twelve months. A key element of the governance arrangements is the Joint Audit and Standards Committee who serve the PCC and Force. The Committee generally meets on a quarterly basis and receives various reports on performance monitoring, internal and external audit, financial monitoring, strategies and policies, risk management and strategic risk registers and other 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.

Under the terms of the Policing Protocol 2011, the PCC is responsible for holding the Chief Constable and those under her responsibility to account, and the PCC is held to account by the Police and Crime Panel. The Police and Crime Panel (PCP), composes of locally elected councillors and independent members, who hold the PCC to account through a process of scrutiny and review, which includes scrutinising the Police and Crime Plan including performance monitoring against its priorities, the annual budget and the precept. The Panel meets formally in open session several times throughout the year, and has two working sub-groups – performance and finance - who meet separately, at least quarterly, to undertake their role to provide deeper levels of scrutiny and challenge. 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. The Chief Constable generally attends at least one Police and Crime Panel meeting per year, and whilst there is no direct relationship between them, this provides an important engagement opportunity and is key to maintaining good communication and local governance arrangements for policing across Warwickshire. During 2020-21 the JASC and PCP have worked more closely, which has helped to improve governance resilience, and avoided any duplication between the work of the two committees.

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Further details on the role, responsibility and powers of the PCP can also be found on the PCC's website.

2020 saw the launch of Warwickshire Police's 'Fit for the Future' Strategy which sets out an ambitious agenda for the force up to 2025 and builds on the significant transformational programme of work undertaken over the past two years to establish a standalone force. The strategy also aims to provide a framework within which the investment and significant success in recruiting additional police officers can be capitalised on. However, it became evident during the latter half of 2020-21, that the force needed to revisit the balance of officers and staff in order to achieve the right blend of skills and experience to deliver the strategy, and ensure that they are well placed and able to build an operationally resilient, fit for the future force, while maintaining a balanced budget to ensure future sustainability. Work on progressing this was undertaken in 2020-21, and resulted in savings of £4m which were removed from the budget in April 2021. A further natural consequence of significant recruitment of additional officers, alongside the requirement to establish a number of new departments in 2020, has meant a relatively young in service workforce. Whilst these changes will bring long term benefits to the force, it is acknowledged that there will continue to be a period of adjustment throughout 2021-22, as the skills and experience of officers are developed.

From April 2020 onwards, three key service areas remain shared or hosted by West Mercia, served by two S22 collaboration agreements, established under the Police Act 1996. The S22 agreements set out the governance arrangement for these services, in addition to the financial arrangements for cost sharing and charging. The governance arrangements for services delivered solely within Warwickshire during the course of the year are covered under the joint corporate governance framework.

In 2020-21 the Evolve transformation programme has been and remains fully focused on establishing new service delivery arrangements across digital services (ICT), forensics and HR and financial transactional services. This work, is due to complete in 2021-22 and is crucial in addressing key risks. All other service areas now exist within the Warwickshire footprint, delivered in-house, through service contracts with suppliers or collaboration agreements with other partners. This hybrid approach to service delivery has been the result of a thorough process of assessing the value for money and operational benefits of different options. This unique position should realise the benefits and help to deliver excellent policing services to Warwickshire communities. Regular monitoring of performance in achieving the final stage of transition is undertaken and updates provided to the Commissioner, but this process is a significant challenge in terms of delivery and cost.

A key themes of the 'Fit for the Future' strategy are as follows:

- Prevent and Protect – by working proactively to reduce crime and the harm experienced by our communities, particularly the most vulnerable.
- Respond and Reassure – to ensure public confidence in Warwickshire police by delivering a high quality service to all
- Effective and Efficient – the delivery of first class operational policing is underpinned by first class organisational support services.

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The strategy and achievement of the main aims is based on the continuing adherence to the vision, values and policing priorities that were re-set in January 2019. Our vision and values are shown pictorially in diagram 1 below, which sets out how our ambition, values and code of ethics support our vision to protect people from harm.

Diagram 1.

Our vision and values



Diagram 2 shown below, outlines the policing priorities 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.

Diagram 2:



3. Our workforce

Health and wellbeing is at the heart of the vision and values at Warwickshire Police, it is integral to the success of the Police and Crime Plan and it is essential that its importance is recognised. It is a specific priority under the fit for the future strategy, and is underpinned by

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a defined workforce promise in putting the health and wellbeing of staff first. The National Pay and Morale Police Federation survey showed Warwickshire in a positive light in how we have responded to the challenges from Covid-19 and how we have kept our workforce engaged. We showed the highest levels of officer morale compared to all other 43 Forces.

During 2020-21, Warwickshire has progressed with the management of change process where services have been stood up in Warwickshire. This can be an unsettling time, but it has generally been well conducted and received and this process will continue over the coming months for the three main shared or hosted service areas of digital services, forensics and transactional services as these services transition during 2021-22. An analysis of staffing levels is shown at table 1, including a gender breakdown of the workforce employed by Warwickshire police at the end of 2020-21 across the different sectors.

Table 1. Workforce Gender Analysis

	Male	Female	Total	Male %	Female %
Police Officers	694	347	1,041	67.0%	33.0%
Police Staff (including PCSO's)	320	539	859	37.3%	62.7%
Specials	17	82	99	82.9%	17.1%
Total	1,031	968	1,999	51.6%	48.4%

Under representation of Black and Minority Ethnic (BAME) people in police forces in England and Wales continues and was the subject of a recent Home Affairs Committee report. As a result of this report Warwickshire has been taking action where possible to promote policing as a career and to increase the diversity of the force and ensure that it better represents the local community. This remains a key focus for the Chief Constable and one which is fully supported by the PCC. 2020-21 has seen the continuation of significant increases in police officer numbers in Warwickshire, achieved through the national uplift programme and the Government's continuing commitment to recruit a further 20,000 officers nationally. The first uplift tranche for Warwickshire was for 41 additional officers in 2020-21, with a further 41 additional officers in 2021-22 and also in 2022-23 as the intended final year of the programme. Officer numbers in Warwickshire now stand at some of the highest levels in the forces' history, 1,041 at the end of the financial year, and currently (July 2021) at around 1,070, which provides the platform for improved services and increased operational resilience. The planned future recruitment intakes should also provide an opportunity to increase BAME representation, address wider issues of diversity and equality in the force, ensure that the service is able to deal with the increases in demands it faces, changing crime types and as a result be more effective at protecting people from harm.

The PCC and Chief Constable are also keen to increase the number of Specials within the force, recognising the invaluable work that they carry out, to support policing in Warwickshire.

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 6.65% of Warwickshire police employees are from BAME communities at the end of 2020-21 compared to 6.39% at the end of March 2020, which goes some way in demonstrating some, albeit limited progress being made towards achieving increased diversity across the workforce.

Statement of Accounting Policies**Table 2. Workforce Ethnicity Analysis**

	Total	BAME	BAME %
Police Officers	1,041	54	5.19%
Police Staff (including PCSO's)	859	69	8.03%
Specials	99	10	10.10%
Total	1,999	133	6.65%

4. Financial Performance

In an effort to understand the financial performance of the force in 2020-21, it is essential to consider the wider economic climate that it was 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 to deliver value for money for taxpayers, and to deliver responsive and effective operational policing services against a back drop of increased demand. The cost pressures felt by Warwickshire, despite operating within the alliance, particularly in the latter years were a reflection of the national picture for policing. However, as part of Boris Johnson's election campaign in 2019, he announced that if re-elected, policing would be treated as a priority service and this marked a change in policy from the preceding years of significant austerity for police funding.

In October 2019, the Home Office announced their Police Uplift Programme with more funding for the police service. This involved plans to increase police officer numbers by 20,000 over the next three years, and it was widely anticipated that increases in officer numbers on this scale would have a tangible and beneficial effect on the service, nationally and locally. The police grant settlement for 2020-21, announced in January 2020, provided the necessary funding to facilitate this increase in officer numbers. The headlines from that settlement were:

- £700 million for the recruitment of 6,000 police officers by March 2021 and relevant infrastructure improvements needed to recruit 20,000 officers by March 2023, of which:
 - £532 million to be provided through core grant
 - £168 million ring-fenced for successfully meeting recruitment targets.
 - 7.5% increase in core funding
- £10 precept flexibility for all PCCs, or equivalent, which could generate an additional £248m nationally for local priorities
- £50 million retained centrally to support delivery of the Police Uplift Programme
- £42 million, in-lieu of inflation, added to the national reallocations pot
- £92 million (9%) increase in reallocations to over £1.1 billion in 2020/21
- Flat cash pension grant allocations compared to 2019/20 – still £153 million
- Reduction of 74% to capital grant funding to PCCs
- Ending of the Police Transformation Fund

Shortly after receiving the final settlement, the Coronavirus outbreak (Covid-19) began to take hold and was confirmed to have spread to the United Kingdom on 31st January 2020. Since then approximately 130,000 people have died in the UK, within 28 days of testing positive for the virus. The pandemic has of course caused disruption right across the globe,

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not just at home in the UK, and the Government's response included emergency measures not previously seen in peacetime, by implementing national lockdowns, a furlough scheme for staff unable to work and spending billions propping up the economy.

On the 3rd March 2021 the Chancellor published his spring Budget, which followed a year of extraordinary economic challenge as a result of the pandemic. Like that of many other countries, the UK's economy has been hit hard, with both the direct effects of the virus and the measures necessary to control it leading to an unprecedented fall in output and higher unemployment. As the pandemic continued, the UK entered its first recession in 11 years. Gross Domestic Product (GDP) for 2020 fell by 9.9%, which was the largest annual fall in 300 years. As a result of the pandemic, borrowing reached 16.9% of GDP in 2020-21, the highest level of peacetime borrowing on record, and underlying debt is anticipated to peak at 97.1% in 2023-24.

It is against this backdrop that the Government is expected to launch its Spending Review in summer 2021. At this stage, it is not known whether it will be a multi-year settlement, or an annual settlement for 2022-23 only. Whichever period is chosen, the prospects for public sector expenditure may not look overly promising. It is expected that the Government will honour its pledge to complete the recruitment of the final tranche of additional officers, public sector pay may be frozen for a further period and grant settlements curtailed as the Chancellor looks to strike a balance between promoting economic growth whilst bringing public sector expenditure and national debt under control. Outputs from the spending review will be developed in line with the budget setting process for 2022-23 and a review of the medium term financial plan (MTFP).

Warwickshire Police has sound financial management practices in place, but the need to transition services away from the alliance, and transform service provision has brought recognition of the increased challenges and financial risk. The force has worked with CIPFA under the Achieving Financial Excellence in Policing programme (AFEP), which supports achieving and sustaining finance excellence in policing, building on national capacity and providing local support. As part of that process the force engaged CIPFA to undertake an independent financial management capability review (FMCR) to assess the financial resilience, management and sustainability within the force. The report was published in July 2020, and the assessment found the force to be rated three stars (out of a maximum of five stars).

This review has formed the basis of the initial high level assessment against the new CIPFA Financial Management (FM) Code requirements. The FMCR is consistent with the FM Code and provides both an independent criteria based assessment and roadmap for improvement. It was reported to the Joint Audit and Standards Committee in July 2021 which in turn provides the PCC and Chief Constable independent assurance on the adequacy of the financial management and sustainability of the Force.

The actions identified in the report are being monitored, the FM code will be introduced more fully on the 1st April 2021 and further work will be undertaken during 2021-22 to address actions and deliver improvements identified as part of the independent review.

The following sections bring together the process of business planning and budget preparation, they cover the financial performance for 2020-21 and also refer to the future financial issues though the MTFP. The Statement of Accounts for 2020-21 includes income

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and expenditure that are measured and reported in accordance with correct accounting practice set out in The Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (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.

This narrative on financial performance should however, be read alongside the operational performance and information contained in the rest of this report to provide a comprehensive overview and further context on the performance of the force. Further details on the PCC non-financial performance is included in the narrative report which accompanies the PCC and group Statement of Accounts.

As mentioned previously 2020-21 has been an exceptional and unusual year for all, not just locally, but nationally and globally too, and this has undoubtedly had an impact on the financial and non-financial performance of Warwickshire Police. Whilst the Force is used to responding in an emergency, the pandemic has been a significant and unique event effecting the whole of society and placing a strain on the NHS, local authorities and the police. Warwickshire Police have responded by changing and adapting how they deliver services and police the county, often at short notice in response to government regulations that have emerged as the pandemic evolved and also to specific local circumstances. The deployment of mobile devices, greater home working and implementation of Covid secure working practices across the estate and when we are out and about in the community has ensured the Force has remained operational and the workforce has remained safe during the pandemic.

The government has reimbursed the majority of the costs of policing the pandemic, which includes, Personal Protective Equipment (PPE), making good lost income and supporting enforcement activity. This is a welcome relief and removed the immediate financial risk identified at the start of the pandemic and thereby reduced the need to rely on reserves. The costs and effects of the pandemic in Warwickshire are outlined further later in this narrative report.

However, the longer term impact on the economy and the consequences of financial recovery, the impact on the funding of the public sector, including policing is yet to be seen. Therefore, the 2021-22 Budget and MTFP, seeks to ensure resilience and provide short term flexibility, through setting aside reserves to accommodate adverse variations in funding, which in turn allows time for the policing model to be redesigning within the funding available. In recent years, austerity, the collaboration (alliance) with West Mercia Police and the subsequent exit from that arrangement have all been referred to in respect of the journey that Warwickshire Police has been on over recent years. The transition out of the alliance of the remaining applications, (forensics services, transactional HR and financial services and the hosted ICT service) and the work to build a standalone robust ICT infrastructure and contemporary digital services, which forms the Evolve Programme of work, is ongoing. The Evolve Programme is a circa £20m project spanning three years and therefore continues to feature heavily in the financial performance and MTFP.

In previous years the challenging environment in which policing operates has been well documented, and the pressure created by the increasing demand and complexity of investigations, the changing nature of crime, for example as criminals establish a greater online presence, the remaining threat posed by serious organised crime and the threat of terrorism still exists. There are increasing levels of vulnerability in society and the fact is that

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more people turn to the police service as a last resort as other agencies struggle to meet the increasing demand from within their own limited resources. These trends persist, despite some changes in crime patterns during the pandemic, but this does place an increased pressure on our capacity and capability, which we seek to address through our business planning and is underpinned by our financial strategy.

The Association of Police and Crime Commissioners (APCC) and the National Police Chiefs Council (NPCC) continue, through the consultation process that leads up to the Comprehensive Spending Review and/or the annual Home Office funding settlement, to make the case to the Home Secretary around the operational pressures facing policing and the need for sustainable long-term funding and support for investment, and Warwickshire police is fully engaged with this process.

Locally, to expand the capacity of the Force, the PCC increased the precept in 2019-20 by £24 (12%), which funded an additional 85 police officers and 5 PCSOs. The PCC and Chief Constables aspiration is to reach 1,100 officers by 2022-23, which would be over 200 officers more than at the start of 2018-19. To this end Warwickshire welcomed the national uplift programme to recruit additional officers, successfully recruiting 41 officers in 2020-21, and an additional 41 in 2021-22, with the final recruitment phase planned in 2022-23, on the basis of the government remaining committed to honouring the uplift programme.

To further increase capability the Chief Constable has, within the delegated budget taken the opportunity to transfer experienced officers in from other police forces so as to bolster specialist teams, for example firearms and investigations (detectives), but these officers are more expensive given their experience and this adds further to the financial challenges facing the force, and brings to the fore the need to strike the delicate balance between financial resourcing and operational requirement.

Government support over the last two years; through the annual grant settlement, the uplift programme and pensions grant to partially fund increases in pension costs, as well as through specific grant and reimbursement of the costs of the pandemic, combined with the flexibility to allow the PCC to increase the precept have been essential to funding front line policing. However, this investment needs to be sustained and at the very least the government grant needs to increase annually so as to meet the unavoidable annual cost of pay increases to prevent the service being eroded by inflation.

In 2020-21 the PCC agreed a net revenue budget of £111.590m which included the use of £3.856m of reserves resulting in a budget requirement of £107.734m. The budget is funded by £57.592m of government funding and £50.142m from the council tax through the precept, which the PCC increased by £9.99 (4.38%) on a band D equivalent property as shown in Table 3.

Table 3. Funding 2020-21

Where the Money Came From	Budget £m	Actual £m	%
Central Government Funding	57.592	57.592	0.00
Locally Raised Funding – Precept (Council Tax)	50.142	50.142	0.00
Total Funding (excluding reserves)	107.734	107.734	100.0

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The £3.856m of reserves were used to meet the one-off costs associated with the transition of services out of the alliance with West Mercia Police, building a standalone ICT infrastructure and migrating digital applications. The reserves were also used to support the operational budget for one year whilst the Force transitioned out of the alliance and a plan was designed to make savings, to balance the budget in 2021-22.

Subsequently the force successfully took £4m out of the budget on 1 April 2021, which has been pivotal to setting a good and balanced budget by addressing the overspend in day to day operational activity. This has been achieved by utilising the significant investment in police officers over the past two years and revisiting the deployment of officers and staff working across some of our teams. By rebalancing we will achieve the right blend of skills and experience within the force and ensure that the force is operationally resilient, now and for the future, and can maintain a balanced budget position to ensure the force is affordable and sustainable.

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.

Table 4 shows the financial performance of both the PCC and the Chief Constable by comparing the revised budget to the actual for 2020-21. This integrates with the information contained in the Comprehensive Income and Expenditure Statement, where the distinction between the PCC and the Chief Constable follows the governance arrangements of the two entities, whereas Table 4 presents information in the format used to manage the budget.

Table 4. The Warwickshire PCC and Chief Constable Outturn for year ended 31 March 2021

Warwickshire Police	Budget £m	Budget Adjustments £m	Revised Budget £m	Actual £m	Variance £m
Chief Constable					
Police officers' pay	54.064	0.065	54.129	55.498	(1.369)
Police officers' overtime	1.248	0.029	1.277	2.484	(1.207)
Police staff pay	28.524	0.907	29.431	29.547	(0.116)
Police staff overtime	0.290	0.019	0.309	0.432	(0.123)
PCSO pay	3.057	0.000	3.057	2.901	0.156
Police pensions	1.429	0.000	1.429	1.379	0.050
Other employee expenses	0.522	(0.002)	0.520	1.586	(1.066)
Premises	2.961	0.000	2.961	2.921	0.040
Transport	2.606	0.000	2.606	2.379	0.227
Supplies & services	11.236	1.377	12.613	14.530	(1.917)
Third party payments	10.742	(2.105)	8.637	9.049	(0.412)
Capital financing	2.472	0.035	2.507	1.658	0.849
Expenditure	119.151	0.325	119.476	124.364	(4.888)

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Income	(10.291)	0.002	(10.289)	(10.752)	0.463
Net Force	108.860	0.327	109.187	113.612	(4.425)
Office of the PCC					
Staffing and associated costs	1.049	0.000	1.049	0.964	0.085
Grant scheme	1.681	(0.072)	1.609	1.637	(0.028)
Total OPCC	2.730	(0.072)	2.658	2.601	0.057
Net Force	111.590	0.255	111.845	116.213	(4.368)
Section 106 Funding	0.000	0.000	0.000	(0.100)	0.100
ESN Grant	0.000	0.000	0.000	(0.067)	0.067
Total Use of Reserves	(3.856)	(0.255)	(4.111)	(8.312)	4.201
Net Budget Including Use of Reserves	107.734	0.000	107.734	107.734	0.000

Note ESN – Emergency Services Network a national digital communications project to the replace existing Airwave system.

Table 4 shows the PCC and Chief Constable Net Expenditure of £116.213m compared to funding, from government grant and precept, of £107.734m. The additional expenditure being met from a planned use of reserves of £4.111m and a supplementary drawdown from reserves of £4.201m with a further £0.100m being funded from section 106 planning monies and £0.067m from the Emergency Services Network Grant.

The £4.111m of planned or budgeted use of reserves was used to meet the following one-off costs of the Evolve Programme and ICT costs associated with dual running and network maintenance contract extensions, necessary to maintaining existing the network during the transition out of the alliance. In addition reserves have been used to meet ongoing issues such as the shortfall in income from fees and charges and in lieu of savings. In Table 4 the Evolve Programme costs are within the police staff and supplies and services lines.

Earmarked reserves are set aside for specific purposes or initiatives and to mitigate known risks, the precise timing, when reserves are required, may only become clear once decisions are taken or when risks manifest, therefore it is not always possible to budget precisely when reserves will be used, which in turn necessitates an in year supplementary drawdown from reserves. Only the PCC has the authority to authorise the use of reserves and scrutiny is applied to requests, in conjunction with the Treasurer, prior to reaching a decision. A formal approval process is followed to document the PCC's decision and is available on the PCC's website.

The £4.201m supplementary drawdown from reserves was used to meet a range of one-off issues as follows:

- Further costs of the Evolve Programme, where the timing and the extent to which costs were treated as capital or revenue was unclear at the time of agreeing the 2020-21 Budget and remained so until such time as the discovery phase of the project was undertaken.
- Significant and unforeseen operational costs, consisting mainly of police and staff overtime, related to major investigations and policing events such as HS2.

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- The proportion of the pandemic expenses and lost income not reimbursed by the government, the pandemic was in the early stages at the time of agreeing the budget.
- The pressing need to fill police officer vacancies in specialist areas with experienced officers transferred in from other police forces and the timing of recruitment intakes were in year operational decisions taken by the Chief Constable and supported by the PCC.
- Finally reserves were used to meet the exit costs related to making £4m of savings to balance the budget, following a decision to accelerate the savings and remove £4m from the budget on 1 April 2021.

As stated reserves were used to support the shortfall in income over that which was a consequence of the pandemic, whilst the majority of pandemic related costs and income shortfalls have since been reimbursed by the government. However, the force have been successful in reviewing and developing a commercial vetting service, which vets the staff of companies and organisations who work with and for police forces across the UK. Roles and responsibilities, practises and procedures have been examined. The CorVet system has been developed in conjunction with the supplier to provide a customer experience more in line with contemporary web based applications, this development has been funded by the national uplift programme. Pricing, branding and marketing have also been considered. Whilst adopting a commercial approach to vetting, ensuring the service is ethical and outcomes are proportionate has remained at the forefront of minds, this has led to an over achievement of the 2020-21 income target, which has supported overspends elsewhere in the budget.

The final outturn has also been supported by an underspend on capital financing costs. This is the result of a decision not to make a planned contribution from revenue to finance capital, in light of the financial position, uncertainty regarding future funding and the difference in timing between the budget assumptions and when ICT assets go live and therefore trigger a charge to the revenue budget.

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 a summary of capital programme, budget spend and the future investment plans. Table 6 shows how this has been funded in 2020-21.

Table 5. Capital Programme Outturn 2020-21

Programme	2020-21 Budget £m	2020-21 Actual £m	2020-21 Variance £m	2021-22 £m	2022-23 £m	2023-24 £m	2024-25 £m	2025-26 £m
Estates	3.125	1.047	(2.078)	5.341	1.500	1.500	1.500	1.500
ICT: Evolve Programme	15.091	6.725	(8.366)	8.366	0.000	0.000	0.000	0.000
ICT: Projects	1.329	0.932	(0.397)	0.501	2.400	2.235	1.000	1.000
ICT: Replacement	0.725	0.657	(0.068)	1.069	0.976	1.024	1.076	1.190

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Vehicles	1.392	0.810	(0.582)	1.967	1.200	1.260	1.323	1.389
Plant and Equipment	0.017	0.029	0.012	0.500	0.500	0.500	0.500	0.500
Total Expenditure	21.679	10.200	(11.479)	17.744	6.576	6.519	5.399	5.579

Note: The 2020-21 budget of £21.679m includes slippage from 2019-20.

Table 5 shows the investment in assets; buildings, ICT, vehicles and equipment, to be £10.200m compared to an annual budget of £21.679m resulting in a variation of £11.479m, which is mainly slippage, on ICT and the estate and vehicles which will now be delivered in 2021-22. The slippage includes phasing of the Evolve Programme, the programme budget was initially all placed in 2020-21, however, it was recognised that the majority of the costs would be incurred in 2020-21 and 2021-22, therefore in this sense is not slippage in its truest sense, and is simply a correction to the profiling of spending and when it will fall, based on better and improved information as it becomes available. There have also been delays in vehicle deliveries as a consequence of the pandemic, resulting in lower spend on fleet replacement programmes, however these will be operational early in 2021-22, and the force will be working with Blue light commercial to access national frameworks which provide value for money for vehicle purchases.

The investment in our aging ICT to support deployment of contemporary digital applications, through the Evolve Programme, will ensure our workforce is supported by a robust ICT infrastructure that allows access to applications anywhere at any time, which in turn will better prevent and detect crime and support victims and witnesses. The programme initiated in 2018 to address the ICT ‘technical debt’ has been absorbed into a single Evolve Programme.

Due to the operational importance and cost of the Evolve Programme it is critical the programme is delivered on time and within the agreed budget, the majority of which will go live in mid 2021-22. The programme commenced in 2018-19, during 2019-20 and 2020-21 discovery work was undertaken to assess the scale of the programme and explore the art of the possible in terms of transactional and digital services and commence building the ICT infrastructure. Whilst some applications will for a limited time remain hosted by West Mercia Police, ultimately the Force will establish a standalone ICT operating platform, applications and service support. However, the position will not stand still and on-going investment in technology, including the Emergency Services Network programme to roll out digital communications and replace outdated technology is on the immediate horizon. Digital Services will remain a key enabler and the focus of future investment.

Work has been undertaken on the estate to ensure it is operational and able to accommodate the workforce post transition out of the alliance with West Mercia Police. A review of the estate and the role buildings play in delivering policing, post pandemic, will be undertaken this year, the outcome of which will be an Estates Strategy, from which priorities and objectives will be set and actions determined, including setting the criteria for investment, through the capital programme. In lieu of the estates strategy it was possible in 2020-21 to transfer ‘excesses’ in the estates (capital) budget to the Evolve Programme without needing to amend the capital financing strategy.

The PCC has to determine how the capital programme will be financed, which is set out in Table 6. As can be seen the majority of funding is by way of borrowing, which is either internally financed or comprises external debt. External borrowing is taken out at a

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preferential fixed rate and is within the Treasury Management Strategy and complies with Prudential Code.

Table 6. Capital Programme Funding 2020-21

Funding Source	2020-21 Budget £m	2020-21 Actual £m	2020-21 Variance £m
Borrowing	19.313	10.009	(9.304)
Capital Grant	0.113	0.114	0.001
Capital Receipts	0.850	0.045	(0.805)
Revenue Contribution	0.320	0.032	(0.288)
Section 106	0.083	0.000	(0.083)
Infrastructure Reserve	1.000	0.000	(1.000)
Total Funding	21.679	10.200	(11.479)

In future the Force may generate further capital receipts through the sale of surplus land and buildings, which will help finance the capital programme. Also if and when the uncertainty lifts around future funding it may also be possible to use reserves to fund capital expenditure. This strategy will be part of an ongoing review as part of the financial planning process. However both of these sources of funding are one-off and there remains an underlying need to borrow and a need to ensure that investment is targeted and programmes managed with a focus on controlling costs.

Reserves

Table 7 sets out the opening balances held on reserves as at 1 April 2020, it also shows the transfers from and to reserves in 2020-21, which includes transfers between reserves and the closing balance on reserves as at 31 March 2021. It goes on to forecast closing balances in the subsequent four years up to 2025-26. Whilst this is the anticipated position over the MTFP, there will be fluctuation and volatility in these balances as they are covering risks which may not happen and initiatives where the timing is uncertain.

Table 7. Reserves

Reserve	Opening Balance 01/04/20 £m	Transfers (from)/to Reserve 2020-21 £m	Closing Balance 31/03/2021 £m	Forecast Closing Balance 2021-22 £m	Forecast Closing Balance 2022-23 £m	Forecast Closing Balance 2023-24 £m	Forecast Closing Balance 2024-25 £m	Forecast Closing Balance 2025-26 £m
General	5.000	0.000	5.000	5.000	5.000	5.000	5.000	5.000
Collection Fund	0.000	0.000	0.000	0.339	0.169	0.000	0.000	0.000
Budget & Transformation	1.707	1.360	3.067	4.215	4.042	3.554	3.286	3.345
Transformation	9.538	(8.160)	1.378	0.000	0.000	0.000	0.000	0.000
Infrastructure	1.166	(1.166)	0.000	0.000	0.000	0.000	0.000	0.000
PCC grants & initiatives	0.300	0.000	0.300	0.300	0.250	0.200	0.150	0.100
Pension & Redundancy	0.400	0.100	0.500	0.900	0.900	0.900	0.900	0.900
Insurance & Legal	0.300	(0.047)	0.253	0.500	0.500	0.500	0.500	0.500
Income	0.500	(0.500)	0.000	0.250	0.000	0.000	0.000	0.000

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COVID-19	0.500	(0.114)	0.386	0.500	0.000	0.000	0.000	0.000
Commercial Vetting	0.000	0.573	0.573	0.573	0.573	0.573	0.573	0.573
Safer Roads Partnership	1.589	(0.358)	1.231	1.231	1.231	1.231	1.231	1.231
Total Reserves	21.000	(8.312)	12.688	13.808	12.665	11.958	11.640	11.649

Note: The Budget and Transformation Reserve have been merged at the end of 2020-21. The Redundancy Reserve has been increased and extended to cover pension risk around the McCloud remedy. The Insurance Reserve has been renamed to the Insurance & Legal Reserve to widen the scope.

In 2020-21 reserves have been used predominantly to meet the one-off costs of the Evolve Programme, to meet the pandemic costs not met by the government reimbursements, exit costs related to achieving the £4m of savings and operational costs as a result of deferring savings for one year.

The opportunity, created by the increased vetting income referred to earlier, has been taken to create a National Commercial Vetting Service (NCVS) reserve, which is a prudent step and will provide some protection against any fluctuations in income and exit costs should there be significant changes in the market or to manage any risks with business shrinkage in future.

It was intended to use reserves, backed by the settlement with West Mercia Police for the reasonable costs of exiting the alliance and to part finance the Capital Programme, in lieu of borrowing. However, given the economic uncertainty of the post pandemic world and any ongoing issues associated with leaving the EU it is prudent to protect reserves levels where possible, which will provide resilience for movements in funding, if they occur, but they are finite and can only be used once, and this strategy will also be kept under review with the passage of time, and in line with our risk management processes. The capital programme, as explained earlier, has therefore been funded mainly through affordable and sustainable borrowing.

It is hoped that later in 2021 the government may provide some clarity around grant funding and precept flexibilities or restraints, which will allow the financial strategy to be reviewed and set with greater certainty for at least a three year period. In an optimistic scenario reserves may be redirected to finance the capital programme and the planned revenue contribution to capital reinstated, but this strategy will continue to be monitored as more information on funding and costs becomes available. The short term challenge is for Warwickshire Police to ensure it can operate within its annual budget, before reviewing how reserves may be used more proactively.

In the short term the government support of the Council Tax Collection fund and the Local Council Tax support Grant has addressed fluctuations in precept caused by the pandemic, however, it is anticipated that the council tax base will recover over the life of the MTFP to a position where the council tax base grows by 2% every year. This will largely depend on local conditions and the speed of the economic recovery nationally, regionally and locally.

Within the balanced budget set by the PCC it is not anticipated that reserves will be used to support unforeseen operational expenditure (overspends) in the budget delegated to the Chief Constable. However, reserves may continue to be drawn down for specific risks or events for which they are being held. Nationally forces have received scrutiny on the level of reserves held, and have to demonstrate how they intend using them over the medium term. Clearly the role of reserves has been critical to manage costs during the pandemic, but also

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to help finance the significant investments required to exit the alliance and transform services in Warwickshire post alliance.

Note 8 in the Accounts provides an analysis of the reserves at the 31 March 2021 and shows the movement since 31 March 2020.

MTFP – ‘Looking Ahead’

The PCC’s 2021-22 Budget and MTFP, approved in February 2021, sets out more fully the business plan and financial strategy over an extended five year period.

The aim of the PCC and Chief Constable is to establish a standalone Force, post transition out of the alliance, which is affordable, sustainable and efficient. This is expressed through as a good and balanced budget, based on robust assumptions, where day to day operating costs are met from core funding consisting of government grant and precept, which is supported by income from charges for services. In this situation the budget does not rely on reserves to support routine day to day operating expenditure over the life of the MTFP. The 2021-22 budget achieved this ambition and included £4m of savings delivered on the 1st April 2021. Further savings were also included in specific service areas including at least £0.100m from estates budgets and the OPCC also identified £0.135m of savings in 2021-22 from within their budget.

The 2021-22 business planning process has been closely aligned to our financial planning and the overall Evolve transformation programme, and as a result it has been possible to identify those areas which require investment and prioritisation in 2021-22 to help meet operational demand and support delivery of our strategic priorities, consistent with the Police and Crime Plan objectives, thus better informing the PCC’s budget and a longer term financial strategy. This makes a balanced budget a more realistic proposition. Table 8 sets out the summary MTFP.

Table 8. Medium Term Financial Plan

	Budget 2020-21 £m	Budget 2021-22 £m	Budget 2022-23 £m	Budget 2023-24 £m	Budget 2024-25 £m	Budget 2025-26 £m
Previous year’s net Budget	102.719	111.590	114.233	117.634	119.971	122.964
Pay and non-pay inflation, incl. increments	3.169	3.935	1.448	1.825	1.900	1.950
Pay Uplift Programme recruitment	1.233	1.273	1.792	0.000	0.000	0.000
Pensions incl. McCloud remedy	0.310	0.275	0.350	0.350	0.500	0.500
Unavoidable and legislative	0.808	1.134	0.745	0.300	0.262	0.300
Business Plans	0.433	0.635	0.360	0.500	0.500	0.500
Transformation, transition and Digital Services	5.071	0.119	(1.411)	0.000	0.000	0.000
Capital Financing	0.901	0.790	0.750	0.460	0.000	0.000
Income	(0.500)	(1.094)	(0.790)	0.250	0.000	0.000
Uplift Grant	(1.153)	0.398)	(0.251)	0.000	0.000	0.000
One-off items funded from reserves	0.000	0.000	0.970	(0.751)	(0.169)	0.000
Savings	(1.401)	(4.822)	(0.562)	(0.597)	0.000	0.000
Net Revenue Budget	111.590	114.233	117.634	119.971	122.964	126.214

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Funding						
Central Government Grant	(57.591)	(62.188)	(61.454)	(62.017)	(62.586)	(63.160)
Precept (Council Tax)	(50.143)	(53.162)	(55.037)	(57.247)	(60.060)	(63.063)
Contribution to / (from) Reserves	(3.856)	1.117	(1.143)	(0.707)	(0.318)	0.009
Total Funding	111.590	114.233	117.634	119.971	(122.964)	126.214

In 2021-22 the PCC has increased the Band D equivalent Council Tax by £14.99 (6.3%). The MTFP assumes precept funding will increase by 4.99% a year made up of a 2.0% increase in the council tax base and 2.99% increase in the Band D equivalent rate of Council Tax. Over this period it is assumed that government grant will increase by 1% and the government have indicated they are committed to honouring the Uplift Programme. It is hoped that the government will continue to pay the Pension Grant, however, exact details regarding how the cost of the McCloud pension remedy will be met remains uncertain. Whilst robust, reasonable and balanced assumptions have been used to model future funding, the early years of the MTFP still require modest savings over and above those already achieved.

The reality may differ compared to these assumptions, however increases in funding, from whatever source, assumed in the MTFP are necessary to meet inbuilt pay inflation and effectively standstill as well as providing for the planned investment in people, assets and technology required for effective policing.

The 2021-22 increase in the precept will be invested in the infrastructure, including ICT, to ensure officers are equipped to police effectively so as to consolidate the recent investment in officers numbers. The budget includes investment in custody CCTV and supporting victims. We need to capitalise on our investment in digital services, to support officers to use the technology and data at their disposal to drive officer productivity and better prevent and detect crime. However, both the increased capital financing costs and the capacity to support the standalone Digital Services function needs to be financed through the MTFP.

The government assumes and it is recognised by the Force that greater efficiency and a degree of self-sufficiency is necessary to ensure the Force is affordable and sustainable and to provide for future investment. This accepts that during austerity many of the traditional methods of making savings to balance the budget, through changes to the policing model and the workforce, have been exhausted and that more innovative ways to working need to be developed to enable our workforce to be more productive through for example the use of digital applications, automation and self-service.

It is also accepted that a more 'commercial' mind set has a role to play in building a sustainable Force. This is both identifying opportunities for generating income as well as controlling cost. Whilst, a police force is restricted in what activities it can legally engage in and what is perceived to be acceptable, there are certain services and skills unique to policing that have a value beyond the immediate service.

As stated earlier we have been successful in developing the NCVS and meeting the full costs of service delivery. The intention is to grow this business as a national centre of excellence and encourage more forces to direct their commercial vetting through an accredited Warwickshire Police service, where the benefit of economies of scale and automation can lead to an improved service and reduced costs for policing as a whole.

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The Force also supports further collaboration, where this is appropriate and delivers value for money. For example, the Force has recently signed a collaboration agreement with West Midlands Police for the delivery of forensics services, which will be more cost effective than standing the service up on our own and provide a platform for migration to the Transforming Forensics Programme.

As we look across the MTFP period and focus on cost pressures the greatest single item that occurs year on year is that of inflation on pay, whether this is the annual pay award or the increments paid to officers, PCSOs and staff as they advance up the pay scale. The MTFP recognises the investment in ICT and digital services, whether in the form of operating costs or capital financing, as well as providing for pressure that are outside of our immediate control, national charges and the like.

There is a growing recognition of the potential costs arising as a consequence of the acceptance by the Home Office, that transitional arrangements introduced in 2015 to ease the impact of reforms to the Police Pensions Scheme, were discriminatory. Therefore, over the next few years it will be necessary to remedy this position. In addition to the immediate costs of implementing the remedy the long-term effect on pension liabilities will be determined and is likely to lead to increased employer contributions from 2023-24. A similar situation exists in relation to the Local Government Pension Scheme, which PCSOs and police staff are members of, however the circumstances are slightly different and the impact less significant. Whilst it is unclear how the costs will ultimately be met the impact is being recognised and a worst case scenario provided for in the MTFP.

The PCC has taken steps to protect and maintain reserves in the 2021-22 Budget and MTFP. This has been achieved by ensuring £4.0m of savings are taken out on 1 April 2021 and using borrowing rather than reserves to fund the Capital Programme at least in the short-term. As a consequence the reserves were re-aligned to the current risks as part of the 2021-22 budget setting process.

The reason for maintaining a reasonable level of reserves is to create a source of funds to meet specific risks and provide support to the revenue budget should there be fluctuations in funding during a period of economic recovery as a result of measures the government may put in place to address the balance of the economy post the pandemic. This position may change later in 2021 following the Comprehensive Spending Review and the Home Office funding settlement that may provide certainty beyond one year, providing both clarity and sustainability, which in turn may increase the options to use reserves to fund capital and one-off investment, thereby reducing the need to borrow. However, this position remains uncertain and it may take some time to establish this clarity.

Whilst the 2021-22 budget is felt to be a reasonable, yet challenging, budget, it will be incumbent on the Chief Constable to exercise tight financial control around the budget delegated from the PCC and take remedial action in year should adverse variation occur. Further details are included on the PCC's website on the MTFP, budget report and capital, treasury management and reserves strategies.

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

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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 2020-21 the Group paid employer's contributions in addition to contributions paid directly by staff. The last valuation was in April 2019, as follows:

Table 9. Pension contribution rates

Financial year	Contribution rate
2019-20 (Rate at time of triennial valuation)	18.2
2020-21	18.9
2021-22	19.7
2022-23	20.4

The new rate of 18.9% for 2020-21 is reflected in the employer contribution rate in the 2020-21 annual accounts.

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 2021 were £1.014m. 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 2020-21 approved budget the PCC approved external borrowing to fund the planned capital spend. Whilst no further Long Term borrowing was required in 2020/21 due to lower capital expenditure than planned, as at the 31st March 2021 the PCC had total external borrowings of £11.152m 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 2020 and more recently in March 2021.

5. Non-financial Performance

The PCC has a statutory responsibility to hold the Chief Constable to account for the performance of the force. In 2020-21 the PCC agreed with the Chief Constable that there would be no specific performance objectives other than to reduce crime. The Chief Constable

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monitors a range of indicators across crime categories in pursuit of this objective and performance in achieving this is discussed formally at a monthly ‘performance’ holding to account meeting. These meetings usually include more detailed challenge of a ‘deep-dive’ subject to scrutinise the performance in specific areas of policing. The outputs of these meetings are published in the meeting papers on the OPCC website. More general weekly holding to account meetings, give an opportunity for timely discussion of performance and topical matters, and wider discussion around local, regional and national issues

The Chief Constable controls specific actions through various policies and procedures, the behaviours of officers and staff and the culture of the force more widely are shaped by our values and the national Code of Ethics. Whilst, there is an acknowledgement that Warwickshire police 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, the force always seeks 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 lessons are learnt from our experiences. The PCC and his office also hold the force to account on any emerging areas of concern, and any arising issues may also be investigated, followed up and reported through these channels. The PCC has responsibilities for dealing with complaints and has shared staffing arrangements in place with West Midlands Police to fulfil responsibilities for dealing with complaints appeals.

Table 10 shows a summary of force performance for 2020-21 against the various categories of crime, and compares this to the number of crimes recorded in the previous year. The change in the demand profile in 2020-21 has been notably significant with total recorded crime reduced on 2019 levels. Whilst this correlated with a number of other key demand indicators, such as an overall reduction in 999 and 101 call volumes, it also masks some important underlying trends and changes in the composition of demand. Whilst traditional acquisitive crime (vehicle, burglary, theft, robbery) and violence with injury saw a significant reduction, violence without injury was an area where levels increased. This has been driven by an increase in malicious communications in particular, reflecting the impact of lockdown on the pattern of offending behaviour and accelerated growth in online criminality. It is a challenging time to project forward future demand given the uncertainty on the continued level of restrictions, but the planning assumption is that demand will return to more historical norms during 2021-22.

Although the pandemic created new and challenging demand around enforcement of restrictions, it also provided the opportunity for enhanced and targeted proactivity of Offenders, notably around drug offences, and accounts in part for the significant increase in the number of such crimes in 2020-21. It is also important to recognise the public order implications during the past year. Whilst Warwickshire did not experience the level of protesting experienced across other parts of the country, for example in relation to the Black Lives Matter protests, there was significant demand in relation to policing HS2 development across the county.

Table 10. Policing performance 2020-21

Crime Category	2019-20 no. of crimes	2020-21 no. of crimes	% change
Total recorded crimes as at 31 st March of each year	42,122	36,585	-13.1%

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Homicide	7	7	0%
Violence with injury	4,667	3,925	-15.9%
Violence without injury	9,800	10,666	8.8%
Rape	551	414	-24.9%
Other sexual offences	945	845	-10.6%
Business robbery	55	28	-49.1%
Personal Robbery	367	280	-23.7%
All robbery	422	308	-27.0%
Burglary – residential	1,644	894	-45.6%
Burglary – business	1,957	1,217	-37.8%
Vehicle offences	4,818	3,209	-33.4%
Theft from person	376	174	-53.7%
Bicycle theft	563	383	-32.0%
Shoplifting	3,345	2,383	-28.8%
All other theft offences	4,525	2,958	-34.6%
Criminal damage & arson	4,065	3,492	-14.1%
Drug offences	921	1,388	50.7%
Possession of weapons	485	451	-7.0%
Public order offences	2,316	2,939	26.9%
Miscellaneous crimes against society	715	932	30.3%

*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 2020-21 saw a decrease in the number of fatalities, with 13 road deaths compared to 28 in 2019-20, but improving road safety remains a key focus for the PCC and Chief Constable through increased investment.

Satisfaction in policing services is measured generally through the national crime survey (England and Wales). National satisfaction rates average about 75%, with the figures for Warwickshire being broadly comparable.

Local satisfaction survey data from victims is shown below for differing crime themes. The picture is mixed, showing improved satisfaction rates for burglary, vehicle and violent crime between 2019-20 and 2020-21, but a less favourable position is reported from victims of domestic abuse and hate crime. The force and PCC are continuing to monitor these trends and they form part of the regular performance meetings between the PCC and Chief Constable. Improved and increased service provision through targeted work and additional investment in domestic abuse services in Warwickshire should help to improve satisfaction levels for victims in the future.

Table 11. Victims satisfaction survey results

Crime type	2019-20 victim satisfaction rate	2020-21 victim satisfaction rate
Burglary	84.1%	89.0%
Vehicle	70.6%	79.2%

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Violence	72.4%	75.3%
Hate crime	75.0%	73.8%
Domestic abuse	85.0%	77.8%

The force management statement provides a huge amount of detail on force performance, including assessments on future demand for the force and the planning activity and resourcing required to address this. It provides information on the track record of the force in responding to the public, dealing with investigations, protecting vulnerable people, managing offenders, managing serious and organised crime, major events and force wide functions including ICT.

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 inspection and assessment of the force’s performance in terms of its effectiveness, efficiency and legitimacy, with the aim of encouraging improvement. HMICFRS produce reports to allow the public, and peers, to see how forces are performing. This is completed by way of formal PEEL inspections, which assess forces across a range of metrics and provide forces with an appropriate grading, as well as recommendations, Areas for Improvement (AFI) and, where appropriate Causes of Concern (CoC). Additionally, HMICFRS also conduct thematic inspections around a wide range of relevant topic areas and provide forces with national recommendations to drive improvement activity.

The coronavirus pandemic meant that the inspection regime was paused during 2020-21, and as a result the last assessments conducted during 2019-20, remain the most recent. They are:

- 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/. The inspection regime and work 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.

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The inspectors highlighted a number of key areas where the force has needed to do more to better protect the public and provide a more effective service, however there has also been 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, and good progress on these has been made during 2020-21.

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. Following a thorough review of service delivery options, outlined in a strategic business case, two new S22 collaboration agreements have been signed covering three service areas with West Mercia, for forensics, transactional HR and finance services, and digital services or ICT. The arrangements with West Mercia on forensics will terminate at the end of August 2021, when new arrangements that provide increased value for money will come into being with West Midlands, and ICT and transactional services will be delivered in house through a hybrid of service contracts and in house teams from the 1st October 2021. Some digital applications will remain on West Mercia infrastructure until such time as it is cost effective or possible to move them on to Warwickshire infrastructure or to a position where they are no longer required, thus ensuring value for money for taxpayers. These arrangements will continue to ensure that costs are transparent, and provide value for money for Warwickshire communities to facilitate efficient and effective policing.

Warwickshire also operates other successful collaborations and partnership working evident at the Justice Centres covering various criminal justice service providers in the north and south of the county, regionally in policing, for example through the regional organised crime unit and the regional policy officers who support the work of the PCC's across the West Midlands and also to deliver estates services through Place Partnership Limited (PPL). These arrangements deliver value for money, they provide an opportunity for cost sharing, and advantages from greater economies of scale. A decision has been taken collectively by shareholders to wind up PPL at the end of March 2021, following a decision by Worcestershire County Council to withdraw from the service, which as the biggest service user would have resulted in diminished benefits and efficiencies. However the in house estates service provision should provide an increased opportunity to redefine service needs and opportunities to provide improved value for money from April 2021 onwards and new contracts will be procured where necessary to deliver service needs.

6. The Coronavirus Pandemic - 1st April 2020 to 31st March 2021 (COVID19)

During 2020-21 the virus spread across the world from East to West, and became the most serious medical emergency for many years, reaching pandemic status and involving all countries and a race in research and development for a new vaccine to counteract the effects of the virus. Many hospitals around the world struggled with the high intake of patients and lack of equipment and supplies to treat them, and this continues now in many countries such as India, who have depended on emergency supplies being flown in to assist.

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Nationally and internationally workers were advised to remain at home to stop the spread of the virus, and new ways of working were quickly introduced to enable organisations to be able to meet their customers' needs. The use of social media communications forums became the standard for most businesses, and the force and the OPCC, like many organisations held meetings over phones, tablets, and PC's. This in turn lead to many organisations declaring that they would never return to the office or would operate a hybrid model of working from home and the office resulting in an expedited plans to rationalise and review service delivery models. Such change is likely to be less radical at Warwickshire police due to the nature of our business, and it is still too early to say whether this approach becomes the norm for some organisations, or whether over time as restrictions lift, organisations gradually migrate back to offices and pre-pandemic practises. The estates review being undertaken in Warwickshire will cover this and will help to develop future plans and methods of working, to drive more efficient use of our estate.

From an economic perspective, the leisure and retail industry was probably hardest hit with bars, theatres and shops all being closed during the 2 full lockdowns in 2020-21, pupils were taught over social media links for part of the year or had staggered returns to classrooms. Whilst the vaccine roll-out in the UK has been largely successful, and with most countries having begun their own vaccination rollout programmes, economies around the world are beginning to re-open cautiously, but it remains to be seen what the long term effects of the virus might be both commercially and around personal health and wellbeing, particularly mental health and routine health care. Most economists are predicting a speedy recovery for the economy to pre-COVID19 times within 1-2 years, stock markets have not seen the same economic impact as high street businesses, and many believe this is due to the impact originating as a medical event, rather than a financial one.

The Coronavirus pandemic has required a significant police response in terms of maintaining business as usual and policing specific issues arising as a consequence of the pandemic. Some of the impacts arising from the pandemic have been covered earlier in this report, but worthy of further note, is detail on how the force with the support of the PCC organised themselves to deliver a coordinated response by setting up a covid-19 command structure and dedicated team which linked in nationally and regionally to other forces and the Home Office, ensuring that it followed NPCC emergency incident response protocols. The PCC and Force also linked in to other public bodies through the Local Resilience Forum, to deliver a coordinated response across the County.

Warwickshire Police (PCC and Chief Constable) have performed well throughout the pandemic, as an emergency service they have remained fully operational throughout the various lockdown periods, they have implemented business continuity plans to maintain capacity and capability in front and back office functions, and they have deployed technology to enable distance and more flexible working. The approach of engage, explain, encourage and enforce, to policing the pandemic locally, has on the whole has been well received by the community. It is anticipated that some aspects of the measures taken to enable more agile working may be retained and lead to more efficient ways of working in the future, but this will be the subject of future analysis.

The impact of the global pandemic has directly and indirectly affected the accounts of Warwickshire Police in many ways during the 2020-21 financial year. There have been increases in spend for PPE and specialist equipment, reduced income from speed awareness courses and service sales, and increased and expedited expenditure to support

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operational policing and changed working practices. The financial impact of covid on Warwickshire police is outlined below:

Table 12. Warwickshire Police Covid Costs 2020-21

Covid-19 costs Warwickshire – Operation Readout	Expenditure £
Additional officer costs to police the pandemic	108,069
Additional ICT and estates costs to enable remote working and ensure Covid safe working environments	331,439
Additional PPE and other equipment costs	342,757
Loss of income from sales and services	613,952
Savings in fuel costs due to BP free fuel offer during the first and last lockdown	158,865
Net Directly Attributable Costs of Covid	1,237,352
Government funding:	
Recovery of PPE costs	243,284
Surge Funding	205,897
Income loss recovery	530,482
Total funding	979,663
'Net' covid costs being met from reserves	257,689

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The long term effect of the pandemic, and how this will manifest in Warwickshire, and on policing services, is still difficult to assess at this stage and very much depends on the ongoing ability of the economy to recover, and the continuing government response. Perhaps the most significant current risk arising from the pandemic is the uncertainty on future funding levels. The CSR is planned for later this year and will provide the first indicator on future funding and wider public spending plans. The MTFP is based on a 1% increase in central funding levels and any variance against this will have to be understood and addressed as part of the budget process. Just under 50% of annual funding is from Council Tax, but this also poses a continuing risk, if the economy fails to recover or if unemployment begins to rise as furlough schemes end later this year. 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. Due to this uncertainty, the PCC has retained the separate Covid earmarked reserve to deal with any unfunded ongoing costs and this will be monitored over the coming year. The “new norm” following Covid-19 will also require us to revisit the other MTFP assumptions and potentially reassess the best way to bridge any anticipated “gaps” in our future funding and spending plans.

Throughout the pandemic, the work of the PCC 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, face to face meetings could not always take place, but the PCC and his staff continued this work where possible utilising technology.

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 their respective chief officer teams and they are also reported to the Joint Audit and Standards Committee to provide independent over sight to ensure that risks are managed effectively.

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

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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. During COVID-19 the force recorded 50% more drug offences than in 2019-20. This is attributed to COVID-19 offering opportunities for pro-active policing to tackle drugs in Warwickshire.
- 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.
- COVID-19 has changed the profile of crime within Warwickshire. Using the Cambridge Crime Harm Index (CCHI) we estimate that while overall crime numbers have fallen, there has been a small increase in the harm profile of crimes. This is driven by an increase in Violence without Injury offences. We assess the increase in Violence without Injury to be attributed to changes to Home Office Counting Rules (HOCR) around stalking and harassment, improved crime recording as well as an increase due to COVID-19.
- 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.
- 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 and Chief Constable 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 in the approved budget. During 2020-21 the force has made great strides in recruiting additional police officers under the national Police Uplift programme. Warwickshire Police had been asked to recruit an additional 41 police officers by March 2021, and a further 41 in 2020-21, which it achieved early on during the year. 2022-23 will see the final year of the uplift programme. Despite these additional resources, 2021-22 will undoubtedly be another challenging year, for all the reasons referred to in this report.

The Commissioner was re-elected in May 2021 for a three year term, and one of his first key tasks was to appoint a new Chief Constable, the first female in this position in the force's history, following the retirement of the previous Chief Constable. Given the new leadership and the increased officers, this will give renewed vigour and impetus to deliver policing effectively in Warwickshire and this will build on the excellent work of the last few years. This will include challenges arising from the ongoing relaxation of restrictions as a result of the pandemic, the ongoing transitioning of the three key service areas which remain collaborated or shared with West Mercia, work with West Midlands as the new collaborative working arrangement for forensics comes into effect, and critically work will continue to ensure that overall spending is controlled within the budget available, to ensure the future sustainability and resilience of 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. It has been an exceptionally challenging year and I would also like to thank them for all their support during this time.

Jeff Carruthers
Director of Finance, Warwickshire Police

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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 Alliance by comparison is instead classified as a joint operation where costs are shared in line with the cost share model on 69% to West Mercia and 31% to Warwickshire up to March 2020. Under the new collaboration agreement post April 2020, for the remaining service areas, costs are split 68.3% to 31.7%.

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 2021 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 £27.168m. 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 2021 is £1,287.499m. 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 through a pensions grant.
- 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

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i. General Principles

The Statement of Accounts summarises the Chief Constable's transactions for the 2020/21 financial year and its position at the year-end. The accounting policies are the specific principles, bases, conventions, rules and practices applied by the Chief Constable when preparing and presenting the financial statements. The Chief Constable is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which must be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and the Service Reporting Code of Practice 2020/21 supported by International Financial Reporting Standards (IFRS).

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

ii. Changes in Accounting Policies

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effects of transactions, other events and conditions in the Chief Constable's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. No changes have been made to the Chief Constable's accounting policies in 2020/21.

iii. Income and Cost Recognition and Intra-group Adjustment

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

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

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

iv. Accruals of Income and Expenditure

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

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

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

v. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that

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mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

vi. Charges to Revenue for Non-Current Assets

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

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

vii. Employee Benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave, rest days, toil, paid sick leave and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Chief Constable. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the salary rates applicable at the start of the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the MIRS so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs. The accumulated cost is carried to the Chief Constable's Balance Sheet where it is held as a liability and this is matched by an unusable reserve.

Termination Benefits

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

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

Statement of Accounting Policies

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

Post-Employment Benefits

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

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

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

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

- the liabilities of the pension fund attributable to the Chief Constable are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of anticipated earnings for current employees.
- International Accounting Standard (IAS) 19 requires the nominal discount rate to be set by reference to market yields on high quality corporate bonds or where there is no deep market in such bonds then by reference to government bonds.
- the PPS liabilities are discounted using the nominal discount rate based on government bond yield of appropriate duration plus an additional margin and the LGPS liabilities are discounted to their value at current prices, using a discount rate based on corporate bond yields at 31 March 2021.
- the discount rates used by the actuaries and other principal assumptions are set out in Note 20.
- the assets of the LGPS fund attributable to the Chief Constable are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities – current bid price
 - property – market value

Statement of Accounting Policies

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

- **Current service cost** – the increase in liabilities as a result of years of service earned in the current year – allocated in the CIES to the services for which the employees worked;
- **Past service cost** – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the CIES as part of Non Distributed Costs;
- **Net interest on the net defined benefit liability** i.e. net interest expense for the Group – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the CIES – this is calculated by applying the discount rate used to measure the defined benefit obligation to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments;
- **Re-measurements comprising:**
 - **the return on plan assets** – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
 - **actuarial gains and losses** – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
- **Contributions paid to the pension fund** – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

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

Statement of Accounting Policies

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

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

The triennial valuation of the Local Government Pension Scheme took place during 2020/21 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 2021. Further information can be found in Note 35.

viii. Jointly Controlled Operations and Jointly Controlled Assets

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

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

ix. Leases

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

x. Segmental Analysis

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

Statement of Accounting Policies

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

xi. Prior Year Adjustments

Prior year adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes are applied retrospectively (unless otherwise stated) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

xii. Provisions, Contingent Liabilities and Contingent Assets

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

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

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

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

A contingent liability or a contingent asset arises where an event has taken place that gives the Chief Constable a possible obligation or asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Chief Constable. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities and contingent assets are not recognised in the Balance Sheet but disclosed in Note 18 to the Accounts.

xiii. Reserves

Statement of Accounting Policies

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

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

xiv. Value Added Tax

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

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Statement of Responsibilities

Responsibilities of the Chief Constable of Warwickshire Police

The Chief Constable is required to:

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

I accept the above responsibilities and approve these Statement of Accounts for 2020/21.

Debbie Tedds

The Chief Constable of Warwickshire Police

Date: xxxx 2021

Responsibilities of the Chief Finance Officer

The Chief Finance Officer to the Chief Constable is responsible for the preparation of Chief Constable's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code).

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

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

The Chief Finance Officer has also:

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

The Statement of Accounts for the Chief Constable of Warwickshire Police is duly authorised for issue on xxxx 2021 by authority of the Chief Finance Officer to the Chief Constable.

I certify that the Statement of Accounts represents a true and fair view of the financial position of the Chief Constable of Warwickshire Police at the accounting date and of the income and expenditure for the year ended 31 March 2021.

Jeff Carruthers

Chief Finance Officer to the Chief Constable of Warwickshire Police

Date: xxxx 2021

Audit Report page 1

To be added post audit, once the auditors are content they have everything in order to make this statement.

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Audit Report Page 2.

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Comprehensive Income and Expenditure Statement (CIES)

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

2019/20 Gross Expenditure £000	2019/20 Gross Income £000	2019/20 Net Expenditure £000			2020/21 Gross Expenditure £000	2020/21 Gross Income £000	2020/21 Net Expenditure £000
128,568	0	128,568	Policing Services		144,061	0	144,061
128,568	0	128,568	Cost of Policing Services	1	144,061	0	144,061
(114,191)	0	(114,191)	PCC's Funding for Resources Consumed	9	(127,039)	0	(127,039)
14,377	0	14,377	Net Cost of Policing Services		17,022	0	17,022
		29,273	Financing and investment net expenditure (<i>Note 20</i>)				25,010
		(15,636)	Home Office Grant Towards the Cost of Retirement (<i>Police Pension Fund Account, Page 64</i>)				(14,864)
		28,014	Deficit on Provision of Services				27,168
		(111,321)	Re-measurement of the net defined benefit liability (<i>Notes 8 and 20</i>)				151,405
		(111,321)	Other Comprehensive Income & Expenditure				151,405
		(83,307)	Total Comprehensive Income & Expenditure				178,573

Movement in Reserves Statement (MIRS)

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

	Notes	Police Fund Balance	Unusable Reserves	Total Chief Constable Reserves
		£000	£000	£000
Opening Balance at 1 April 2019		0	(1,195,370)	(1,195,370)
Movement in reserves during 2019/20				
Total Comprehensive Income and Expenditure	20	(28,014)	111,321	83,307
Adjustments between accounting basis and funding basis under regulations	7	28,014	(28,014)	0
Net Increase before transfers to Earmarked Reserves		0	83,307	83,307
Transfers to/from Earmarked Reserves		0	0	0
Increase/(Decrease) in Year		0	83,307	83,307
Balance at 31 March 2020 Carried Forward		0	(1,112,063)	(1,112,063)
Movement in reserves during 2020/21				
Total Comprehensive Income and Expenditure	20	(27,168)	(151,405)	(178,573)
Adjustments between accounting basis and funding basis under regulations	7	27,168	(27,168)	0
Net Increase before transfers to Earmarked Reserves		0	(178,573)	(178,573)
Transfers to/from Earmarked Reserves		0	0	0
Increase/(Decrease) in Year		0	(178,573)	(178,573)
Balance at 31 March 2021 Carried Forward		0	(1,290,636)	(1,290,636)

Balance Sheet

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

31 March 2020			31 March 2021
£000		Notes	£000
0	Long Term Assets		0
2,572	Short Term Debtors	15	2,572
2,572	Current Assets		2,572
(4,435)	Short Term Creditors & Provisions	16	(5,635)
(249)	Intra-Group Creditor	9	(74)
(54,684)	Current Liabilities		(5,709)
(1,109,951)	Liability Relating to Defined Benefit Pension Schemes	20	(1,287,499)
(1,109,951)	Long Term Liabilities		
(1,112,063)	Net Liabilities		(1,290,636)
(1,112,063)	Unusable Reserves	8	(1,290,636)
(1,112,063)	Total Reserves		(1,290,636)

These unaudited Statement of Accounts were issued on 28th July 2021

Chief Finance Officer to the Chief Constable of Warwickshire Police

Cash Flow Statement

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

2019/20 £000		Notes	2020/21 £000
28,014	Net (surplus) or deficit on the provision of services		27,168
(28,014)	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	7, 20	(27,168)
0	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities		0
0	Net cash flows from Operating Activities		0
0	Investing Activities		0
0	Net increase or decrease in cash and cash equivalents		0
0	Cash and cash equivalents at the beginning of the reporting period		0
	Cash and cash equivalents at the end of the reporting period		

Notes to the Financial Statements

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

1. Expenditure and Funding Analysis (EFA)

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

	2020/21 Net Expenditure Chargeable to the Police Fund Balances £000	2020/21 Adjustments between the Funding and Accounting Basis £000	2020/21 Net Expenditure in the CIES £000
Policing Services	124,264	19,797	144,061
Net Cost of Policing Services	124,264	19,797	144,061
Funding from the PCC	(124,264)	(2,775)	(127,039)
Other income and expenditure	0	10,146	10,146
(Surplus) or deficit on provision of Services	0	27,168	27,168

Opening Police Fund at 31 March 2019	0
Less Deficit on Police Fund in Year	0
Closing Police Fund at 31 March 2020	0

	2019/20 Net Expenditure Chargeable to the Police Fund Balances £000	2019/20 Adjustments between the Funding and Accounting Basis £000	2019/20 Net Expenditure in the CIES £000
Policing Services	113,186	15,382	128,568
Net Cost of Policing Services	113,186	15,382	128,568
Funding from the PCC	(113,186)	(1,005)	(114,191)
Other income and expenditure	0	13,637	13,637
(Surplus) or deficit on provision of Services	0	28,014	28,014

Opening Police Fund at 31 March 2019	0
Deficit on Police Fund in Year	0
Closing Police Fund at 31 March 2020	0

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

Adjustments between Funding and Accounting Basis

2020/21					
Adjustments from Police Fund to arrive at the CIES amounts	Adjustments for Capital Purposes (note i)	Net Change for the Pensions Adjustments (note ii)	Financing and Investment Adjustments (note iii)	Other Adjustments (note iv)	Total Adjustments
	£000	£000	£000	£000	£000
Policing Services	3,029	15,997	(554)	1,325	19,797
<i>Net Cost of Services</i>	3,029	15,997	(554)	1,325	19,797
Funding from the PCC	(3,029)	0	554	(300)	(2,775)
Other income and expenditure from the Funding Analysis	0	10,146	0	0	10,146
Difference between Police Fund surplus or deficit and CIES surplus or deficit	0	26,143	0	1,025	27,168

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	1,577	14,099	(600)	306	15,382
<i>Net Cost of Services</i>	1,577	14,099	(600)	306	15,382
Funding from the PCC	(1,577)	0	600	(28)	(1,005)
Other income and expenditure from the Funding Analysis	0	13,638	0	(1)	13,637
Difference between Police Fund surplus or deficit and CIES surplus or deficit	0	27,737	0	277	28,014

Note (i) Adjustments for Capital Purposes

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

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

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

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

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

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

1(b) Expenditure and Income Analysed by Nature

2019/20 £000		2020/21 £000
53,165	Police officers pay	57,982
30,354	Police staff pay	32,879
1,480	Police pensions	1,390
1,268	Other Employee Expenses	1,875
33,191	Pensions current cost of service	32,830
(14,807)	Cost of pensions based on cash flows	(17,103)
277	Accumulated absences	1,025
23,030	Other service expenditure	28,780
(4,285)	Non distributed costs	270
5,608	Depreciation, Amortisation, Revaluation Loss and REFCUS	3,196
(713)	Capital Charge between PCC and Chief Constable - net	937
29,273	Net interest on the net defined benefit liability	25,010
157,841	Total Expenditure	169,071
(114,191)	Funding from the PCC for financial resources consumed	(127,039)
(15,636)	Government grants and contributions	(14,864)
(129,827)	Total Income	(141,903)
(28,014)	Deficit on the Provision of services	27,168

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:

- Definition of a Business: Amendments to IFRS 3 Business Combinations;
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7;
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

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 2022 we will need to assess the impact of this new Standard in the 2021/22 accounts, but there is no requirement to consider this in the 2020/21 Accounts. On 12th April 2021 Chief Officers agreed to set Warwickshire Police's minimum threshold for leases at £5,000.

3. Critical Judgements in Applying Accounting Policies

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

PCC and Chief Constable Group Relationship

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

The allocation of transactions and balances between the PCC and the CC affects the values reported in the two entities' Accounts. The allocation of transactions and balances is a judgement in light of the legislation, accounting standards and the substance of the local arrangements that are in place rather than the legal form underpinning the arrangements. The treatment of the Group, consisting of the PCC and CC, 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;

Notes to the Financial Statements

- 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.

Shared Services

A judgement, which is fundamental to the cost sharing model, is that costs and benefits relating to the Alliance were apportioned 69% to West Mercia and 31% to Warwickshire, this was revised prior to signing the S22 agreement and a new apportionment was agreed, at 68.3% to West Mercia 31.7% to Warwickshire. This was 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. As explained in the Narrative Report, the strategic alliance terminated with effect from March 2020, and a Legal Settlement was reached between both Forces.

The Force used a shared services arrangement with West Mercia Police throughout 2020/21, for some transactional services including Finance, HR and ICT. These services were subject to the above mentioned agreement in the proportions stated.

The economic reality of the post-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.

Where purchases were made specific to either Force, and were separately identifiable, discreet items they were charged 100% to the appropriate Force, this included purchases of mobile phones and laptops.

Cost of Service – Comprehensive Income and Expenditure Statement

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

The Net Cost of Policing Services has risen by £3m compared to 2019/20, mainly due to fluctuations between years relating to the valuations of property assets and pensions' costs, offset by a lower use of reserves to fund expenditure as explained in the Narrative Statement.

Funding

There is a high degree of uncertainty around future government funding received through the funding formula grant. The main reason for this is as a consequence of the pandemic and actions the government may take to address the national debt and the implications this has on police funding. There is also uncertainty around the precept limitations or flexibilities. However, the government would appear to be determined to honour their commitment to support the national Uplift programme to recruit 20,000 police officers nationwide by 31 March 2023. It is anticipated that further clarity will be provided in the Comprehensive Spending

Notes to the Financial Statements

Review 2021, where it is hoped the government will set a three year funding strategy, this review is not expected to conclude until late November 2021. Realistic yet prudent assumptions have been built into the MTFP. £4m of savings has been removed from the budget on 1 April 2021, however a further £1.5m of savings are required over the life of the MTFP. The MTFP is balanced and ensures the force is affordable and sustainable with contingency to deal with variations in the assumptions that underpin the MTFP.

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

The Accounts contain estimated figures that are based on judgements and assumptions made by the Chief Constable about the future or that are otherwise uncertain. However, because balances cannot be determined with certainty, actual results could be materially different from those that have been estimated. The items in the Balance Sheet at 31 March 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

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 and illustrations about the impact of the changes in assumptions to be applied to the pension schemes, and these are set out in Note 20.

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. The 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.

5. Material Items of Income and Expenditure

The re-measurement of the net defined benefit liability in the Other Comprehensive Income and Expenditure section of the CIES is a loss of £151.405m, compared to a gain of £111.321m in 2019/20. The loss is due to relatively small changes in the rates used by the actuaries for

Notes to the Financial Statements

discounting scheme liabilities and other minor changes in assumptions. Past service costs amounting to £0.270m are included within Cost of Policing Services in the CIES, as explained in Notes 6 and 20. Overall, the Pensions Liability held on the Balance Sheet, has decreased by £177.548m to £1,287.499m at 31 March 2021. Further information regarding the Pensions Liabilities can be found in Note 20.

6. Events After the Reporting Period

The Statement of Accounts were authorised for issue by the Chief Finance Officer to the Chief Constable on 28 May 2021. 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. Place Partnership Limited dissolved on 31st March 2021, and the work and many of the staff are being absorbed within the 4 ownership organisations from 1st April 2021. For the purposes of the 2020/21 financial statements, PPL figures are included in actual outturn and balance sheet figures including the pension statements and notes.

Following the ‘lockdown’ on 23 March 2020 in the UK. Warwickshire 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.

The McCloud pensions’ case, is gaining some momentum as consultation has taken place and an agreed remedy has been reached in principle, and the matter is entering the implementation phase of the remedy, with a substantial number of test cases due to be processed in late 2021. The Force’s actuaries have made estimates of the effect of the pensions’ remedy, and the actuarial figures have been included in 2019/20 and 2020/21 figures in the financial statements.

Further information regarding this ruling is set out in Note 20 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 Chief Constable in the year in accordance with proper accounting practice to resources that are specified by statutory provisions as being available to the Group to meet future capital and revenue expenditure.

2020/21	Police Fund Balance
	£000

Notes to the Financial Statements

Adjustments primarily involving the Pensions Reserve	
Pensions Costs (transferred to or from Pensions Reserve)	26,143
Adjustments involving the Accumulated Absences Account	
Holiday pay (transferred to the Accumulated Absences Account)	1,025
Total Adjustments	27,168

2019/20	Police Fund Balance
	£000
Adjustments primarily involving the Pensions Reserve	
Pensions Costs (transferred to or from Pensions Reserve)	(27,737)
Adjustments involving the Accumulated Absences Account	
Holiday pay (transferred to the Accumulated Absences Account)	(277)
Total Adjustments	(28,014)

8. Unusable Reserves

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

31 March 2019 £000		31 March 2020 £000
1,109,951	Pension Reserve	1,287,499
2,112	Accumulated Absences Account	3,137
1,112,063	Total Unusable Reserves	1,290,636

(i) Pensions Reserve

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

Notes to the Financial Statements

2019/20 £000		2020/21 £000
1,193,535	Balance as at 1 April	1,109,951
(111,321)	Re-measurement of the net defined benefit liability	151,405
58,179	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	58,110
(30,442)	Employer's pensions contributions and direct payments to pensioners payable in the year	(31,967)
1,109,951	Balance as at 31 March	1,287,499

(ii) Accumulated Absences Account

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

2019/20			2020/21	
£000	£000		£000	£000
	1,589	Balance as at 1 April		2,112
(1,835)		Cancellation of accrual made at the end of the preceding year	(2,112)	
2,112		Amount accrued at the end of the current year	3,137	
	277	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		1,025
	2,112	Balance as at 31 March		3,137

It should be noted that during the COVID19 pandemic, officers and staff worked throughout to ensure public safety was their focus at all times, this included some annual leave being cancelled in order to cover absences where some officers and staff were required to self-isolate or shield and their work needed to be covered by others. Absence levels were a main focus during this time, and at no time did they fall below a level that gave concern to Warwickshire Police's provision of services or our ability to fulfil our commitments.

This means that the numbers of days for annual leave and Rest Days in Lieu (RDIL) carried forward at the end of 2020/21 were higher than previous years, although this is expected to return to a more normal level at the end of 2021/22.

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

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

The Intra-Group funding arrangement is eliminated on consolidation of the Group Accounts, a treatment adopted for any transactions between the PCC and Chief Constable. The guarantee from the PCC in respect of the resources consumed by the Chief Constable in 2020/21 amounts to £127.039m (£114.191m in 2019/20). 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.

Notes to the Financial Statements

The Balance Sheet includes an Intra-Group Creditor of £0.074m (£0.249m in 2019/20) 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:

2019/20 £000		2020/21 £000
128,568	Chief Constable's Cost of Services	144,061
29,273	Interest on the net defined benefit liability	25,010
(15,636)	Home Office grant towards the cost of retirement	(14,864)
(111,321)	Re-measurement of the net defined benefit liability	151,405
30,884	Resources consumed	305,612
	Items removed through the MIRS:	
83,584	Movement in pensions liability	(177,548)
(277)	Movement in accumulated absences liability	(1,025)
114,191	Total resources consumed for the year by the Chief Constable and funded by the PCC	127,039

10. Pooled Budgets and Joint Operations

Alliance with West Mercia Police - Terminated 31.3.2021

Warwickshire Police and West Mercia Police operated in an 'Alliance' that provided 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 ceased on 31st March 2020.

The Alliance 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.

2019/20 £000	
(31,694)	Contribution from Warwickshire
(70,556)	Contribution from West Mercia
(102,250)	Total Funding provided to the Alliance
66,791	Pay and allowances
5,394	Transport costs
29,498	Supplies and services
9,124	Third party payments
(8,557)	Income
102,250	Total Expenditure (pooled)

Notes to the Financial Statements**Hosted and Shared Services**

Following the separation of the alliance, 2 new S22a collaborative agreements were signed, setting out a hosted services arrangement between Warwickshire and West Mercia Police Forces during 2020/21. A new cost-sharing basis was agreed at this time, agreeing that Warwickshire would reimburse West Mercia at 31.7% from 1st April 2020. The hosted services included Forensics, Business Operations Centre (Transactional Services), records, whilst ICT was a shared service.

Costs for services provided under the hosted services agreement were recorded and paid by West Mercia police, with a monthly invoice recharging these amounts was billed to Warwickshire with full back up. The recharges are shown in the table below under the headings of Direct Costs (Staff Pay, Transport and Supplies & Services) an agreed overhead for premises and other costs, charged as a percentage of pay. Where applicable direct overheads are also added, eg external costs from the payroll provider for running Warwickshire's payroll.

In addition Warwickshire Police directly incurred £1.4m of costs in respect of Forensics, mainly relating to pay costs for members of staff employed by Warwickshire, all costs have been recorded in Warwickshire Police 2020/21 accounts, but the additional charges are not included in the table below.

	Business Operation Centre (BOC)	Records	Forensics	Total
Employees	694,459	19,864	1,696,293	2,410,616
Transport	85	17	572	674
Supplies & Services	0	0	629,953	629,953
Direct Costs	694,544	19,881	2,326,818	3,041,243
General Overheads 2%	13,672	397	33,927	47,996
Premises 3%	20,509	10,271	67,853	98,633
Vehicles	0	952	11,234	12,186
Shared Overheads	34,181	11,620	113,014	158,815
Direct Overheads	72,880	552	0	73,432
Total Cost for service to Warwickshire	801,605	32,053	2,439,832	3,273,490

Place Partnership Limited

Place Partnership Limited (PPL) was a single asset management company co-owned by Warwickshire Police, West Mercia Police, Worcestershire County Council, Hereford &

Notes to the Financial Statements

Worcester Fire Authority that commenced business on 1 September 2015. Each party had equal shares and equal voting rights.

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 was a single asset management company co-owned by West Mercia Police, Warwickshire Police, Worcestershire County Council and Hereford & Worcester Fire Authority. The remaining partners agreed to dissolve the company on 31st March 2021. The final position of PPL in respect of the balance of any assets and liabilities that will fall on the partners has not yet been established as at the date of issuing the Group's unaudited Statement of Accounts; any impact on the Group is expected to be immaterial.

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. In 2020/21, the operating costs for Warwickshire Police were £3.476m (£3.073m in 2019/20) 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 £40.698m as at 31 March 2021 (£33.666 as at 31 March 2020): 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:

2019/20		2020/21
£000		£000
(13,293)	Contribution from West Midlands Police	(14,721)
(4,081)	Contribution from West Mercia Police	(4,001)
(3,965)	Contribution from Staffordshire Police	(3,887)
(1,982)	Contribution from Warwickshire Police	(1,944)
(2,400)	WMROCU Grant	(2,399)
(270)	National Cyber Security Programme funding	(140)
(165)	Regional Asset Recovery Team grant	(178)
(693)	ROCU Reserves	(482)

Notes to the Financial Statements

(1,134)	PTF Grants	0
0	UCOL Funding	(1,096)
0	ROCTA Funding	(112)
0	Disruption Team Funding	(256)
0	Dark Web Funding	(250)
0	OPSY Income	(34)
27,983	Total funding provided to the WMROCU	(29,500)
995	Regional Asset Recovery Team (RART)	1,066
195	RART – ACE team	187
637	Regional Cyber Crime Unit	739
288	Regional Fraud Team	320
922	Regional Prisons Intelligence Unit	952
8	UKPPS (protected Persons)	0
61	Operational Security (OPSY)	63
50	Regional Government Agency Intelligence Network (GAIN)	61
1,533	Command Team	1,440
5,527	Regional Confidential Unit	5,679
624	TIDU – Technical Intelligence	765
305	Enabling Services	252
4,628	SOCU	5,197
8,266	Regional Surveillance Unit (FSU)	7,531
122	Threat Assessment Team (ROCTA)	112
266	Disruption Team	385
3,555	Other Regional Operations	3,649
0	Additional Contribution to Reserves *	854
0	Dark Web	248
27,982	Total Expenditure	29,500
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 £0.441m in 2020/21, (£0.380m in 2019/20) 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 £0.033m and a short term debtor of £0.044m, representing the discounted value of future expected cash flows in 2020/21 and subsequent years. Future payments from NPAS will be offset against these debtors and an annual interest amount credited to the CIES.

The Northern Justice Centre and Southern Justice Centre

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

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

Northern Justice Centre

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

Southern Justice Centre

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

The operational costs, including building maintenance, for the Northern Justice and Southern Justice Centre are met from partner's contributions. A surplus or deficit on the Justice Centre Accounts is carried forward and taken into account in setting the following year's budget. Sinking funds exist for both Justice Centres to meet future building maintenance costs, these funds are ring fenced in their earmarked Reserves and do not form part of the Chief Constable, PCC or Group Accounts. The sinking funds are cash-backed Reserves and £4.084m (£3.957m as at 31 March 2020) relating to these reserves is invested by Warwickshire Police on behalf of the Justice Centres.

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

Northern Justice Centre

2019/20 £000		2020/21 £000
	Income	
(1,495)	Contribution from partners	(1,549)
0	Other income	0

Notes to the Financial Statements

(1,495)	Total Income	(1,549)
	Expenditure	
50	Pay and Allowances	48
1,370	Premises	1,386
61	Supplies & Services	57
1,481	Total Expenditure	1,491
(14)	Net (Income) / Expenditure	(58)

Southern Justice Centre

2019/20 £000		2020/21 £000
	Income	
(3,043)	Contribution from partners	(3,183)
(45)	Other income	(10)
(3,088)	Total Income	(3,193)
	Expenditure	
76	Pay and Allowances	73
2,470	Premises	2,534
82	Supplies & Services	85
435	Capital Charges – loan repayment	435
3,063	Total Expenditure	3,127
(25)	Net (Income) / Expenditure	(66)

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

RESERVE	Balance at 1 April 2019 £000	Transfers out 2019/20 £000	Transfers in 2019/20 £000	Balance at 31 March 2020 £000	Transfers out 2020/21 £000	Transfers in 2020/21 £000	Balance at 31 March 2021 £000
Sinking fund	(4,572)	121	(685)	(5,136)	323	(684)	(5,497)
General Reserve	(168)	34	(39)	(173)	0	(124)	(297)
TOTAL	(4,740)	155	(724)	(5,309)	323	(808)	(5,794)

11. Exit Packages

In order to make savings as part of the MTFP it has been necessary to review how police services are delivered. As a result a number of exit packages have been approved during 2020/21.

Exit packages include charges by the LGPS in respect of benefits paid before normal retirement age. There were no compromise agreements covering the 2020/21 exit packages. Some employees left the organisation prior to 1 April 2021, and some in early 2021/22. The

Notes to the Financial Statements

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	
	2019/20	2020/21	2019/20 £000	2020/21 £000
£0 - £20,000	2	30	43	318
£20,001 - £40,000	0	11	0	285
£60,001 - £80,000	0	6	0	280
£100,000 - £150,000	0	1	0	65
£150,000 +	1	0	247	0
Total	3	48	322	948

12. Officers' Remuneration

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

Senior Officer and Relevant Police Officer Emoluments:

		Salary, Fees & Allowances	Bonuses	Expenses Allowances	Benefits in Kind (e.g. car allowance)	Other Payments (Police Officers only)	Exit Packages	Pension Contributions	Total
		£	£	£	£	£	£	£	£
Chief Constable - Mr M Jelley Note 1	2020/21	144,980	0	60	8,677	12,399	0	0	166,116
	2019/20	141,444	0	0	7,053	10,874	0	0	159,371
Deputy Chief Constable 2 - Note 2	2020/21	121,382	0	0	7,645	3,423	0	37,628	170,078
	2019/20	118,421	0	0	5,207	3,423	0	36,710	163,761
Asst Chief Constable 1 – Note 3	2020/21	113,818	0	0	8,291	4,226	0	35,283	161,618
	2019/20	100,700	0	0	2,120	4,226	0	31,217	138,263
Asst Chief	2020/21	113,147	0	1,239	266	1,878	0	35,075	151,605

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Notes to the Financial Statements

Constable 2 – Note 4	2019/20	101,412	0	0	1,239	0	0	27,467	130,117
Transformation Director – Note 5	2020/21	0	0	0	0	0	0	0	0
	2019/20	10,981	0	0	0	0	0	1,988	12,969
Director of Finance – Note 6	2020/21	91,452	0	0	0	0	0	17,285	108,737
	2019/20	87,304	0	0	0	0	0	15,889	103,193
Director of Enabling Services 2 – Note 7	2020/21	87,520	0	0	0	0	0	16,541	104,061
	2019/20	82,655	0	0	0	0	0	15,043	97,698
Police & Crime Commissioner - Note A	2020/21	66,300	0	0	657	0	0	12,531	79,488
	2019/20	66,300	0	0	0	0	0	12,067	78,367
Chief Exec of PCC office – Note B	2020/21	62,530	0	0	0	0	0	11,818	74,348
	2019/20	73,355	0	0	0	0	0	13,351	86,706
Chief Exec of PCC Office – Note C	2020/21	17,033	0	0	0	0	0	3,219	20,252
	2019/20	0	0	0	0	0	0	0	0
Chief Finance Officer – Note D	2020/21	68,896	0	0	0	0	0	13,021	81,917
	2019/20	31,806	0	0	0	0	0	5,789	37,595

Notes

1	CC Started in post 1 April 2015
2	DCC became substantive 11 Sept 2018 after a short period Acting up.
3	ACC became substantive from 6 May 2019, and T/DCC from February 2021 covering absence
4	ACC Acted up from 13 August 2018 till 20/4/2020 when the post holder became substantive.
5	Left May 2019
6	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
7	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 Chief Exec of the PCC commenced in post on 21 July 2016, and retired in January 2021.
C	The Chief Exec of the PCC Started 1 st January 2021
D	The Treasurer (CFO) to the PCC Started in post 9 October 2019
*	Treasurer in the PCC office costs were shared 50:50 between Warwickshire & West Mercia Police during 2018/19 and the first part of 2019/20. During the separation of the alliance a new Treasurer for Warwickshire Police was appointed on 9 th October 2019, the previous Treasurer remains at West Mercia Police and started in post 17/08/2015.

Notes to the Financial Statements

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

Number of Employees		Number of Employees
2019/20	Remuneration Band	2020/21
82	£50,000 - £54,999	83
45	£55,000 - £59,999	78
9	£60,000 - £64,999	26
5	£65,000 - £69,999	11
5	£70,000 - £74,999	4
2	£75,000 - £79,999	5
5	£80,000 - £84,999	4
4	£85,000 - £89,999	2
0	£90,000 - £94,999	4
1	£100,000 - £104,999	0
0	£110,000 - £114,999	1
1	£115,000 - £119,999	1
0	£120,000 - £124,999	1
1	£140,000 - £144,999	1
160	Total	221

13. External Audit Costs

	2019/20	2020/21
	£000	£000
Chief Constable	17,135	17,900
PCC	33,907	50,257
Total for the Group	51,042	68,157

Grant Thornton provided no non-audit services during the year (nil in 2019/20).

14. Related Parties

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

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

Notes to the Financial Statements

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

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

The PCC and Chief Constable participate in various partnerships with a range of public bodies, although the alliance with West Mercia ended in March 2020, and a Section 22 Agreement is in place regarding shared services such as HR, ICT and Finance while Warwickshire re-establishes as a separate Force. Details of the transactions with other public bodies participating in joint arrangements are set out in Note 11 to the Accounts.

The shared services arrangement with West Mercia Police requires agreement of the accuracy and the figures for shared services which are invoiced to Warwickshire once agreed, and funds are transferred for those items in the usual weekly supplier payments.

As explained in Note 11, Place Partnership Limited (PPL) was 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 held 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. This company ceased trading on 31st March 2021, and are included in the annual accounts for all parties for 2020/21.

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

	Expenditure	Income
	£000	£000
Local Authorities in the Policing Area	2,844	(77)
Other Local Authorities	4	(7)
Seconded Police Officers	0	(402)
Other Police Forces (Incl West Mercia)	8,619	(7,123)
Place Partnership Limited	939	0
Total	12,406	(7,609)

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

15. Debtors

This note shows money owed to the Chief Constable for funding and services provided on or before 31 March 2021 where the money has not been received by this date.

Notes to the Financial Statements

Restated 31 March 2020 £000		31 March 2021 £000
0	Trade Receivables	0
0	Prepayments	0
2,572	Other Receivables (including balance of Police Pensions Top-up Grant)	1,361
2,572	Total Debtors	1,361

16. Creditors

This note shows money owed by the Group and PCC for goods and services purchased and received on or before 31 March 2021 where the money has not been paid by this date.

31 March 2019 £000		31 March 2020 £000
0	Trade Payables	0
(4,386)	Other Payables	4,874
(4,386)	Total Creditors	4,874

17. Provisions, Contingent Assets and Contingent Liabilities

A £224K provision was charged to the CIES in 2020/21 in respect of forecast redundancies from several areas of the Force which will give rise to payments in the future.

18. Proceeds of Crime

The Act gives powers to the Police and Customs to seize cash derived from, or intended for use in crime, and to secure its forfeiture in civil magistrates' court proceedings. The PCC is currently holding cash totalling £0.268m.

19. Cash Flow Statement – Operating Activities

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

2019/20 £000		2020/21 £000
(1,540)	(Increase)/decrease in revenue creditors & Provisions	(1,200)
(1,429)	Increase/(decrease) in revenue debtors	0
2,692	Movement in Intra-Group Funding	175
(27,737)	Movement in pension liability	(26,143)
(28,014)	Total – Group and PCC	(27,168)

20. Defined Benefit Pension Schemes

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

Participation in Pension Schemes

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

The Chief Constable participates in two defined benefit pension schemes:

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

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

As explained in Note 15, Warwickshire's 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 the total assets and liabilities relating to PPL as £40.698m as at 31 March 2021 (£33.666m as at 31 March 2019): 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

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, and consultation regarding the remedy proposals is currently underway.

Goodwin treatment

There is another legal case ongoing; the Goodwin case relates to survivor benefits in the Teachers' Pension Scheme. In that scheme, dependant benefits for a male spouse of a female member are based on service from 1988 and do not include service before 1988. This is being challenged in the legal case.

Whilst there is still uncertainty surrounding the potential remedy to the Goodwin judgement, our actuaries have carried out some approximate analysis across our LGPS clients to understand the potential impact of implementing a solution to correct the past underpayment of spouses' benefits. The approximate impact of this is very small for a typical Fund (c0.1-0.2% of obligations). We therefore do not believe there are sufficient grounds to apply an additional adjustment to account for this in a standard Results Schedule, given the level of additional work and fees that would be involved for the Employer (and indeed the highly approximate nature of applying an unknown remedy).

Other court cases

The following court cases, which may also impact LGPS benefits in the future:

- Walker;
- O'Brien;

It is our understanding these are unlikely to be significant judgements in terms of impact on the pension obligations of a typical Employer. As a result, and until further guidance is released from the relevant governing bodies in the LGPS, we have not made any allowance for the potential remedies to these judgements or applied any changes to the existing LGPS benefits structure in our calculations at the Accounting Date.

McCloud/Sargeant and 2016 valuation cost control

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. 'Past Service Costs' were included in the 2018/19 and the 2019/20 accounts in the calculations by our scheme

Notes to the Financial Statements

actuaries, and the 2020/21 service cost allows for the higher expected cost of accrual under McCloud.

In July 2020 HM Treasury consulted on changes to the transitional arrangements to the 2015 schemes as a result of this judgment and, at the same time, an update on the Cost Control Element of the 2016 valuations was published. In this update, the Government announced that the pause should be lifted and the cost control element of the 2016 valuations could be completed. This update also set out that the McCloud costs would fall into the 'member cost' category of the cost control element of the valuations process. It is also noted that by taking into account the increased value as a result of the McCloud remedy, scheme cost control valuation outcomes will show greater costs than otherwise would have been expected.

HM Treasury will set out in the Directions how these costs should be taken into account. GAD will then be able to complete the 2016 valuation calculations and will liaise with scheme managers and Scheme Advisory Boards to agree the underlying valuation assumptions and corresponding results. This will confirm whether there is a breach of the cost control element of the 2016 valuation for each of the public service pension schemes and GAD expects that these results will be available by Summer 2021.

If a breach is confirmed, scheme benefits may be amended to rectify the breach, which would impact on the benefits to be valued for the 2020/21 Resource Accounts. If there is no breach, there would be no change to scheme benefits.

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.

Impact of COVID10

Covid-19 implications

The current population mortality projections make no specific allowance for the impact of Covid-19 or any other pandemics. The starting rates of mortality improvement are based on projections of past trends in UK mortality and the effects of past pandemics will already be reflected in these trends. In general, the effects of pandemics on mortality rates are usually expected to be short term, with rates going back to what they would have been before the pandemic after a year or two, unless the pandemic remains over several years. My view is that it is too early to determine whether Covid-19 changes the long-term view of life expectancy in the UK. It is therefore not unreasonable to retain the existing mortality assumptions. A death rate from Covid-19 in excess of that already allowed for in the mortality assumptions would emerge as an experience gain over the next year's accounts.

Notes to the Financial Statements**Compensation Claims**

Compensation claims were lodged early in 2020, and in December 2021 test cases will be heard by the Employment Tribunal for these cases, and . As at 31 March 2021, it is not possible to reliably estimate the extent or likelihood of these claims being successful, and therefore no liability in respect of compensation claims is recognised in these accounts.

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:

2020/21	LGPS £000	LGPS (PPL ele- ment) £000	Police Pension Schemes £000	Total £000
CIES				
Cost of Services:				
– current service costs	7743	37	25,050	32,830
– past service costs and gain/loss from settlements	0	0	270	270
Financing and Investment Income and Expenditure				
– net interest expense	1,200	0	23,810	25,010
Total Post Employment Benefit charged to the surplus or deficit on the Provision of Services	8,943	37	49,130	58,110
Other Post-Employment Benefits charged to the CIES				
Re-measurement of the net defined benefit liability and return on plan assets	35,290	(17)	116,132	151,405
Total Post Employment Benefit charged to the CIES	44,233	20	165,262	209,515
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.	(8,943)	(37)	(49,130)	(58,110)
Actual amount charged against the Police Fund Balance for pensions in the year				
– employers' contributions payable to the scheme	4,675	20	12,408	17,103
– benefits paid direct to beneficiaries			1,120	1,120

Notes to the Financial Statements

2019/20	LGPS £000	LGPS (PPL ele- ment) £000	Police Pension Schemes £000	Total £000
CIES				
Cost of Services:				
- current service costs	8,139	42	25,010	33,191
- past service costs and gain/loss from settlements	(797)	22	(3,510)	(4,285)
Financing and Investment Income and Expenditure				
- net interest expense	1,433	0	27,840	29,273
Total Post Employment Benefit charged to the surplus or deficit on the Provision of Services	8,775	64	49,340	58,179
Other Post-Employment Benefits charged to the CIES				
Re-measurement of the net defined benefit liability and return on plan assets	(12,577)	(40)	(98,704)	(111,321)
Total Post Employment Benefit charged to the CIES	(3,802)	24	(49,364)	(53,142)
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.	(8,775)	(64)	(49,340)	58,179
Actual amount charged against the Police Fund Balance for pensions in the year				
- employers' contributions payable to the scheme	3,702	24	11,081	14,807
- benefits paid direct to beneficiaries			1,040	1,040

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:-

2020/21	LGPS £000	Police Pension Schemes £000	Total £000
Present value of the defined benefit obligation (including PPL £1.326m)	(214,237)	(1,197,270)	(1,411,507)
Fair value of plan assets (including PPL £1.326m)	124,008	0	124,008
Net liabilities arising from the defined benefit obligation	(90,229)	(1,197,270)	(1,287,499)

Notes to the Financial Statements

2019/20	LGPS £000	Police Pension Schemes £000	Total £000
Present value of the defined benefit obligation (including PPL £1.326m)	(151,192)	(1,059,280)	(1,210,472)
Fair value of plan assets (including PPL £1.310m)	100,521		100,521
Net liabilities arising from the defined benefit obligation	(50,671)	(1,059,280)	(1,109,951)

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

2020/21	LGPS £000	LGPS (PPL element) £000	Police Pension Schemes £000	Total £000
Opening balance at 1 April	(149,882)	(1,310)	(1,059,280)	(1,210,472)
Current service cost	(7,743)	(37)	(25,050)	(32,830)
Interest cost	(3,519)	(35)	(23,810)	(27,364)
Contributions by scheme participants	(1,587)	(9)	(4,860)	(6,456)
Re-measurement of liabilities	(52,741)	(239)	(116,800)	(169,780)
Benefits paid	2,847	18	32,800	35,665
Past service costs	0	0	(270)	(270)
Curtailments	0	0	0	0
Closing balance 31 March	(212,625)	(1,612)	(1,197,270)	(1,411,507)

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	(8,139)	(42)	(25,010)	(33,191)
Interest cost	(3,940)	(37)	(27,840)	(31,817)
Contributions by scheme participants	(1,328)	(9)	(4,330)	(5,667)
Re-measurement of liabilities	21,443	97	98,160	119,700
Benefits paid	2,805	29	31,590	34,424
Past service costs	797	(22)	3,510	4,285
Curtailments	0	0	0	0
Closing balance 31 March	(149,882)	(1,310)	(1,059,280)	(1,210,472)

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

Reconciliation of fair value of the scheme assets (LGPS)	2019/20 £000	PPL element 2019/20 £000	Total 2019/20 £000	2020/21 £000	PPL element 2020/21 £000	Total 2020/21 £000
Opening balance at 1 April	103,345	1,326	104,671	99,211	1,310	100,521
Interest income	2,507	37	2,544	2,319	35	2,354
Re-measurement gain/loss: The return on plan assets, excluding the amount included in the net interest expense	(8,866)	(57)	(8,923)	17,451	256	17,707
Contributions by employer	3,702	24	3,726	4,675	20	4,695
Contributions from employees into the scheme	1,328	9	1,337	1,587	9	1,596
Benefits paid	(2,805)	(29)	(2,834)	(2,847)	(18)	(2,865)
Closing balance 31 March	99,211	1,310	100,521	122,396	1,612	124,008

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 2022 is £4.120m. Expected contributions for the Police Pension Schemes by the Chief Constable in the year to 31 March 2022 are £11.632m.

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.

Notes to the Financial Statements

2020/21	LGPS £000	LGPS (PPL element) £000	Police Pension Schemes £000	Total £000
Changes in financial assumptions	54,387	239	125,832	180,458
Changes in demographic assumptions	0	0	0	0
Return on plan assets	(17,451)	(256)	0	(17,707)
Experience gains and losses	(1,646)	0	(9,700)	(11,346)
Total re-measurement	35,290	(17)	116,132	151,405

2019/20	LGPS £000	LGPS (PPL element) £000	Police Pension Schemes £000	Total £000
Changes in financial assumptions	(20,525)	(97)	(43,024)	(63,646)
Changes in demographic assumptions	0	0	(34,240)	(34,240)
Return on plan assets	8,866	57	0	8,923
Experience gains and losses	(918)	0	(21,440)	(22,358)
Total re-measurement	(12,577)	(40)	(98,704)	(111,321)

LGPS Assets

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

	Total 31 March 2020 £000	Split of Assets between Investment categories %	Total 31 March 2021 £000	Split of Assets between Investment categories %
Cash & Cash Equivalents	1,384	1	2,870	2
Equities	0	0	0	0
Investment Funds & Unit Trusts	83,375	84	101,745	83
Private Equity	4,748	5	6,687	6
Property	9,704	10	11,094	9
Total Assets	99,211	100	122,396	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 2019, projected forward to 31 March 2020. The liabilities for the Police Pension Schemes have been assessed by the

Notes to the Financial Statements

Government Actuary's Department. The principal assumptions used by the actuaries have been:

2019/20			2020/21	
LGPS	Police Pension Schemes		LGPS	Police Pension Schemes
		Mortality assumptions		
		Longevity at 65 for current pensioners:		
21.6 years	21.9 years	Men	21.6 years	22.0 years
23.8 years	23.6 years	Women	23.8 years	23.7 years
		Longevity at 65 for future pensioners:		
22.5 years	23.6 years	Men	22.5 years	23.7 years
25.4 years	25.2 years	Women	25.4 years	25.3 years
2.00%	2.00%	Rate of CPI inflation	2.00%	2.40%
2.60%	4.00%	Rate of increase in salaries (long-term)	2.6%	4.15%
n/a	1.00%	Rate of increase in salaries (short-term)	n/a	1.00%
1.80%	2.00%	Rate of increase in pensions	1.8%	2.40%
2.30%	2.25%	Rate for discounting scheme liabilities	2.3%	2.00%
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)	40,391	(40,391)
Rate of increase in salaries (increase or decrease by 1%)	72,973	(72,973)
Rate of increase in pensions (increase or decrease by 1%)	548,368	(548,368)

Notes to the Financial Statements

Rate for discounting scheme liabilities (increase or decrease by 1%)	273,883	(273,883)
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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		
(10,058)		- Normal at 21.3% of pensionable pay (see below)	(11,305)	
(355)		- Ill Health Capital Sum Income	(252)	
(74)		- Other – Pre 1974 Contributions (West Midlands)	(68)	
(4,331)		From members (serving police officers)	(4,862)	
	(14,818)			(16,487)
	(133)	Individual Transfers In from other schemes		(272)
		Benefits Payable		
25,804		Pensions	26,759	
4,760		Commutations and Lump Sum retirement benefits	4,831	
0		Lump sum death benefits	0	
	30,564			31,590
		Payments to and on account of leavers		
23		Refunds of contributions	33	
0		Individual transfers out to other schemes	0	
	23			33
	15,636	Sub-total for the year before transfer from the Group of amount equal to the deficit		14,864
	(15,636)	Additional funding payable by the Group to meet deficit for the year		(14,864)
	0	Net Amount Payable / Receivable for the year		0
	(15,636)	Actual Home Office Top Up funding		(14,864)

Notes to the Police Pension Fund Account

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

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

Glossary of Terms

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

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

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

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

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

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

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

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

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

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

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

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

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

Glossary of Terms

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Glossary of Terms

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Glossary of Terms

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Glossary of Terms

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

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

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

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

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

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

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

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

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

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

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

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

Outturn – The actual amount spent in the financial year.

Glossary of Terms

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

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

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

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

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

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

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

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

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

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

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

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

Glossary of Terms

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Glossary of Terms

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

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

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

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

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

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

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

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

APPENDIX 1

Chief Constable of Warwickshire Police Annual Governance Statement 2020-21

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