



Philip Seccombe  
Police and Crime  
Commissioner  
for Warwickshire

# Statement of Accounts

## 2021/22

# THE GROUP AND POLICE AND CRIME COMMISSIONER FOR WARWICKSHIRE

## STATEMENT OF ACCOUNTS 2021/22

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## Narrative Report

### Message from Philip Seccombe, Warwickshire Police & Crime Commissioner.

This report provides a detailed explanation of the financial results and performance during 2021/22. This period proved to be one of great progress, not only for Warwickshire Police and my office but also for the nation, as we finally began to see daily life being restored to a more familiar normality as the burdens of the Covid-19 pandemic began to ease.

When I contrast these past 12 months with the two previous years, there are many more points of optimism and genuine good news than before and these are reflected within the detailed narrative that follows.

Perhaps the biggest headline from the year was that Warwickshire Police made its final transition away from the former alliance arrangements, with the 'Evolve' change programme delivering fundamentally improved ICT arrangements and the remaining business areas transforming to Warwickshire-only services. This has been a huge achievement which has required the forbearance of the entire workforce while numerous changes took place.

The end result has been a success story, with the completion of a ground-up rebuilding of the force without disruption to the service provided to the public. Indeed, the replacement of fundamentally out-of-date computer systems with state-of-the-art technology has already had a major impact on the efficiency of the force, which will continue and I believe will enable better service to residents.

In May 2021 I was re-elected for a second term of office as Police and Crime Commissioner. I thank the electorate for their continuing faith in me to deliver the improvements to services they want to see, while always achieving the best possible value for money and ensuring every penny is spent wisely and effectively. To do this, I have created a new Police and Crime Plan for Warwickshire, which will provide the strategic direction for the force and help guide improvements to community safety and criminal justice through to 2025.

The new plan seeks to build upon the achievements from my first term of office, a central plank of which is the continuation of the policy of achieving a 'good and balanced' budget. This means ensuring Warwickshire Police's finances are affordable, sustainable and deliver value-for-money policing, met from core funding consisting of government grant and precept, which is supported by income from charges for services. In short, it ensures that there is no reliance on reserves to fund the day-to-day operations of the force. While achieving this does not come without some challenges, it is in the long-term best interests of the force.

Of course, my remit does not just cover financing the force but extends to securing improvements for victims of crime and delivering improvements to community safety, which involves wide partnership working. I fund a wide array of arrangements to support victims through grants and commissioned services. During 2021/22 this expenditure increased, particularly in the area of domestic abuse and sexual violence, in recognition of the significant increases in need for these support services which arose from the pandemic and the various lockdowns. More than £1.3 million has been spent on services for these victims this year, to assist them to cope and recover. This increased funding has seen expanded services and should lead to real benefits to some of the most vulnerable members of society.

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In June Martin Jelley QPM retired as Chief Constable of Warwickshire. I want to place on record my thanks to Martin for his exceptional leadership, especially during the challenging period following the termination of the alliance with West Mercia. I was delighted therefore to be able to appoint Debbie Tedds as his successor from July 2021. The first female Chief Constable in the force's long history, Debbie is Warwickshire through-and-through, having served at every rank in what is her home force.

She now leads a much-expanded force in terms of officer numbers. 2021-22 has seen the continuation of the Government's commitment to recruit a further 20,000 officers through the national uplift programme. Warwickshire's share of this included an additional 41 officers both this year and last, with the final phase of the programme coming in 2022-23, when 55 more will join. Officer numbers in Warwickshire now stand at some of the highest levels in the force's history and should tip 1,100 by the end of March 2023. This will provide the platform for improved services and increased operational resilience.

Despite the many highlights during the year, there were nevertheless continuing challenges which have the potential to impact financial and operational performance into the future. While crime levels in the main returned to pre-pandemic patterns by the end of the year, the complexity of incidents and demand on policing continues to increase. Equally, the national and international economic outlook has seen significant rises in costs and difficulties with supply chains. This looks set to continue for some time, not only impacting on the force but also local residents, for whom the increases in the costs of living are becoming readily apparent.

Central to how we weather this storm is prudent financial management and I believe the 'good and balanced' budgeting approach that I outlined earlier provides a strong foundation to ensuring Warwickshire Police continues to have the resources it needs and we continue to reduce crime, support victims and make communities safer.

## **Introduction**

This explains the structures and governance arrangements of the PCC and Chief Constable as well as a summary of financial and non-financial performance of Warwickshire Police during 2021/22.

The policing landscape continues to be increasingly complex and challenging. 2021/22 saw an ongoing response to the Covid-19 pandemic, whilst the process of recruiting significant numbers of officers as part of the national uplift programme entered the second year of three. The Force continued to transition the remaining services, which were shared or hosted with West Mercia Police, across to Warwickshire, including migrating applications and transferring data onto the new ICT infrastructure. 2022 also saw the new Operational Control Centre (OCC) based at Stuart Ross House go live. Similar to 2020/21 this has brought a number of financial pressures, which the PCC has financed and which are covered in this report.

The style and format of the accounts complies with CIPFA standards and is similar to that of previous years and contains the following sections:

1. Strategy and Structure including an explanation of the PCC and Group
2. PCC and force governance
3. Our workforce
4. Financial performance

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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 Policing Protocol Order 2011 is issued in accordance with the requirements of the Police Reform and Social Responsibility Act 2011, the legislation that enabled the creation of the role of Police and Crime Commissioners (PCCs) in 2012. The Protocol sets out to all PCCs, Chief Constables, and Police and Crime Panels how their functions are exercised in relation to each other and clarifies the Home Secretary's role, responsibilities, and powers. The Protocol includes the legal powers and duties of PCCs, including: -

- Scrutinise, support, and challenge the overall performance of the force, including against the priorities agreed within the Police and Crime Plan;
- Hold to account the Chief Constable for the performance of the force's officers and staff;
- Maintain an efficient and effective police force for the police area;
- Hold the Chief Constable to account for the exercise of the functions of the office of Chief Constable, and the functions of the persons under the direction and control of the Chief Constable;
- Publish information specified by the Secretary of State and information that the PCC considers necessary to enable the people who live in the force area to assess the performance of the PCC and Chief Constable;
- Monitor all complaints made against officers and staff, whilst having responsibility for complaints against the Chief Constable.

Of note in the Protocol is that the Chief Constable is accountable to the law for the exercise of police powers, and to the PCC for the delivery of efficient and effective policing, management of resources and expenditure by the police force. At all times the Chief Constable, their constables, and staff remain operationally independent in the service of the communities that they serve.

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. Given the statutory responsibilities of the PCC outlined above, these PCC and group accounts focus on the discrete activities which are the direct responsibility of the PCC including community safety and commissioning services for victims and witnesses of crime, as well as the 'PCC group' which includes all aspects of operational policing under the direction and control of the Chief Constable. The Chief Constable produces a separate set of accounts which explains how the resources provided by the PCC have been used to deliver the operational policing services across Warwickshire. The original net revenue budget for 2021-22 was £114.233m, with £2.618m (net) being under the direct control of the PCC.

As the elected representative of the county's residents, this provides the PCC with a mandate to oversee and direct how crime and community safety is addressed in the county, in addition to setting the strategic priorities for Warwickshire Police to create a safer, more secure Warwickshire by holding the Chief Constable to account for the force's delivery of its

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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 was re-elected for a second term in May 2021. Following his re-election his new term of office comes with the statutory responsibility of preparing a new Police and Crime Plan which ensures police and other community safety partners are focussed on the issues which are of greatest concern to the public across Warwickshire. This was approved and published for the period 2021-2025 by the end of March 2022. To gain a full understanding of the public's priorities, an extensive online and telephone survey was carried out across a representative sample of respondents from all parts of the county, supplemented by feedback from the budget consultations of 2020 and 2021, in addition to further feedback from key partners, the Chief Constable, victims of crime, the county council's "You Say" survey in 2020 and the Crime survey of England and Wales. This evidence was used to assess perceptions of policing within Warwickshire, as well as identifying the key issues in communities that required greater focus.

All of the research was rigorously analysed to ensure there was a strong evidence base to draw conclusions from. It means that the new plan for 2021-25 is carefully derived from the priorities highlighted by the public and aligned with the expert opinions of those involved in the frontline of community safety.

The five priorities of the new plan are:

1. Fight crime and reduce reoffending
2. Deliver visible and effective policing
3. Keep people safe and reduce harm
4. Strengthen Communities
5. Deliver better justice for all.

Each priority has an additional three areas of focus to direct activity. The draft plan was presented to the Warwickshire Police and Crime Panel for feedback, prior to the finalised version being published in March 2022. It can be viewed at: [www.warwickshire-pcc.gov.uk/police-and-crime-plan/](http://www.warwickshire-pcc.gov.uk/police-and-crime-plan/)

In a similar vein to tracking performance against the priorities of the last Police and Crime Plan, progress in achieving the five aims identified in the new plan will be well-documented in the PCC's 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, and this remains consistent.

Warwickshire 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;

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

## **2. PCC and force Governance**

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

In discharging this overall responsibility, the PCC is responsible for putting in place proper arrangements for the governance of his office's affairs and facilitating the exercise of its functions, which includes ensuring a sound system of internal control is maintained through the year and that arrangements are in place for the management of risk. In exercising this responsibility, the PCC has approved a joint corporate governance framework, which includes detailed finance and contract procedures, the approved scheme of delegation and also outlines the governance related aspects of risk management activities. The PCC is required to formally review the governance arrangements annually, and these are published on the PCC's website. The joint corporate governance framework is reviewed by key stakeholders across the force and OPCC, considered by the Joint Audit and Standards Committee and then approved in March each year, to ensure that the arrangements adequately reflect current and best practise. The framework includes 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. The Annual Governance Statement (AGS) outlines a number of governance issues that require addressing in 2022/23, as follows:

- To progress the Empower workstreams of – technology, place, and people. To ensure that the recommendations from the reviews are implemented in an efficient and cost effective way to enhance service provision.
- To continue to monitor the risks and seize opportunities arising from the national contractor vetting service offering.
- To drive out efficiencies from the recent significant investments in ICT and continue the transformation of Warwickshire Police.
- To recommission effective services that are fit for purpose and meet the needs of victims.
- To explore all opportunities for bidding for additional funding to support services to meet police and crime plan priorities.
- To ensure that the uplift recruitment targets are achieved of 55 officers in 2022/23.
- To continue to build good working relationships with partners.

The joint AGS is published alongside the Accounts and provides a detailed explanation of the PCC and force's governance framework, and how they have complied with that framework over the last twelve months. A key element of the governance arrangements is the Joint



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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 provides scrutiny and challenge to provide some assurance to the PCC and Chief Constable on these matters. The Committee have also developed a working relationship with the Police and Crime Panel with members of each Committee regularly attending both meetings to provide oversight, awareness of common issues, and to avoid duplication in their work.

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. The Panel also has two working 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. Their statutory responsibilities include:

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

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

The PCC recruited a new Chief Constable – Debbie Tedds in June 2021 following the retirement of the former Chief Constable Martin Jelley. She is the first female Chief Constable in Warwickshire in the force's 160-year history and heads up an expanded Warwickshire force with officer numbers expected to total some 1,100 by the end of March 2023. The Chief Constable continued to support the force's 'Fit for the Future' Strategy which sets out an ambitious agenda for the force up to 2025. All remaining services either hosted or shared under the former alliance were transitioned to their new operating model during 2021/22, within the revised budget and within the anticipated timeframes and the Evolve project has been closed at the end of March 2022. This represented a significant achievement and the benefits from this are already beginning to be seen across the organisations. Further work will be undertaken in 2022/23 and beyond to realise further benefits across the technology we use, the estate and resources we consume and occupy and to develop a new operating model for the force that is fit for the future and meeting the surging demand.

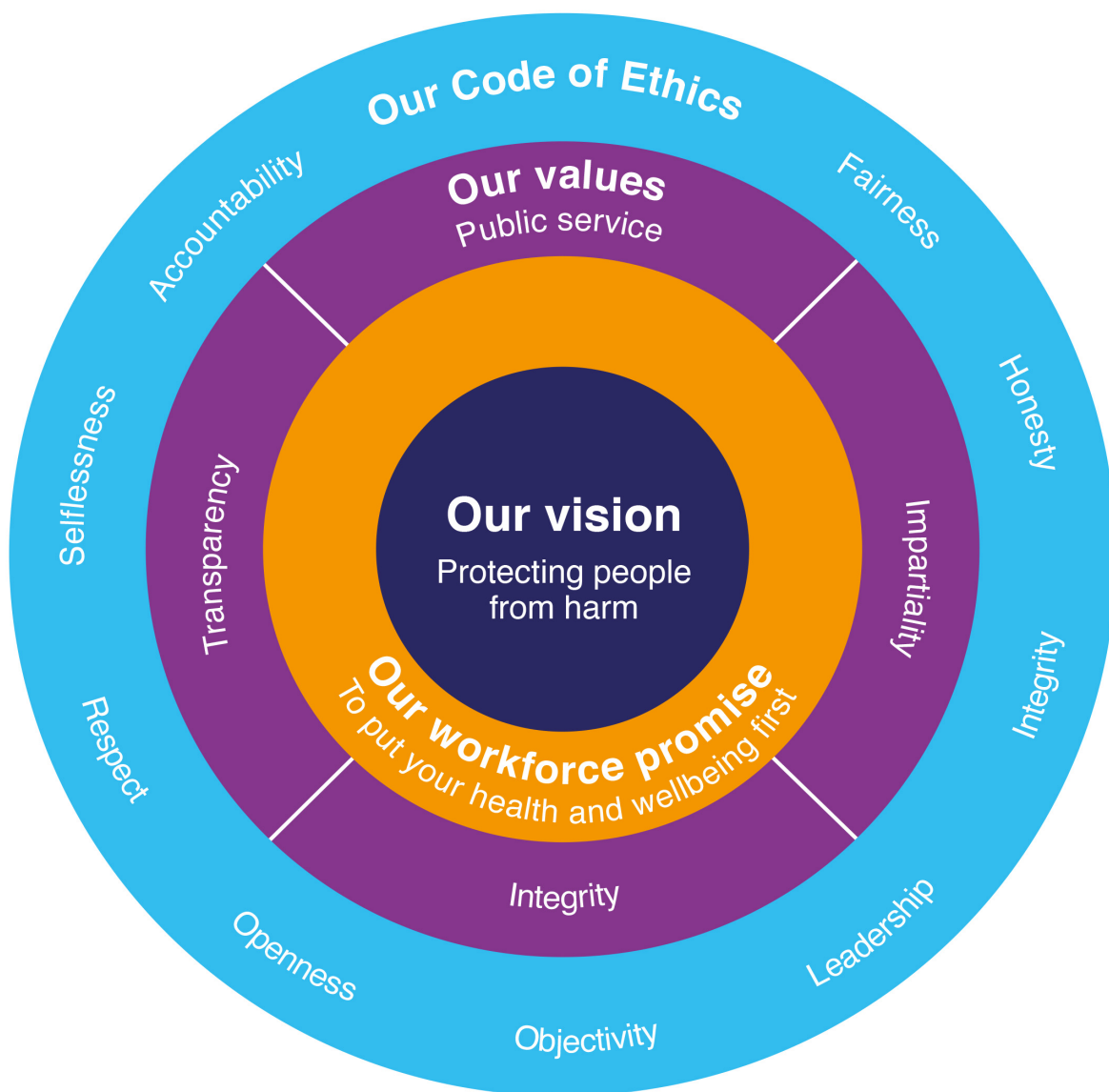
The three key themes of the 'Fit for the Future' strategy are as follows:

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- 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.

The strategy and achievement of the main aims is based on the continuing adherence to the vision and values. These 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.

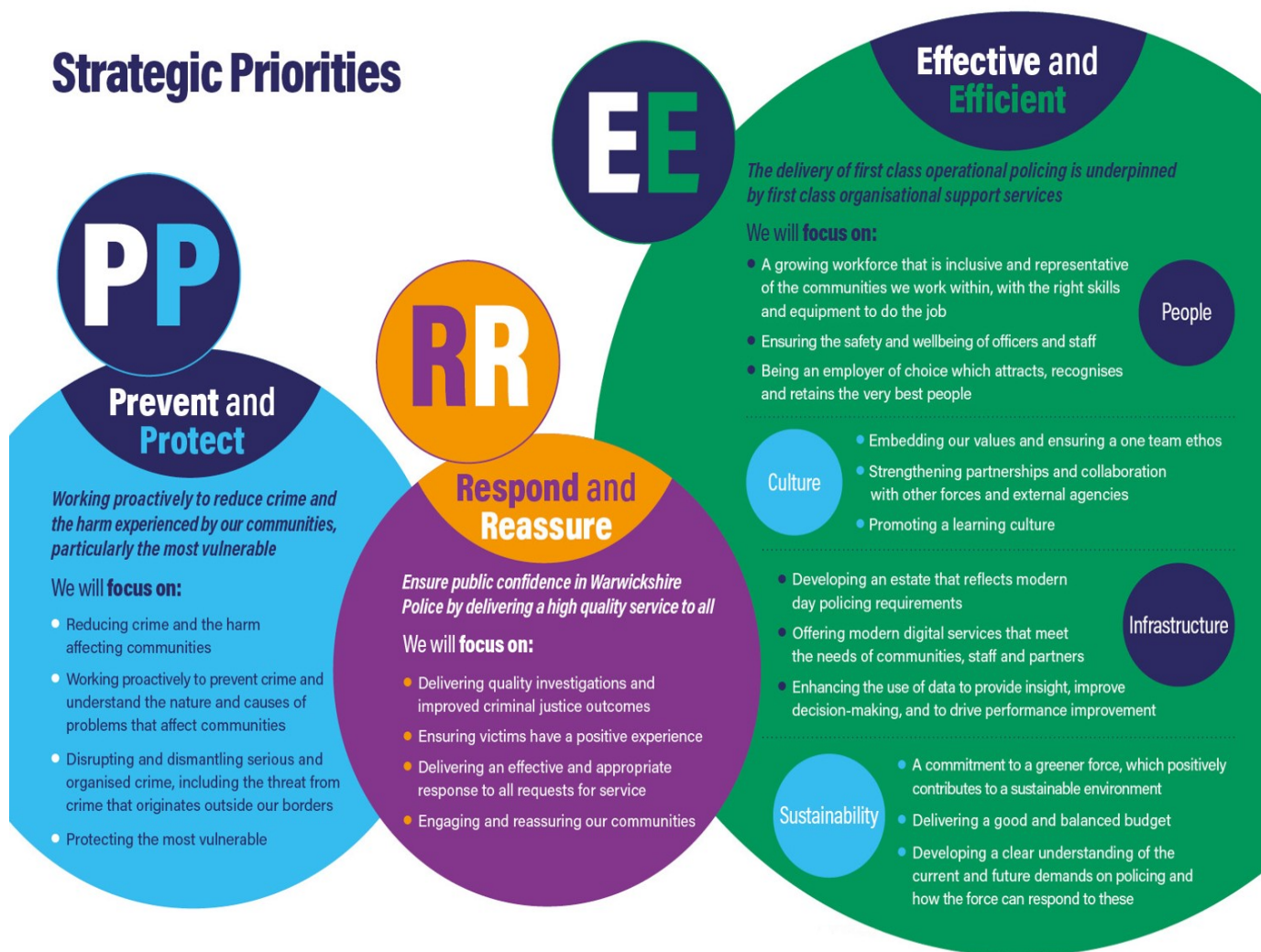
Diagram 1.



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Diagram 2 shown below, outlines the strategic policing priorities for Warwickshire Police. This links in with the priorities laid out in the Police and Crime Plan and the overall vision of protecting people from harm. The strategic policing priorities are set and led by a Chief Officer team.

**Diagram 2:**



**3. Our workforce**

Health and wellbeing continues to be 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 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. Warwickshire police showed the highest levels of officer morale compared to all other 43 Forces.

During 2021-22, Warwickshire has progressed with the management of change process with the last three remaining services areas of digital services, forensics and transactional

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services now being delivered under the agreed Warwickshire operating model. This is a hybrid mix of outsourcing and internal service provision, and whilst this can be an unsettling time for staff, it has generally been well conducted and received and this process is now complete. An analysis of staffing levels across the organisation is shown at table 1, including a gender breakdown of the workforce employed by Warwickshire police at the end of 2021-22 across the different sectors.

**Table 1. Workforce Gender Analysis**

	Male	Female	Total	Male %	Female %
Police Officers	692	358	1,050	66%	34%
Police Staff (including PCSO's)	245	514	759	32%	68%
Specials	72	21	93	77%	23%
<b>Total</b>	<b>1,009</b>	<b>893</b>	<b>1,902</b>	<b>53%</b>	<b>47%</b>

Under representation of Black and Minority Ethnic (BAME) people in police forces in England and Wales continues and has been the subject of recent Home Affairs Committee reports. Warwickshire has been taking action where possible to promote policing as a career to all minority ethnic groups 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. 2021-22 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 recruited in 2021-22. The final and last phase of the uplift programme in 2022-23 will see a target recruitment of an additional 55 officers. Officer numbers in Warwickshire now stand at some of the highest levels in the forces' history, and should tip 1,100 by the end of March 2023, which should provide 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. Whilst the recent recruitment generally mean that the Warwickshire force is young and relatively inexperienced, it will help to 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. However, recruitment remains an ongoing challenge, in the current low unemployment economy, and progress on achieving our recruitment targets are being monitored closely.

The PCC has been and remains keen to increase the number of Specials and PCSO's within the force, recognising the invaluable work that they carry out, to support policing in Warwickshire, particularly in Safer neighbourhood teams. The PCC has provided additional funds to support this and also to encourage the number of volunteers within the force to supplement the work of officers and staff, and to provide an independent voice on certain issues, for example through the appropriate adults and independent custody visitors programmes.

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% of Warwickshire police employees are from BAME communities at the end of 2021/22. This is consistent with levels at the end of 2020/21, although there are variations across the different

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groupings of staff. The force supported by the PCC is working hard to improve the diversity of its workforce and will continue to increase the diversity of its workforce through current and future recruitment programmes.

**Table 2. Workforce Ethnicity Analysis**

	Total	BAME	BAME %
Police Officers	1,050	54	5%
Police Staff (including PCSO's)	759	59	8%
Specials	93	7	8%
<b>Total</b>	<b>1,902</b>	<b>120</b>	<b>6%</b>

**4. Financial Performance**

The UK is in a time of unprecedented change whether this comes from Brexit, the domestic political environment including a change in the tory leadership and a new prime minister, the pandemic or the war in the Ukraine, which creates a great deal of uncertainty in the lives of people who make up the community and indeed work for Warwickshire Police. Increases in wages and the prices of goods and services are the highest they have been for some time, with some items even being difficult to obtain. As well as dealing with and reporting on past events, in documents such as the statement of accounts we have to factor these issues into our business and financial planning for the future, we have to make an assessment of the risks and uncertainty and form strategies to deal with various outcomes including deciding on what constitutes an appropriate level of reserves.

The police grant settlement for 2021/22, announced in January 2020, provided the necessary funding to facilitate this increase in officer numbers. The headlines from that settlement were:

- £415m increase in Government grant funding to PCCs. This additional funding will support year two of the Police Uplift Programme, with £100m of this funding ring-fenced and allocated according to funding formula shares. This is paid in line with progress on recruitment. The uplift in core grant funding is intended to meet necessary investment and ongoing supporting costs associated with additional recruitment.
- Up to £288m of additional funding from council tax based on the assumption that all PCC's will approve the maximum precept increase of £15. The precept flexibility was set at a £15 increase for a typical Band D property for all PCCs in England. Council tax levels are a local decision and elected PCC's will rightly want to consider what they are asking people to pay to fulfil their strong desire to keep our streets safe. The council tax referendum principles are not a cap, but they represent an additional local democratic check to prevent excessive increases, determined by the House of Commons.

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.

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The Government launched its Spending Review in late Autumn 2021 which provided some clarity around the medium term financial commitment the Government was making to both deliver and sustain on its ambitions to growth police officer numbers by March 2023. While only indicative, it has provided some certainty on the total funding that will be available not just in 2022/2023, but also in 2023/2024 and 2024/2025. This has been included in our medium term financial plan, which still identified the need for further savings over the next three years. At the request of the PCC, early planning by the Chief Constable is being undertaken to consider this savings requirement, which includes the role of the ongoing commercialisation in some service areas. Beyond 2024/2025 the funding position is less certain, as this will fall into a new SR period. Our MTFP recognises key areas of uncertainty, including inflation in pay and non-pay, as well as pressures which will result from a maturing workforce profile as more and more of our officers become experienced and therefore progress through the pay scales. However, although the MTFP published in February 2022 represents our best estimate based on all of the information available to us at that time, we already recognise that there have been changes which will impact on our assumptions requiring us to review and further refine these. We continue to keep our assumptions under review, liaising with Local Authority partners and others and we have already commenced the process of re-forecasting our MTFP which will be used to inform our future planning as we move into the budget setting process for 2023/24 in the autumn.

Our ambition remains to be an efficient and forward thinking, innovative force, focussed on realising the benefits of our recent investment in ICT, developing a policing model that is fit for the future and provides efficient and effective policing services to our communities. Under the Empower programme the force is setting the future direction for our technology, our infrastructure and our people, and the PCC will be keen to support investment in capabilities that unlock and release capacity and drive efficiency, to enable re-investment into new and emerging policing priorities in line with his ambitions outlined in the police and crime plan.

The following sections bring together the process of business planning and budget preparation, they cover the financial performance for 2021/22 and also refer to the future financial issues through the Medium Term Financial Plan (MTFP). The Statement of Accounts for 2021/22 includes income 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 2021/22 (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 and information contained throughout the Statement of Accounts should be read alongside the operational performance and the 2021/22 Outturn Money Matters report to provide a comprehensive overview and further context on the performance of the Force and PCC.

The PCC set a balanced budget for 2021/22, which means the Chief Constable is required to manage income and expenditure within budget and no longer rely on using reserves to support day to day operational policing. The PCC has prudently set aside reserves for specific risks, which are outside of operating income and expenditure. Whilst actions are taken to mitigate these risks reserves may be drawn down to finance variations in income and expenditure across the following areas without the Chief Constable breaching the balanced budget protocol:

- Income Shortfall in relation to Mutual Aid

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- COVID-19 related expenditure in excess of in year government grant
- Pensions, including McCloud and redundancies
- Insurance excesses and legal claims
- National Commercial Vetting Service for market risk
- Operating balances on the Warwickshire Safer Roads Unit (WSRU) / Safer Roads Partnership (SRP)

2021/22 was challenging as Warwickshire Police continued to build standalone services, following the transition from the alliance with West Mercia Police and implement contemporary ICT infrastructure and digital services through the transformational Evolve Programme. At the same time the effects of the pandemic were still being felt both from an internal operational perspective and in terms of policing the community. We also saw the signs of changes in the economy as goods and services became more expensive and some items were difficult to obtain.

However, having emerged from the alliance and completed the vast majority of the Evolve Programme by the 31 March 2022 the Force is in a better position than anticipated twelve months ago having financed the transition and transformation programme and maintained a healthy level of reserves.

Key to this was removing over £4m from the budget on the 1 April 2021. This avoided carrying non-specific income targets and removed the requirement to rely on reserves to bridge the gap in lieu of savings. Whilst savings are still required over the medium term, these are not required immediately and options exist as to how the budget can be balanced over the next three years, including the use of income.

The Force does not only rely on savings to balance the budget having developed the National Commercial Vetting Service (NCVS), increasing efficiency and driving up income.

Whilst crime levels in the main returned to pre-pandemic patterns by the end of the year the level and complexity of incidents and demand on policing continues to be challenging. As part of the government Police Uplift Programme the Force continues to deliver against targets for recruiting police officers. Having recruited an additional 41 officers in both 2020/21 and 2021/22 the Force will recruit a further 55 officers in 2022/23. It is anticipated that the Force will reach the target establishment of 1,100 officers during 2022/23. However, from starting with the Force it takes some time before new officers undergo training and become fully operational and effective.

In 2022/23 the Force's Empower Programme will report on the proposals for People, Place and Tech and identify options for an optimal, value for money, policing model and operational estate. This will be delivered from within existing resources, whilst leveraging productivity and efficiency from the ICT and digital services. Therefore, over the next few years the increase in capacity (police officers) combined with the enhanced ICT and digital services capability will have a positive impact on policing performance.

In 2021/22 the PCC agreed a net revenue budget of £114.233m and to transfer £1.117m to reserves resulting in a budget requirement of £115.350m.

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Following an uplift of 5.7% in government grant and flexibility to increase the precept by up to £15, supported by the government settlement, the PCC decided, following consultation, to increase the precept by £14.99 (6.30%) on a band D equivalent property.

Government support in recent years; through the annual grant settlement and the Police Uplift Programme, 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 and increasing annual cost of pay and non-pay increases to prevent the service being eroded by inflation. Core funding is set out in Table 3.

**Table 3. Funding & Budget 2021/22**

Where the Money Came From	Budget £m	Actual £m	Variation £m	%
Central Government Funding	62.188	62.108	0.080	53.8
Locally Raised Funding – Precept (Council Tax)	53.162	53.162	0.000	46.2
<b>Total Funding (excluding reserves)</b>	<b>115.350</b>	<b>115.270</b>	<b>0.080</b>	<b>100.0</b>

The £0.080m variation in the actual central government funding reflects the actual Tax Income Guarantee Scheme grant to cover the Collection Fund deficit as opposed to the estimate used to prepare the budget.

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 2021/22. 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.



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Table 4. Warwickshire PCC and Chief Constable Outturn for year ended 31 March 2022

	Budget £m	Budget Adjustments £m	Revised Budget £m	Actual £m	Variance £m
<b>Chief Constable</b>					
Police officers' pay	56.325	0.004	56.329	56.843	0.514
Police officers' overtime	1.514	0.088	1.602	2.844	1.242
Police staff pay	25.305	0.059	25.364	24.145	(1.219)
Police staff overtime	0.288	0.000	0.288	0.288	0.000
PCSO pay	2.911	0.001	2.912	2.602	(0.310)
Police pensions	1.479	0.000	1.479	1.541	0.062
Other employee expenses	0.701	0.010	0.711	1.055	0.344
Premises	3.065	0.000	3.065	3.166	0.101
Transport	2.765	(0.011)	2.754	2.417	(0.337)
Supplies & services	12.460	0.189	12.649	12.854	0.205
Third party payments	9.103	(0.140)	8.963	9.954	0.991
Capital financing	3.262	0.000	3.262	3.592	0.330
<b>Expenditure</b>	<b>119.178</b>	<b>0.200</b>	<b>119.378</b>	<b>121.301</b>	<b>1.923</b>
Income	(6.525)	(0.080)	(6.605)	(8.276)	(1.671)
<b>Vetting Unit</b>					
Expenditure	1.671	0.000	1.671	1.881	0.210
Income	(2.709)	0.000	(2.709)	(4.619)	(1.910)
<b>Total Vetting Unit</b>	<b>(1.038)</b>	<b>0.000</b>	<b>(1.038)</b>	<b>(2.738)</b>	<b>(1.700)</b>
<b>Total Chief Constable</b>	<b>111.615</b>	<b>0.120</b>	<b>111.735</b>	<b>110.287</b>	<b>(1.448)</b>
<b>Police &amp; Crime Commissioner</b>					
Office of the PCC	1.057	(0.001)	1.056	0.958	(0.098)
Commissioner's Grant scheme	1.561	0.007	1.568	1.599	0.031
<b>Total PCC</b>	<b>2.618</b>	<b>0.006</b>	<b>2.624</b>	<b>2.557</b>	<b>(0.067)</b>
<b>Net PCC &amp; Chief Constable</b>	<b>114.233</b>	<b>0.126</b>	<b>114.359</b>	<b>112.844</b>	<b>(1.515)</b>
<b>Safer Roads Partnership</b>					
Expenditure	1.370	0.107	1.477	1.626	0.149
Income	(1.370)	0.000	(1.370)	(1.624)	(0.254)
<b>Total Safer Roads Partnership</b>	<b>0.000</b>	<b>0.107</b>	<b>0.107</b>	<b>0.002</b>	<b>(0.105)</b>
<b>Funding Variation (Table 3)</b>					<b>0.080</b>
<b>Net Warwickshire Police</b>	<b>114.233</b>	<b>0.233</b>	<b>114.466</b>	<b>112.846</b>	<b>1.540</b>

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Budget Contribution to/(from) Reserves	Budget £m	Budget Adjustments £m	Revised Budget £m	Actual £m	Variance £m
General	0.000	0.000	0.000	1.000	1.000
Budget & Transformation	0.778	0.000	0.778	0.778	0.000
Infrastructure	0.000	0.000	0.000	0.774	0.774
Collection Fund	0.339	0.000	0.339	0.000	(0.339)
Safer Roads	0.000	(0.233)	(0.233)	(0.128)	0.105
<b>Net Transfer to Reserves</b>	<b>1.117</b>	<b>(0.233)</b>	<b>0.884</b>	<b>2.424</b>	<b>1.540</b>

Table 4 summarises the 2021/22 outturn position for the PCC and Chief Constable as follows. Net expenditure, after income, is £112.846m, which is £2.424m less than the £115.270m core funding (Table 3).

The £2.424m consists of agreed (budgeted) transfers to and from reserves, as well as unanticipated variations. In setting the 2021/22 Budget the PCC planned to make a £1.117m contribution to reserves to set aside government grant awarded to the PCC to ease the impact of the pandemic on the Council Tax Base (CTB) and Billing Authorities Collection Funds (CF). This would have been released over 2022/23 & 2023/24 to ease pressures on the budget whilst the CTB and CF recovered. However, Billing Authorities have reported the CTB has fully recovered and the CF was in surplus. This means the Collection Fund transfer to reserve of £0.339m is not required, however the £0.778m contribution to the Budget & Transformation Reserve has been retained. Further to this the PCC agreed to transfer £0.233m from the SRP Reserve to support the PCC's road safety initiatives.

The remaining transfers to reserves deal with unexpected variations and the £1.540m net underspend, transferring £1.000m to the General Reserve to enhance resilience and respond to audit recommendations on the adequacy of the General Reserve. £0.774m has been transferred to the Infrastructure Reserve to support the Capital Programme and £0.105m operating surplus on the Safer Roads Partnership has been set aside in reserves to be used for the PCC's road safety initiatives. The transfers to and from reserves are completed by foregoing the £0.339m transfer to the Collection Fund Reserve.

After the outturn had been declared and prior to the completion of the Accounts, the PCC opted to make a termination or 'clean break' payment to discharge the PCC's share of the PPL Local Government Pension Scheme liability forever. This is explained further in Note 14 to the Accounts. As PPL ceased trading from 1 April 2021, this one off payment of £0.735m has been accounted for in the 2021/22 Accounts, funded from the Budget Reserve. This means that the net transfer to Reserves of £2.424m set out above has been reduced by £0.735m to £1.689m.

Capital expenditure of £0.072m has been funded from the Road Safety Reserve, resulting in a net increase in Reserves in 2021/22 of £1.617m.

All transfers to and from reserves are set out at the foot of Table 3 the opening and closing balances held in reserve are set out in Table 7. The variations against the budget in the top half of Table 4 are explained as follows:

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The PCC agreed to underwrite up to £1.895m of unbudgeted expenditure from the budget & Transformation Reserve to fund the hosted ICT infrastructure and applications, with West Mercia Police, until 31 March 2022 (£1.570m) and to meet the one-off revenue cost of the Evolve Programme over and above the £1m budget (£0.325m). However, the final outturn position meant that it wasn't necessary to make this transfer. The hosted services appears in the Third Party costs and the Evolve Programme costs in Supplies and Services in Table 4.

The reason for the better than expected outturn can be attributed to the £1.700m budget variation on the Vetting Unit supported by the £2.738m surplus income. The National Commercial Vetting Service (NCVS), which provides vetting to non-police companies working for and with police forces has grown the business faster than planned. The aim is to generate a £1.500m contribution to the full costs of the service incurred by the Force and to do this by 2022/23, however this position has been reached a year early.

The police pay budget overspent by £0.514m which is related to less officers leaving the Force than anticipated and included in the budget. However, this relates to officers approaching retirement and is therefore a temporary timing issue as the officers will eventually leave the Force. The in-year overspend has been dealt with from underspends elsewhere, without the need to rely on reserves. The Force has also meet it's in-year targets under the Police Uplift Programme, to recruit 20,000 officers nationally by 2022/23.

Police overtime has substantially overspent in 2021/22 by £1.242m. Of this £0.617m is recoverable for specific events through mutual aid and accounts for a significant proportion of the £1.910m surplus income shown further down in Table 4. £0.240m relates to additional bank holidays, which were not budgeted for and which has been addressed in the 2022/23 budget. The remainder relates to operational events and investigations over and above what the budget provides for and to provide cover for vacancies in specialist posts.

The remainder of the variation in income is related to expenditure incurred elsewhere in the budget and is sometimes retrospective recognition of work done in previous years but which was not promised at the time. It includes grants for example related to the costs of policing the pandemic, which the government fully reimbursed, the Emergency Services Network project and reimbursement from the Regional Organised Crime Unit for historic operational support to address county lines.

In contrast to police pay and overtime the staff pay budget is significantly underspent by £1.208m. In addition to higher than expected turnover, this can be attributable in part to vacancies, for example where the standalone ICT/ Digital Services structure have deliberately not been fully appointed to, or business growth withheld. For part of the year services were provided through shared and hosted arrangements and therefore costs have been classified as third party payments, or provided by consultants and shown in supplies and services, which was mentioned earlier. During the year these services have transitioned out of the hosting arrangement to an in-house service (staff pay) and will align more closely with the budget in 2022/23.

Other employee expenses, in Table 4, is overspent by £0.344m of which £0.298m relates to training courses and the demand created by the increase in the workforce and new officers taking up roles. The budget has not been reviewed post transition out of the alliance and whilst this will plateau once recruitment eases it is clear that investment in Learning & Development (L&D) will be required to meet demand in the short to medium term, whilst an assessment of the L&D capacity and capability is undertaken against the Force's requirements to ensure it is fit for the future.

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Finally in revenue to support the capital programme the Force has made both the £0.334m planned contribution from revenue to finance capital expenditure and made a further contribution to capital financing of £0.320m. The latter is the equivalent payment that was foregone in 2020/21 due to the force being in a net overspend position. The combined effect of these has resulted in the £0.330m in year overspend in Table 4 on capital financing. It is important in the long-term to make ongoing contributions from revenue to fund capital expenditure due to the limited sources of capital financing open to the Force and thereby reduce the reliance on borrowing.

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 plant and equipment which have a long-term useful life. This type of spend is known as capital expenditure. Within the PCC's office, expenditure has increased on victims and witness services in 2021/22, particularly in the area of domestic abuse and sexual violence, which has sadly seen a significant increase as a result of the pandemic and the various lockdowns. This increased funding has seen expanded services and should lead to real benefits to some of the most vulnerable members of society. Over £1.3 million has been spent on services for these victims this year, to assist them to cope and recover.

The PCC delivers a number of other commissioned and grant funded services, and this collaborative working with partners helps to support the PCC's wider strategic aims and objectives which includes, local community safety, substance misuse services, road safety initiatives and services to address rural, business and cyber-crime. A brief summary of the benefits delivered to local communities is provided later in this narrative report.

Table 5 shows a summary of capital programme, budget spend and the future investment plans. Table 6 shows how this has been funded in 2021/22.

### Table 5. Capital Programme Outturn 2021/22

It is the PCC's view that the MTFP provides for the investment in assets and that this will be further refined once Operation Empower reports. It is important that we maintain the assets including the ICT infrastructure so that it is fit for purpose and delivers benefits and efficiency through development of applications, which will be key to the next phase of our Fit For the Future strategy and MTFP.

Programme	2021/22 Budget £m	2021/22 Actual £m	2021/22 Variance £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
Estates	2.440	1.503	(0.937)	2.494	1.500	1.500	1.500	1.500
ICT: Evolve Programme	15.995	13.625	(2.370)	0.742	0.000	0.000	0.000	0.000
ICT: Empower Tech	0.000	0.000	0.000	1.628	0.000	0.000	0.000	0.000
ICT: Projects	0.094	0.039	(0.055)	0.427	1.387	1.551	1.000	1.000
ICT: Replacement	0.175	0.117	(0.058)	0.158	1.088	0.576	0.517	2.000
Vehicles	0.671	0.616	(0.055)	1.306	1.407	1.443	1.204	1.204
Plant and Equipment	0.221	0.130	(0.091)	0.340	0.300	0.300	0.300	0.300
<b>Total Expenditure</b>	<b>19.596</b>	<b>16.030</b>	<b>(3.566)</b>	<b>7.095</b>	<b>5.682</b>	<b>5.370</b>	<b>4.521</b>	<b>6.004</b>

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It has been a momentous year with the delivery of the Evolve Programme and being able to transition out of the residual hosted arrangements with WM for ICT. The Capital Programme is dominated by the Evolve Programme, which involved the design and build of the standalone ICT infrastructure (network, storage and back up), application migration, device roll out and achieving NEP compliance, which consists of hardware, software, licences and consultancy fees. The Programme spanned three years at a cost of £28.743m of which £20.716m was capital.

Following a review of the technical requirements to complete the transition and transformation work the PCC decided to increase the 2021/22 Evolve capital budget by £7.558m to £15.924m, which has increased to £15.995m as a result of a £0.071m revenue contribution from Safer Roads Partnership to pay for the Fastform system migration. The fact an increase would be required was recognised at the outset of the programme, where it would be met by either reserves or underwritten by borrowing. However, a final decision on funding was deferred so as to better understand the ICT/Digital Services operating model, the split between revenue and capital costs, the Force's funding position on transitioning out of the alliance and so as to take time to identify alternatives to borrowing to fund capital.

The PCC financed this increase in the Evolve capital budget by reconfiguring the existing Capital Programme, utilisation of £6.013m of slippage in estates, vehicles and plant and equipment projects and increasing the level of borrowing by £1.545m.

The cost of the Evolve Programme in 2021/22 was £13.625m and the £2.370m underspend has been carried forward into 2022/23 to provide a £0.742m contingency to complete residual transition work and create a £1.628m Empower Tech budget, which will be instrumental in developing applications, including power apps to drive out the return on the investment in ICT/Digital Services.

Having invested significantly in the ICT infrastructure and digital applications it is important to leverage a return from this investment through more increasing the efficiency and effectiveness of policing. It is also important to maintain the operability of the ICT and ensure digital services remain relevant to policing and not a hindrance.

The Chief Digital Information Officer will review the allocation of budgets across all of the ICT / Digital Services workstreams including the existing ICT Projects and ICT Replacement budgets.

There has been a pause in the Estates Programme whilst the Empower Place workstream articulates the projects to be undertaken as part of the Capital Programme. The £0.993m slippage on the Estates Programme relates to HQ Leek Wootton and the Operational Control Centre at Stuart Ross House. The slippage will be kept within the Estates Capital Programme in recognition of transfers made from the Estates Programme, during the year, to support the Evolve Programme. The position is reviewed in the Autumn as part of the MTFP refresh and in light of the implementation plan emerging from the Empower Place workstream.

Slippage in the Vehicle Replacement Programme stems from the delay in signing the Blue Light Commercial (BLC) framework agreement and related issues. This has substantially reduced the vehicle replacement programme in 2021/22 to £0.616m. Whilst steps will be taken to accelerate replacement, outside of the BLC contract where appropriate, it will take some time for the replacement programme to 'catch up' due to supply line issues.

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

**Table 6. Capital Programme Funding 2021/22**

Funding Source	2021/22 Original Budget £m	2021/22 Revised Budget	2021/22 Actual £m	2021/22 Variance £m
Borrowing	15.269	15.239	9.790	(5.449)
Capital Receipts	0.000	0.000	5.190	5.190
Revenue Contribution	0.000	0.000	0.654	0.654
Capital Grant	0.113	0.114	0.114	0.000
Revenue: Safer Roads Partnership	0.000	0.000	0.100	0.100
Section 106	0.100	0.100	0.095	(0.005)
Safer Roads Reserve	0.000	0.125	0.072	(0.053)
Specific Grant ESN	0.000	0.018	0.015	(0.003)
<b>Total Funding</b>	<b>15.482</b>	<b>15.596</b>	<b>16.030</b>	<b>(0.434)</b>

The shift to borrowing for ICT, to finance short-life assets, has increased the burden on the revenue budget through the workings of the Minimum Revenue Provision (MRP), which is the statutory mechanism whereby assurance is sort that adequate revenue is set aside to repay borrowing. The reliance on borrowing is also in part a consequence of the reduction, over a number of years, of direct government support (grant) for capital expenditure and the lack of alternative sources of capital finance available during austerity. The long-term financing of the capital programme is an issue which the post transition financial strategy and MTFP will seek to resolve in part through direct revenue financing.

In the interests of prudence capital receipts are only included as a source funding when the receipt is fairly certain. On this basis the £4.812m receipt was only recognised in the last quarter of the financial year. Assets can only be sold once therefore, receipts are a one-off source of finance.

Where appropriate non-specific government grant, specific grants and S.106 money is used to finance the Capital programme, ensuring that any relevant conditions are satisfied.

Borrowing must be affordable and sustainable and comply with the Prudential Code. The use of reserves to fund capital has, in recent years, by and large been suspended and replaced by borrowing. This was to protect reserves, at a time of economic uncertainty and whilst the Evolve Programme was still active. In light of the outturn position and now that the Evolve Programme is all but complete, £0.774m has been transferred to the Infrastructure Reserve (capital) to fund the programme. The MTFP plans to place a greater burden on revenue to directly fund short life assets.

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## Reserves

Table 7 sets out the opening balances held on reserves as at 1 April 2021, it also shows the transfers from and to reserves in 2021/22, which includes transfers between reserves and the closing balance on reserves as at 31 March 2022. It goes on to forecast closing balances in the subsequent four years up to 2025/26.

Table 7. Reserves

Reserve	Opening Balance 01/04/21 £m	Transfers (from)/to Reserve 2021/22 £m	Closing Balance 31/03/2022 £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	Forecast Closing Balance 2026/27 £m
General	5.000	1.000	6.000	6.000	6.000	6.000	6.000	6.000
Budget & Transformation	3.067	0.410	3.477	3.210	3.210	3.210	3.310	3.310
Transformation Reserve	1.378	(1.378)	0.000	0.000	0.000	0.000	0.000	0.000
Infrastructure	0.000	0.774	0.774	0.774	0.774	0.774	0.774	0.774
Pension & Redundancy	0.500	0.400	0.900	0.667	0.667	0.667	0.667	0.667
COVID-19 Operational	0.386	0.114	0.500	0.500	0.500	0.500	0.500	0.500
Pay	0.000	0.000	0.000	0.500	0.500	0.500	0.500	0.500
Insurance & Legal	0.253	0.247	0.500	0.500	0.500	0.500	0.500	0.500
Income	0.000	0.250	0.250	0.250	0.250	0.250	0.250	0.250
Sustainability	0.000	0.000	0.000	0.250	0.250	0.250	0.250	0.250
PCC Grants & Initiatives	0.300	0.000	0.300	0.300	0.300	0.300	0.300	0.300
National Commercial Vetting Service	0.573	0.000	0.573	0.573	0.573	0.573	0.573	0.573
Safer Roads	1.231	(0.200)	1.031	0.781	0.631	0.531	0.431	0.331
<b>Total Reserves</b>	<b>12.688</b>	<b>1.617</b>	<b>14.305</b>	<b>14.305</b>	<b>14.155</b>	<b>14.155</b>	<b>14.055</b>	<b>13.955</b>

Note: The Budget and Transformation Reserve have been merged at the end of 2021/22. 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.

As part of the good and balanced budget protocol, reserves will not be routinely used to support the Chief Constable's day to day operating budget.

Reserves are a limited source of funding for one-off specific issues and once spent they cannot be spent again. The challenge is to hold appropriate, not excessive reserves to meet known one-off items, risks and unforeseen operational events. The Reserves Strategy is set out more fully in the 2022/23 Budget & MTFP where The Treasurer to the PCC carries out an annual review of the adequacy to reserves.

In light of the 2021/22 outturn position the General Reserves has been increased from £5.000m to £6.000m to provide greater resilience, in line with audit comments. The General Reserve is there to meet unplanned significant and unusual operational incidents that exceed the capacity of the day to day budget and in the event that Home Office Special Grant was not forthcoming.

Earmarked reserves are held to meet one-off revenue costs as well as to mitigate specific risks in the budget such as a shortfall in income or litigation. In the event these risks materialise then the balances shown in Table 7 could be lower. If a risk is mitigated or the purpose for which a reserve was held is no longer relevant then the reserve will be

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transferred to another reserve, or drawn down to supplement the revenue budget to deliver one-off targeted items and activities.

The opportunity has been taken, in light of the outturn position, to recommend (Section 2) that £0.774m is transferred to the Infrastructure Reserve to support the capital programme.

It is anticipated the Budget & Transformation Reserve will be used over 2022/23 to 2026/27 to support the revenue budget as a result of any adverse impact on government funding and precept as a consequence of the economic uncertainty and to fund one-off costs of Operation Empower. Therefore, the actual closing balances for 2022/23 onwards will be less than those shown in Table 7.

As a consequence of the recovery in the CTB and CF the Collection Fund Reserve has been removed and in light of the underspend it is not necessary to draw down on the Pension & Redundancy Reserve to meet the cost of change. However, a Pay Reserve will be created in 2022/23 by transferring money from the Budget & Transformation Reserve and the Pension & Redundancy Reserve, this is to mitigate increases in pay over and above those budgeted for.

It has been a challenging four years for the Force leading up to and transitioning out of the alliance, policing the pandemic and implementing extensive ICT/DS transformation. The financial resilience of the Force was a concern during this period, however with the vast majority of this work complete reserves are better than anticipated and the force is more financially robust than anticipated at any point in this journey.

Note 8 in the Accounts provides an analysis of the reserves at the 31 March 2022 and shows the movement since 31 March 2021.

### **MTFP – ‘Looking Ahead’**

The PCC’s 2022/23 Budget and MTFP, approved in February 2022, sets out more fully the business plan and financial strategy over a five year period.

The aim of the PCC and Chief Constable is for Warwickshire Police to be affordable, sustainable and deliver value for money policing. This is expressed 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. The Chief Constable is not reliant on reserves to support day to day operational policing.

Based on assumptions about funding, precept and expenditure, including the impact of pay and non-pay inflation, the MTFP has identified that up to £3m of savings are required by 2026/27. However, no savings are required in 2022/23 and this period is being used to reassess the policing model to ensure it meets the current operational requirements and identify potential savings. The Force will be considering how to leverage investment in ICT/digital services through automation and self-service and any further costs associated with this. As part of the review consideration is being given to what the estates requirements are to support this operating model. The outcome of this review alongside future settlements will inform the budget and MTFP and determine the extent to which the Chief Constable needs to make savings or identify other means to balance the budget.



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The business planning process established in recent years remains in place. However, it has been more focused in the lead up to 2022/23 in recognition of the wider review of the operating model and the extensive post alliance business planning and investments that have taken place in recent year.

As part of the precept increase the PCC has:

- Funded five PCSOs, allocating one to each district and borough across the county, at a cost of £0.174m. They will target urban areas and improve visibility and public engagement as well as support work to address violence against women and girls, increasing the patrol capacity in areas that the public have reported feeling unsafe as part of the Street Safe project;
- Provided a net further investment of £0.050m to support victims through the PCC's grants scheme;
- £0.200m to allow the Chief Constable to carry out sustainability projects. It is envisaged that this will allow the roll out of such things as solar panels and electric vehicle charging points.

The table below shows the approved 2022/23 budget compared to the 2021/22 budget and MTFP up to 2025/26. The MTFP will be reviewed in the summer leading up to the PCC approving the precept, 2023/24 Budget and MTPF in February 2023.

**Table 8 Medium Term Financial Plan**

	Budget 2021/22 £m	Budget 2022/23 £m	Budget 2023/24 £m	Budget 2024/25 £m	Budget 2025/26 £m	Budget 2026/27 £m
<b>Previous year's net Budget</b>	<b>111.590</b>	<b>114.233</b>	<b>121.438</b>	<b>126.083</b>	<b>130.866</b>	<b>135.073</b>
Pay inflation and increments	3.583	3.543	3.144	2.745	2.038	1.657
Non-pay inflation	0.352	0.472	0.200	0.200	0.200	0.200
Uplift Programme police recruitment	1.273	1.792	0.000	0.000	0.000	0.000
Pensions incl. McCloud remedy	0.275	0.346	0.350	0.500	0.500	0.250
PCSOs	0.000	0.174	0.000	0.000	0.000	0.000
Unavoidable and legislative	1.134	0.584	0.500	0.500	0.300	0.500
Business Plans	0.635	0.357	0.503	0.500	0.500	0.500
Transformation, transition and Digital Services	0.119	(0.811)	(0.500)	0.000	0.000	0.000
Capital Financing	0.790	1.915	0.117	0.388	0.669	0.512
Income	(1.094)	(1.015)	(0.500)	0.000	0.000	0.000
PCC Safer Roads Initiatives	0.000	0.250	(0.100)	(0.050)	0.000	0.000
PCC Grant	0.000	0.050	(0.050)	0.000	0.000	0.000
Uplift Grant	0.398	(0.251)	1.006	0.000	0.000	0.000
Savings	(4.822)	(0.201)	(0.025)	0.000	0.000	0.000
<b>Net Revenue Budget</b>	<b>114.233</b>	<b>121.438</b>	<b>126.083</b>	<b>130.866</b>	<b>135.073</b>	<b>138.692</b>
<b>Funding</b>						
Central Government Grant	(62.188)	(64.254)	(64.944)	(65.968)	(66.576)	(67.190)
Precept (Council Tax)	(53.162)	(57.134)	(59.810)	(63.038)	(65.560)	(68.182)
Contribution to / (from) Reserves	1.117	(0.050)	(0.150)	(0.100)	(0.100)	(0.100)
<b>Total Funding</b>	<b>(114.233)</b>	<b>(121.438)</b>	<b>(124.903)</b>	<b>(129.105)</b>	<b>(132.235)</b>	<b>(135.472)</b>
<b>Budget Gap</b>	<b>0.000</b>	<b>0.000</b>	<b>1.179</b>	<b>1.760</b>	<b>2.837</b>	<b>3.220</b>

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In 2022/23 the PCC has increased the Band D equivalent Council Tax by £9.75 (3.85%). The MTFP assumes the council tax base will increase by an average of 2.0% each year up to 2026/27. The Band D equivalent rate of Council Tax precept increases will be within the assumed Government draft settlement level, at around 3.9% in 2023/24, 3.0% 2024/25 and then 2.0% thereafter. From 2023/24 no provision has been made for surplus or deficit in the Collection Fund.

Over this period it is assumed that government grant will increase in line with the draft settlement including the government commitment to honouring the Uplift Programme, in the later years the grant increase is assumed to be around 1%. The review of the grant funding formula is underway and the recommendations will follow later this year.

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, although the Government have provided financing for changing pension systems and meeting claims for damages.

The largest annual increase in costs is for the pay awards and increments both of which have been built into the MTFP. Pay inflation is assumed to be 2.5% in 2023/24 and 2.0% in 2024/25, returning to the long term average of 1% thereafter. The reality may differ compared to these assumptions.

Increases in funding, whether this is Government grant or precept are necessary to meet the standstill costs of pay and non-pay inflation and increments. In recent years this burden has fallen on the precept to a greater degree as the Government grant has not kept pace with standstill inflationary pressures.

The MTFP provides for the investment in ICT/digital services whether this is revenue or capital. However, this enhanced level of investment needs to be maintained to ensure the Force has ICT available anywhere anytime and which is operationally effective. Therefore, the MTFP also seeks to identify other forms of capital financing to borrowing so as to ensure investment in assets ICT, buildings and vehicles is on a sustainable footing.

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.

The NCVS now covers the full costs of service delivery from income. The intention is to grow this business in 2023/24 and enhance the reputation as a national centre of excellence. The service is accredited and benefits of economies of scale and automation, which means that the service to customers has improved and costs are reduced 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.

The PCC has taken steps to protect and maintain reserves in the 2022/23 Budget and MTFP. Reserves are set aside to meet specific risks and provide support to the revenue budget should there be fluctuations in funding during a period of economic uncertainty. Reserves are also set aside to fund capital and one-off revenue investment, thereby reducing the need to borrow.

Whilst the 2022/23 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 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 2021/22 the Group paid employer’s contributions in addition to contributions paid directly by staff. The last valuation was in April 2019, the next valuation is effective from the 1<sup>st</sup> April 2023, but the actuaries have recommended no change in contribution rates as a result:

**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
2023/24	20.4

The new rate of 19.7% for 2021/22 is reflected in the employer contribution rate in the 2021/22 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 2022 were £5.275m. 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 2021/22 approved budget the PCC approved external borrowing to fund the planned capital spend. Additional external borrowing of £10m was undertaken in 2021/22 to fund the capital programme. This was in line with the capital and treasury management strategy. As at the 31st March 2022 the PCC had total external borrowings of £20.156m and internal borrowing from cashflow monies of £17.1m. The level of 'debt' is well within the authorised prudential limit for external debt of £40 million as approved by the PCC in the treasury management strategy in March 2022.

## 5. PCC and police performance

The non-financial performance of the PCC controlled areas of spend and that of Warwickshire Police is considered separately in this section. The PCC prepares an Annual Report where he outlines all the achievements and the work of the office in the preceding 12 months. That document should be read in conjunction with this document to provide a full and detailed picture of PCC non-financial performance. A new performance framework is being developed by the OPCC to monitor performance against the police and crime plan objectives. However, 2021/22 has been another busy year and the OPCC has seen a continued increase in the number of public contacts. The PCC has carried out a number of engagements either remotely or face to face where regulations have allowed.

The PCC receives an annual grant from the Ministry of Justice (MOJ) to commission services for victims and witnesses of crime. In 2021/22 the award was £1.413m. This represents a further increase against the £1.048m of grant received in 2020/21. The increase was due to additional funds made available by the MOJ to address domestic abuse and sexual violence issues heightened by the pandemic, but also as a result of successful bids submitted by the OPCC for increasing the number of independent sexual abuse advisors in Warwickshire to improve local service provision for victims. The PCC also made available local funding in 2021/22 to support a number of local grant initiatives and commissioned services. The grants process is conducted through a robust application and evaluation process by the OPCC which commences in the autumn, with grants awarded at the start of the financial year in April. Many services are commissioned either wholly by the OPCC or are co-commissioned with other partners to deliver maximum impact, coverage across the county and value for money. Some of these services are outlined below, along with performance data on the number of new referrals and victims receiving support in 2021/22.

- Victim Support received £489,941 for general victims support related services and restorative justice, which has led to 8 new cases of restorative justice referrals in 2021/22 and a rise in the number of new referrals from 7,600 new referrals in 2020/21 to over of 8,500 in 2021/22. A significant proportion of the 8,500 referrals were

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

- Refuge are co-commissioned with Warwickshire County Council and receive a contribution from the PCC of £125,000 to deliver Independent Domestic Violence Advisory services. 2,800 new victims were referred to the service in 2021/22, with over 1,000 victims receiving direct support.
- Over 1,500 further new referrals were made to other domestic abuse services funded by the PCC, to provide such services as counselling and outreach workers, as well as innovative and therapeutic services to support families, children and individual victims of domestic abuse.
- Barnardo's received £158,572 to provide a service to support young victims of sexual exploitation. Over 200 new referrals were made to PCC funded services for child sexual violence and have received support in 2021/22. Rosa and Barnardo's also act via a consortium bid to provide sexual abuse and violence recovery services for adults across the county at an annual cost of £228,364.
- During 2021/22, 2,418 new adult victim referrals were made to the various sexual violence services supported by PCC funding, and a total of 3,721 victims were in receipt of services during the course of the year.
- The PCC has also commissioned an adult and child substance misuse service at a combined cost of £220,637 through CGL and Compass, who have helped many, often vulnerable people deal with their misuse issues which will help to tackle a variety of crime related issues.

In addition to these key commissioned services the PCC also provides financial support to the 4 local community safety partnerships in Warwickshire to address local crime reduction and safety initiatives, prioritised by the local partnerships. He also provided financing to the Local Authorities to fund cyber and business crime advisors, rural crime coordinators and a prevent officer, who all engage with the public, businesses and local communities to help improve knowledge, and provide assistance to mitigate the effects and occurrence of these crimes. This funding is provided through our commitment to partnership working.

The PCC ran two grant bidding rounds in 2021/22. One for the annual commissioners grants whereby organisations can apply for funding to address police and crime plan objectives, and a further round for road safety grants, for work to specifically focus on improving road safety across the county. The organisations and levels of support awarded under the Commissioners grants vary, and are shown on the PCC's website, but many projects focus on positive diversionary activity work to help reduce anti-social behaviour, specific projects to help keep communities safe, support for domestic abuse victims and work to deter re-offending. The Road safety grants are issued via an application process by partners to improve road safety across the county, and the OPCC also work with key partners as part of the Warwickshire Road safety partnership to further initiatives in a cohesive way across Warwickshire. The grants and commissioned services help to deliver many of the key objectives in the Police and Crime Plan, and whilst face to face engagement with these providers has continued to be more challenging during 2021/22 due to the ongoing pandemic, remote engagement with a number of stakeholders and partners has continued throughout the year to ensure that objectives are being met.

The PCC always tries to attend as many community engagement events as the diary allows, to support the various organisations, projects and partnerships the PCC assist in their role in delivering key outcomes, but also to listen to the views and issues raised by communities on

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policing and crime. He has regularly reported his engagements to the Police and Crime Panel throughout the year.

The PCC also holds the Chief Constable to account for the performance of the force. In 2021/22 the PCC agreed again with the Chief Constable that there would be no specific performance objectives other than to reduce crime. The Chief Constable monitors a range of indicators across crime categories in pursuit of this objective and performance in achieving this is discussed formally at a monthly '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 the OPCC 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, and are developing their policy for dealing with concerns raised with them about the force. 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. This arrangement is coming to an end and complaints will be dealt with internally at the OPCC, under the new staffing structure from April 2022 onwards.

Table 10 shows a summary of force performance for 2021/22 against the various categories of crime, and compares this to the number of crimes recorded in the previous year. Total recorded crime increased by 9% in 2021/22. An increase was expected as Covid restrictions were lifted in June 2021 and crime volumes returned to pre-covid levels. To provide some context, the increase in Warwickshire was however, at a lower rate than both the region (25%) and all England and Wales forces (15%), and worthy of note, burglary, shoplifting and other miscellaneous crimes all saw a decrease in Warwickshire year on year, reversing the regional and national trend for these specific crime types.

**Table 11. Policing performance 2021/22**

Crime Category	2020/21 no. of crimes	2021/22 no. of crimes	% change
Total recorded crimes as at 31 <sup>st</sup> March of each year	36,714	40,178	9%
Homicide	6	10	67%
Violence with injury	3,935	4,502	14%
Violence without injury	10,717	11,883	11%
Rape	421	614	46%
Other sexual offences	839	1,025	22%

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Business robbery	28	32	14%
Personal Robbery	278	332	19%
Burglary – residential	1,487	1,404	-6%
Burglary – business	628	604	-4%
Vehicle offences	3,219	3,439	7%
Theft from person	176	201	14%
Bicycle theft	384	408	6%
Shoplifting	2,385	2,132	-11%
All other theft offences	2,961	3,532	19%
Criminal damage	3,377	3,820	13%
Arson	134	152	13%
Drug offences	1,390	1,055	-24%
Possession of weapons	457	500	9%
Public order offences	2,955	3,662	24%
Miscellaneous crimes against society	937	871	-7%

\*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, there had been a significant decrease in the number of fatalities between 2019 and 2020 (34 vs 14) but the figure for 2021 has remained at a similar level being 15. Working with the Road Safety Partnership using an evidence based Safe System approach our vision is to strive to eliminate fatal and serious casualties. The target that has been set is to reduce the number of killed and seriously injured on Warwickshire's roads by 50% by 2030. The PCC is committed to this target and has provided increased road safety funding in 2021/22 to the force, the Warwickshire Road safety Partnership and in the form of grants to external organisations to help educate and improve the safety on our extensive road network.

Satisfaction in policing services is measured generally through the national crime survey (England and Wales). However, satisfaction levels are monitored locally and the 2021/22 survey data from victims is shown below for different crime types. Disappointingly, the figures for 2021/22 show a decrease in satisfaction across all crime types. Satisfaction levels are continually being monitored by the force and PCC with regular performance meetings to discuss trends and agree any actions. Improved and increased service provision through targeted work should help to improve satisfaction levels for victims in the future. Further transformational change will also have an impact on satisfaction figures moving forwards.

The PCC is also in the process of recommissioning a range of victim support services, and this follows a review of victims needs, to ensure that services are fit for purpose and meet the expectations and needs of victims in the future. In 2021/22 there has been significant additional investment by the PCC, in victim services for those who have suffered domestic abuse and sexual violence, and it is hoped that this sustained investment will begin to result in improved victim satisfaction rates.

**Table 12 - Victims satisfaction survey results**

Crime type	2020/21 victim satisfaction rate	2021/22 victim satisfaction rate
Burglary	89%	73%
Vehicle	79%	72%
Violence	75%	66%
Hate crime	74%	70%
Domestic abuse	78%	75%

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. It should be read in conjunction with this report.

### 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) undertakes independent inspection and assessment of the force's performance in terms of its effectiveness, efficiency and legitimacy, with the aim of encouraging improvement. They produce reports to allow the public, and peers, to see how forces are performing.

HMICFRS undertake 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.

There has been significant activity in terms of HMICFRS inspection during late 2021 and throughout 2022. The force has recently completed the final evidence gathering phase of the current PEEL inspection process, and they were also subject to an unannounced custody inspection in late 2021 and a specific thematic inspection on Child Protection in February 2022. More emphasis is now placed on continuous inspection rather than the traditional intensive two week inspection visit.

HMICFRS introduced the new model of continuous assessment in 2021 and Warwickshire has been one of the first forces in the country to be assessed in this way. Although the process is proving to be a more rigorous and labour-intensive process than the previous system, it ensures that the force is inspected thoroughly. An initial debrief has been received but the final report publication date is not yet known.



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There are currently 13 outstanding areas of improvement/causes of concern from the previous PEEL inspection, which have been revisited through the recent inspection. These are managed through the Assurance Board and progress is also reported to the Joint Audit and Standards Committee.

In October 2021, HMICFRS published on their website for the first time outstanding 'open' Causes for Concern allocated to forces, following the 2018-2019 round of PEEL inspections. This allows the public to view the CfC's and to monitor each force's progress. Warwickshire Police currently have three open CfC's, each of which has been addressed and awaits closure with our inspectors as part of the new PEEL report later this year.

The key areas of the PEEL inspection process 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 new collaboration agreement for the delivery of forensics services that came into effect in September 2021 provides improved value of money, with superior forensic capabilities, at lower cost and improvements in service. Significant investment in ICT has been made over the last two years, but new contracts and suppliers combined with the new devices and systems are providing for improved efficiency and productivity. The infrastructure is more robust, some systems have been upgraded providing improved capabilities, whilst other unused systems have been removed from our networks, removing cost and improving the efficiency of the networks. Further work to introduce robotics and further digital technological advances will continue to seek further improvements in value for money.

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. These arrangements deliver value for money, they provide an opportunity for cost sharing, and advantages from greater economies of scale.

## **6. The Coronavirus Pandemic – the 2021/22 operational and organisational response**

By the start of the 2021/2022, the COVID-19 pandemic had been ongoing for over a year. Whilst some enforcement of COVID-19 rules was still required, particularly in the earlier parts of the year, this dropped away from the level seen in earlier lockdowns and our policing of these rules largely focussed on engagement, explanation and encouragement meaning that little enforcement action was required. Whilst during 2020/2021 we saw significant reductions in demand on the force, by 2021/2022 the demand levels largely returned to normal. We have continued to enjoy the support of a large number of our specials and volunteers during this period, and the PCC has recognised their significant contributions at recent engagement events. Current demand is at some of the highest levels ever recorded in the force, this is being managed and the operating model is flexing to support this, and under the Empower programme this has been fundamentally reviewed to ensure that policing services in Warwickshire continue to be effective and fit for the future.

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Our response to the pandemic has required officers and staff to work in new ways, from different locations, using new tools and methods. At the outset of the pandemic in 2020/2021, we mobilised large numbers of our workforce to be able to work from home, supporting this with both hardware (laptops) and software through our ongoing transitional ICT work. Supporting and enabling some staff to work in different ways and from different locations ensured that those who continued to work from our police stations, offices and other workplaces could do so in a safe and compliant environment. Personal protective equipment (PPE) provision was both local and also utilised the national distributions channels established across all policing. Enhanced cleaning regimes across our estate were continued to support safe working practices. Staff at the OPCC and in the force have increasingly returned to the office, but hybrid working to build on the learning and advantages we saw during the pandemic is widespread throughout the organisation, and the new ICT infrastructure has enabled this change.

### **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 oversight to ensure that risks are managed effectively. The key risks for the Warwickshire PCC in 2021/22 are listed below, actions were in place to mitigate these risks during the year and various activities flow from these. The risks during the year were:

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

Some of these risks have been deemed treated during the course of the year, but they remain in focus as part of the regular review process. The PCC's updated risk strategy is in place. The new staffing structure at the OPCC will increasingly enable the risk management process to become more mature. The strategic risk map is updated and reviewed quarterly, and includes assessing the impact of operational and project risks identified by the OPCC.

### **Horizon Scanning**

In 2022 The Police Foundation released the strategic review of policing, which set out to examine how crime, fear of crime and other threats to public safety are changing and assess the ability of the police to meet these challenges, as part of a wider strategic response.

The review outlined the challenges faced by policing and how they can be expected to evolve through the 2020s and into the 2030s. This provides a helpful context which the force will remain mindful in setting its strategy to ensure it is able to provide effective policing services in the medium term.

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Traditional crime (all crime except fraud and cybercrime) has fallen nationally by 75 per cent since 1995. However, these traditional forms of crime (burglary, car theft, low level assaults and so on) have been replaced by new forms of crime and harm – Warwickshire is no different in terms of this profile. These have in turn been generated by three transformations.

- **Technological Revolution:** The technological revolution has created, via the internet, a whole new space in which crime and harm take place. This has transformed the composition of crime. For example, in the year to June 2021 53 per cent of all crime affecting people in England and Wales was just fraud and cybercrime. The force has undertaken a review of the operating model and a key area has been how we strengthen in the area of cybercrime.
- **Environmental crisis:** Human activity is transforming the natural environment in a way that poses new risks to public safety. In the UK climate change is also generating an increase in political protest and the police increasingly find themselves having to manage the public order implications. Another form of environmental change is the growing risk of global pandemics. The experience of the coronavirus pandemic has shown how highly disruptive such events can be, with significant implications for policing and public safety. During 2022 Warwickshire has been one of the forces affected by the Just Stop Oil protests which have had a significant resource impact on our police resources.
- **Social change:** We are living through a period of significant social change, characterised in part by the emergence of more complex social needs. For example, there was a 28 per cent increase in mental health related incidents between 2014 and 2018 across 26 forces. To provide another example, police devote around three million ‘investigation hours’ per year to missing persons reports, which is the equivalent of 1,562 full time police officers per year, this is more officers than the whole of Warwickshire and is equivalent to the same number of officers required to police all of North Yorkshire. In particular, there has been increased reporting of male violence and sexual abuse against women and girls. For example, between 2016 and 2021 there was a 50 per cent increase in reported domestic abuse crime, and between 2013 and 2021 there was a 240 per cent increase in the numbers of rapes reported to the police. As described above, our force operating model review has considered these changes and we are proposing to bring together specialist resources to tackle these crimes.

Finally, new forms of social division and tension have emerged creating demands on those charged with keeping the peace. The number of protest events has risen steadily over the last decade, going from 83 in 2007 to 280 in 2016 and the number of protests involving confrontational tactics increased from 7 in 2000 to 126 in 2019. The number of hate crimes reported to the police in England and Wales rose by 194 per cent between 2012/13 and 2018/19.

Organised crime groups are profiting from each of these transformations, using more sophisticated technology to commit crimes and hide their gains, committing widespread environmental crime and exploiting vulnerable people with complex needs.

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How people experience crime and safety is important. If people feel unsafe then this is likely to have a major impact on their wellbeing. Before the pandemic there was an increase in those who thought crime was one of the biggest issues facing the country. Fear of becoming a victim of crime is lower than it was in the past but it is not experienced equally. Those on low incomes worry significantly more about crime than those on high incomes, reflecting real differences in their likelihood of becoming a victim. Public confidence and trust in the police are under pressure and high-profile national incidents in other parts of the country have sought to further challenge police legitimacy. The force recognises this and is prioritising public engagement, seeking to ensure Warwickshire residents retain confidence and trust in their police force.

## **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 2021/22 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 2021/22, which it has achieved. 2022-23 will see the final year of the uplift programme and these additional resources will prove to be critical to the operational resilience of the force to reduce crime in Warwickshire.

The Commissioner has set a clear direction of travel through the new Police and Crime Plan through to 2025 and he has committed to strategic activity, working with and holding to account the force, while also working in partnership with others on shared priorities.

The financial affairs of the PCC and Chief Constable have been and continue to be prudently and effectively managed. Best practices and CIPFA guidance and codes of practice in financial management, governance and treasury management are being followed. The PCC, the Chief Constable and their CFO have a strong focus on managing costs and achieving value for money whilst navigating the process of exiting services from the former alliance. This process has completed during 2021/22. Looking ahead the ongoing challenges will be to manage the immediate and ongoing significant demand pressures at the same time as delivering officer uplift and managing a maturing workforce to achieve our target operating model. Work to realise the productivity benefits made possible through our new ICT infrastructure and systems is also a high priority. Our forward plans being developed under the Empower programme will help us navigate the future, with greater service strength, coupled with effective operational processes, ICT and other resources to realise the vision and deliver the outcomes our communities rightly expect of us.

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 another challenging year and I would also like to thank them for their support during this time.

Sara Ansell  
Treasurer, Warwickshire Office of the Police and Crime Commissioner

## Summary on the Statement of Accounts

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

As previously mentioned in this statement it is the purpose of the Statement of Accounts (the Accounts), consisting of the financial statements and notes to the accounts, to demonstrate that the Group, consisting of the PCC and the Chief Constable has accounted for public money properly and been economical, efficient and effective in the use of that public money.

The treatment of transactions (income and expenditure) and balances (assets, liabilities and reserves) in the PCC's and Chief Constable's Accounts under the Group arrangement and within the context of the Alliance is explained in Note 3, 'Critical Judgements in Applying Accounting Policies'. The PCC and Chief Constable are classified as a group arrangement under accounting standards, the Chief Constable being a subsidiary of the PCC. The specific accounting treatment takes into account the substance of the arrangements for governing the two entities and recognises the formal stage 2 transfer of responsibilities from the PCC to the Chief Constable that took place on 1 April 2014.

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

They comprise:

- The **Statement of Accounting Policies**, which sets out the accounting policies adopted by the Group and the PCC and explains the basis on which the financial transactions are presented;
- The **Statement of Responsibilities** for the Accounts, which sets out the responsibilities of both the PCC and the responsible Chief Finance Officer for the preparation of the Accounts;
- **Auditor's Report** gives the auditor's opinion of the financial statements and of the Group's arrangements for securing economy, efficiency and effectiveness in the use of resources;
- The **Comprehensive Income & Expenditure Statement (CIES)** is a summary of the income and expenditure received and used to provide services during the year and shows how the PCC has funded the cost of net expenditure incurred at the request of the Chief Constable by an intra-group transfer. The surplus or deficit on the provision of services line flows into the MIRS to be transferred into the balance sheet as explained below;
- 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

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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 2022 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 Group CIES shows a deficit on the provision of services of £36.921m. 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 Staff and Police Community Support Officers' retirement benefits, which at the 31 March 2022 is £1,280.189m. However, in considering the impact that this has on the financial position of the Group it must be remembered that:

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

Further information about the IAS 19 liability can be found under Note 36 and information about the Police Pensions Fund Account can be found on page 119.

## Statement of Accounting Policies for the Group and the PCC

### i. General Principles

The Statement of Accounts summarises the Group's and the PCC's transactions for the 2021/22 financial year and its position at the year-end. The accounting policies are the specific principles, bases, conventions, rules and practices applied by the Group and the PCC when preparing and presenting the financial statements. The Group and the PCC are required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which must be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and the supported by International Financial Reporting Standards (IFRS).

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

### ii. Changes in Accounting Policies

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effects of transactions, other events and conditions in the Group's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied, no Accounting Policies have changed in 2021/22.

### iii. Income and Cost Recognition and Intra-group Adjustment

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

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

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



#### **iv. Accruals of Income and Expenditure**

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

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

#### **v. Cash and Cash Equivalents**

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

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

#### **vi. Charges to Revenue for Non-Current Assets**

Services are debited with the following amounts to record the cost of holding non-current assets during the year:

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

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

## **vii. Employee Benefits**

### **Benefits Payable during Employment**

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

### **Termination Benefits**

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

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

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

## Post-Employment Benefits

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

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

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

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

- the liabilities of the pension fund attributable to the Group are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of anticipated earnings for current employees;
- International Accounting Standard (IAS) 19 requires the nominal discount rate to be set by reference to market yields on high quality corporate bonds or where there is no deep market in such bonds then by reference to government bonds;
- the PPS liabilities are discounted using the nominal discount rate based on government bond yield of appropriate duration plus an additional margin and the LGPS liabilities are discounted to their value at current prices, using a discount rate based on corporate bond yields at 31 March 2022;
- the discount rates used by the actuaries and other principal assumptions are set out in Note 37;
- the assets of the LGPS fund attributable to the Group are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value

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

- **Current service cost** – the increase in liabilities as a result of years of service earned in the current year – allocated in the CIES to the services for which the employees worked;
- **Past service cost** – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the CIES as part of Non Distributed Costs;

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- **Net interest on the net defined benefit liability** i.e. net interest expense for the Group – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the CIES – this is calculated by applying the discount rate used to measure the defined benefit obligation to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments;
- **Re-measurements comprising:**
  - **the return on plan assets** – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
  - **actuarial gains and losses** – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- **Contributions paid to the pension fund** – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

A difference between the two schemes is that the PPS is an unfunded, defined benefit, final salary scheme, whereas the LGPS is a funded, defined benefit scheme and, with effect from 1 April 2014, became a career average (CARE) rather than final salary scheme. As the PPS is unfunded there are no investment assets built up to meet the pension liabilities and cash has to be generated to meet the actual pensions payments as they eventually fall due. This is further explained in the notes to the Police Pension Fund Account on page 101.

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

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

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The triennial valuation of the Local Government Pension Scheme took place during 2019/20 and the effects of this have been reflected in the changes to the figures by the scheme's actuaries, Hymans Ltd, in preparing their report for 31 March 2020. Further information can be found in Note 37.

### **viii. Fair Value Measurement**

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

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

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

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, as follows:

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

### **ix. Financial Instruments**

#### **Financial Liabilities**

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

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

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

### **Financial Assets**

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

- Amortised cost- these are recognised on the Balance Sheet when the Group becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Group, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement;
- fair value through profit or loss (FVPL) – these are recognised on the Balance Sheet when the Group becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services. The techniques for fair value measurements are set out in Accounting Policy viii. Any gains or losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES; and
- Fair value through other comprehensive income (FVOCI) – not applicable for the Group.

### **x. Government Grants and Contributions**

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

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

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

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

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

**xi. Intangible Assets**

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

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

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

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

**xii. Investment Property**

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are re-valued annually according to market

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conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the CIES. The same treatment is applied to gains and losses on disposal.

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

**xiii. Jointly Controlled Operations and Jointly Controlled Assets**

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

Note 14 to the Accounts 'Pooled Budgets and Joint Operations' provides an explanation of joint arrangements.

**xiv. Leases**

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

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

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

**The Group as Lessee (Operating Lease)**

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



### **The Group as Lessor (Operating Lease)**

Where the Group grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the CIES. Credits are made on a straight-line basis from the commencement of the lease term over the life of the lease, even if this does not match the pattern of payments (e.g., there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

### **xv. Segmental Analysis**

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

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

### **xvi. Prior Year Adjustments**

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

### **xvii. Property, Plant and Equipment**

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

#### **Recognition**

Expenditure on the acquisition, creation or enhancement of PPE is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Group and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to

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deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

### Measurement

Assets are initially measured at cost, comprising:

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

The cost of assets acquired other than by purchase is deemed to be its fair value; the Group has not acquired any asset via an exchange.

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

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

Assets included in the Balance Sheet at current value are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year end, but as a minimum every five years. Desktop reviews are carried out annually to ensure that this holds true as at the Balance Sheet date; 80% of the Net Book Value of Land and Buildings has been professionally valued in the last 12 months. Valuations are carried out by qualified valuers, Lambert Smith Hampton, the most recent being carried out as at 31 March 2022.

The basis of valuation used is set out below as recommended by CIPFA and in line with the Statements of Asset Valuation Practice, International Financial reporting Standards (IFRS), (in particular (IFRS)13 Fair Value Measurement), and the Royal Institution of Chartered Surveyors (RICS) Red Book Global Standards. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the CIES where they arise from the reversal of a loss previously charged to the Cost of Services.

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

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

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

## Componentisation

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

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

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

Components of buildings and the life of each component are:

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

## Impairment

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

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

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

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

## Depreciation

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

Depreciation is calculated on the straight-line method over:

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

5 years – general use vehicles; 7 years - vans).

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

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

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

### **Disposals and Non-Current Assets Held for Sale**

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

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

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

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

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

## **De Minimis**

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

## **xviii. Provisions, Contingent Liabilities and Contingent Assets**

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

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

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

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

A contingent liability or a contingent asset arises where an event has taken place that gives the Group a possible obligation or asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Group. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities and contingent assets are not recognised in the Balance Sheet but disclosed in Note 28 to the Accounts.

## **xix. Reserves**

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

## **xx. Revenue Expenditure Funded from Capital Under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure

Statement of Accounting Policies

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

**xxi. Value Added Tax**

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

## Statement of Responsibilities

### Responsibilities of the Police and Crime Commissioner for Warwickshire (the PCC)

The PCC is required to:

- Make arrangements for the proper administration of the PCC's financial affairs and to ensure that one of officers of the OPCC has the responsibility for the administration of those affairs. In this organisation that officer is the Treasurer to the Commissioner;
- manage the PCC's affairs to secure economic, efficient and effective use of resources and safeguard the PCC's assets;
- Approve the Statement of Accounts.

I accept the above responsibilities and approve these Statement of Accounts for 2021/22.

**Philip Seccombe**

**Police and Crime Commissioner for Warwickshire**

**Date: 30th November 2022**

### Responsibilities of the Treasurer to the Commissioner

The Treasurer to the Commissioner is responsible for the preparation of the Statement of Accounts for the Police and Crime Commissioner for Warwickshire and Group in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code).

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

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

The Treasurer has also:

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

The Statement of Accounts for the Police and Crime Commissioner for Warwickshire and Group is duly authorised for issue on 30th November 2022 by authority of the Treasurer to the Commissioner.

I certify that the Statement of Accounts represents a true and fair view of the financial position of the PCC and the Group at the accounting date and of the income and expenditure for the year ended 31 March 2022.

**Sara Ansell**

**Treasurer to the Police and Crime Commissioner for Warwickshire**

**Date: 30th November 2022**

## **Independent auditor's report to the Police and Crime Commissioner for Warwickshire Report on the Audit of the Financial Statements**

### **Opinion on financial statements**

We have audited the financial statements of the Police and Crime Commissioner for Warwickshire (the 'Police and Crime Commissioner') and its subsidiary the Chief Constable (the 'group') for the year ended 31 March 2022 which comprise the Comprehensive Income and Expenditure Statement (CIES) for the Group, the Comprehensive Income and Expenditure Statement (CIES) for the PCC, the Movement in Reserves Statement (MIRS) for the Group, the Movement in Reserves Statement (MIRS) for the PCC, the Balance Sheets for the Group and the PCC, the Cash Flow Statements for the Group and the PCC and the notes to the financial statements, including a summary of significant accounting policies, and include the police pension fund financial statements comprising the Police Pension Fund Account and Notes to the Police Pension Fund Account. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Police and Crime Commissioner as at 31 March 2022 and of the group's expenditure and income and the Police and Crime Commissioner's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Police and Crime Commissioner and the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

We are responsible for concluding on the appropriateness of the Treasurer to the Commissioner's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Police and Crime Commissioner and group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Police and Crime Commissioner and the group to cease to continue as a going concern.

In our evaluation of the Treasurer to the Commissioner's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22 that the Police and Crime Commissioner and group's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Police and Crime Commissioner and the group. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Police and Crime Commissioner and group and the Police and Crime Commissioner and group's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Police and Crime Commissioner's and the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Treasurer to the Commissioner's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.



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The responsibilities of the Treasurer to the Commissioner with respect to going concern are described in the 'Responsibilities of the Police and Crime Commissioner and the Treasurer to the Commissioner for the financial statements' section of this report.

### **Other information**

The Treasurer to the Commissioner is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Police and Crime Commissioner and group financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Police and Crime Commissioner and the group obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Other information we are required to report on by exception under the Code of Audit Practice**

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

### **Opinion on other matter required by the Code of Audit Practice**

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Police and Crime Commissioner, the other information published together with the financial statements in the Statement of Accounts, for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Police and Crime Commissioner under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

### **Responsibilities of the Police and Crime Commissioner and the Treasurer to the Commissioner for the financial statements**

As explained more fully in the Statement of Responsibilities, the Police and Crime Commissioner is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. That officer is the Treasurer to the Commissioner. The Treasurer to the Commissioner is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Treasurer

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to the Commissioner determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Treasurer to the Commissioner is responsible for assessing the Police and Crime Commissioner's and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Police and Crime Commissioner and the group will no longer be provided.

The Police and Crime Commissioner is Those Charged with Governance. Those charged with governance are responsible for overseeing the financial reporting process.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Police and Crime Commissioner and the group and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003 and the Police Reform and Social Responsibility Act 2011). We also identified the following additional regulatory frameworks in respect of the police pension fund; the Public Service Pensions Act 2013, The Police Pension Fund Regulations 2007, The Police Pensions Regulations 2006 and the Police Pensions Regulations 2015.
- We enquired of senior officers and the Police and Crime Commissioner, concerning the Police and Crime Commissioner and group's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers and the Police and Crime Commissioner, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Police and Crime Commissioner and group's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to large and unusual journal entries posted during the year and post year end, including those posted by senior officers.
- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that the Treasurer to the Commissioner has in place to prevent and detect fraud;
  - journal entry testing, with a focus on large and unusual journal entries posted during the year and post year end including those posted by senior officers; and

## Independent Auditor's Report

- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to land and building valuations, the net defined pension liability valuation and expenditure accruals.
- Our assessment of the appropriateness of the collective competence and capabilities of the Police and Crime Commissioner and group's engagement team included consideration of the engagement team's:
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the police sector
  - understanding of the legal and regulatory requirements specific to the Police and Crime Commissioner and group including:
    - the provisions of the applicable legislation
    - guidance issued by CIPFA, LASAAC and SOLACE
    - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Police and Crime Commissioner and group's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - the Police and Crime Commissioner and group's control environment, including the policies and procedures implemented by the Police and Crime Commissioner and group to ensure compliance with the requirements of the financial reporting framework.

## **Report on other legal and regulatory requirements - the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources**

### **Matter on which we are required to report by exception – the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources**

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Police and Crime Commissioner has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have nothing to report in respect of the above matter.

### **Responsibilities of the Police and Crime Commissioner**

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

### **Auditor's responsibilities for the review of the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources**

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Police and Crime Commissioner has made proper arrangements for securing economy, efficiency and effectiveness in its use of

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resources. We are not required to consider, nor have we considered, whether all aspects of the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in December 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Police and Crime Commissioner plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Police and Crime Commissioner ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Police and Crime Commissioner uses information about its costs and performance to improve the way it manages and delivers its services.

We have documented our understanding of the arrangements the Police and Crime Commissioner has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we have considered whether there is evidence to suggest that there are significant weaknesses in arrangements.

### **Report on other legal and regulatory requirements - Delay in certification of completion of the audit**

We cannot formally conclude the audit and issue an audit certificate for the Police and Crime Commissioner for Warwickshire for the year ended 31 March 2022 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Police and Crime Commissioner for the year ended 31 March 2022.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2022.

#### **Use of our report**

This report is made solely to the Police and Crime Commissioner, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Police and Crime Commissioner those matters we are required to state to the Police and Crime Commissioner in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Police and Crime Commissioner as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Jackson Murray**

Jackson Murray, Key Audit Partner  
for and on behalf of Grant Thornton UK LLP, Local Auditor

Bristol

30 November 2022

## Comprehensive Income and Expenditure Statement (CIES) for the Group

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

2020/21 Gross Expenditure	2020/21 Gross Income	2020/21 Net Expenditure restated		Notes	2021/22 Gross Expenditure	2021/22 Gross Income	2021/22 Net Expenditure
£000	£000	£000			£000	£000	£000
143,124	(11,100)	132,024	Policing Services		152,642	(15,135)	137,507
3,715	(1,114)	2,601	Police and Crime Commissioner		4,414	(1,857)	2,557
<b>146,839</b>	<b>(12,214)</b>	<b>134,625</b>	<b>Net Cost of Policing Services</b>	<b>1</b>	<b>157,056</b>	<b>(16,992)</b>	<b>140,064</b>
		179	Other operating expenditure – Loss / (gain) on disposal of non-current assets ( <i>Note 23</i> )				(8,604)
		(14,864)	Other operating expenditure / (income) - Home Office grant receivable towards the cost of retirement benefits * ( <i>Police Pension Fund Account, Page 119</i> )				(13,467)
		25,546	Financing and investment net expenditure ( <i>Note 12</i> )				25,984
		(108,192)	Taxation and non-specific grant income * ( <i>Note 13</i> )				(115,766)
		<b>37,294</b>	<b>Deficit or (Surplus) on Provision of Services</b>				<b>28,211</b>
		(1,768)	(Surplus) or deficit on revaluation of Property, Plant & Equipment Assets ( <i>Note 9 (i)</i> )				(363)
		144,877	Re-measurement of the net defined benefit liability ( <i>Note 36</i> )				(34,982)
		<b>143,109</b>	<b>Other Comprehensive Income &amp; Expenditure</b>				<b>(35,345)</b>
		<b>180,403</b>	<b>Total Comprehensive Income &amp; Expenditure</b>				<b>(7,134)</b>

\* see Note 10, the Home Office Grant has now been shown as “Other operating income” rather than “Taxation and non-specific grant income”, in accordance with the Code. The 2020/21 comparative figures have been restated to reflect this amendment.

## Comprehensive Income and Expenditure Statement (CIES) for the PCC

This Statement shows the accounting cost and funding in the year of providing services presented in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The PCC raises taxation to cover expenditure in accordance with regulations; this is different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the MIRS. The CIES includes the intra-group transfer, whereby the PCC provides resources to meet the cost of day to day policing provided by the Chief Constable.

2020/21 Gross Expenditure £000	2020/21 Gross Income £000	2020/21 Net Expenditure £000	Notes	2021/22 Gross Expenditure £000	2021/22 Gross Income £000	2021/22 Net Expenditure £000
3,461	(15,498)	(12,037)		8,059	(19,596)	(11,537)
3,715	(1,114)	2,601		4,414	(1,857)	2,557
<b>7,176</b>	<b>(16,612)</b>	<b>(9,436)</b>	<b>1</b>	<b>12,473</b>	<b>(21,453)</b>	<b>(8,980)</b>
127,039	0	127,039	11	126,944	0	126,944
<b>134,215</b>	<b>(16,612)</b>	<b>117,603</b>		<b>139,417</b>	<b>(21,453)</b>	<b>117,964</b>
		179				(8,604)
		536				242
		(108,192)				(115,766)
		<b>10,126</b>				<b>(6,164)</b>
		(1,768)				(362)
		<b>(1,768)</b>				<b>(362)</b>
		<b>8,358</b>				<b>(6,526)</b>

## Movement in Reserves Statement (MIRS) for the Group

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

	Notes	Police Fund Balance	Earmarked Police Fund Reserves	Total Police Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Group Reserves
		£000	£000	£000	£000	£000	£000	£000	£000
<b>Opening Balance at 1 April 2020</b>		<b>5,000</b>	<b>16,000</b>	<b>21,000</b>	<b>0</b>	<b>0</b>	<b>21,000</b>	<b>(1,053,214)</b>	<b>(1,032,214)</b>
<b>Movement in reserves during 2020/21</b>									
<b>Total Comprehensive Income and Expenditure</b>	<b>1</b>	<b>(37,294)</b>	<b>0</b>	<b>(37,294)</b>	<b>0</b>	<b>0</b>	<b>(37,294)</b>	<b>(143,109)</b>	<b>(180,403)</b>
Adjustments between accounting basis and funding basis under regulations	7	28,982	0	28,982	0	0	28,982	(28,982)	0
<b>Net Increase before transfers to Earmarked Reserves</b>		<b>(8,312)</b>	<b>0</b>	<b>(8,312)</b>	<b>0</b>	<b>0</b>	<b>(8,312)</b>	<b>(172,091)</b>	<b>(180,403)</b>
Transfers to/from Earmarked Reserves	8	8,312	(8,312)	0	0	0	0	0	0
<b>Increase/(Decrease) in Year</b>		<b>0</b>	<b>(8,312)</b>	<b>8,312</b>	<b>0</b>	<b>0</b>	<b>(8,312)</b>	<b>(172,091)</b>	<b>(180,403)</b>
<b>Balance at 31 March 2021 Carried Forward</b>		<b>5,000</b>	<b>7,688</b>	<b>12,688</b>	<b>0</b>	<b>0</b>	<b>12,688</b>	<b>(1,225,305)</b>	<b>(1,212,617)</b>
<b>Movement in reserves during 2020/21</b>									
<b>Total Comprehensive Income and Expenditure</b>	<b>1</b>	<b>(28,211)</b>	<b>0</b>	<b>(28,211)</b>	<b>0</b>	<b>0</b>	<b>(28,211)</b>	<b>35,345</b>	<b>7,134</b>
Adjustments between accounting basis and funding basis under regulations	7	29,828	0	29,828	4,812	0	34,640	(34,640)	0
<b>Net Increase before transfers to Earmarked Reserves</b>		<b>1,617</b>	<b>0</b>	<b>1,617</b>	<b>4,812</b>	<b>0</b>	<b>6,429</b>	<b>705</b>	<b>7,134</b>
Transfers to/from Earmarked Reserves	8	(617)	617	0	0	0	0	0	0
<b>Increase/(Decrease) in Year</b>		<b>1,000</b>	<b>617</b>	<b>1,617</b>	<b>4,812</b>	<b>0</b>	<b>19,117</b>	<b>705</b>	<b>7,134</b>
<b>Balance at 31 March 2022 Carried Forward</b>		<b>6,000</b>	<b>8,305</b>	<b>14,305</b>	<b>4,812</b>	<b>0</b>	<b>19,117</b>	<b>(1,224,600)</b>	<b>(1,205,483)</b>

## Movement in Reserves Statement (MIRS) for the PCC

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

	Notes	Police Fund Balance	Earmarked Police Fund Reserves	Total Police Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Group Reserves
		£000	£000	£000	£000	£000	£000	£000	£000
<b>Opening Balance at 1 April 2020</b>		<b>5,000</b>	<b>16,000</b>	<b>21,000</b>	<b>0</b>	<b>0</b>	<b>21,000</b>	<b>58,849</b>	<b>79,849</b>
<b>Movement in reserves during 2020/21</b>									
<b>Total Comprehensive Income and Expenditure</b>	1	<b>(10,126)</b>	<b>0</b>	<b>(10,126)</b>	<b>0</b>	<b>0</b>	<b>(10,126)</b>	<b>1,768</b>	<b>(8,358)</b>
Adjustments between accounting basis and funding basis under regulations	7	1,814	0	1,814	0	0	1,814	(1,814)	0
<b>Net Increase before transfers to Earmarked Reserves</b>		<b>(8,312)</b>	<b>0</b>	<b>(8,312)</b>	<b>0</b>	<b>0</b>	<b>(8,312)</b>	<b>(46)</b>	<b>(8,358)</b>
Transfers to/from Earmarked Reserves	8	8,312	(8,312)	0	0	0	0	0	0
<b>Increase/(Decrease) in Year</b>		<b>0</b>	<b>(8,312)</b>	<b>(8,312)</b>	<b>0</b>	<b>0</b>	<b>(8,312)</b>	<b>(46)</b>	<b>(8,358)</b>
<b>Balance at 31 March 2021 Carried Forward</b>		<b>5,000</b>	<b>7,688</b>	<b>12,688</b>	<b>0</b>	<b>0</b>	<b>12,688</b>	<b>58,803</b>	<b>71,491</b>
<b>Movement in reserves during 2020/21</b>									
<b>Total Comprehensive Income and Expenditure</b>	1	<b>6,164</b>	<b>0</b>	<b>6,164</b>	<b>0</b>	<b>0</b>	<b>6,164</b>	<b>363</b>	<b>6,527</b>
Adjustments between accounting basis and funding basis under regulations	7	(4,547)	0	(4,547)	4,812	0	265	(265)	0
<b>Net Increase before transfers to Earmarked Reserves</b>		<b>1,617</b>	<b>0</b>	<b>1,617</b>	<b>4,812</b>	<b>0</b>	<b>6,429</b>	<b>98</b>	<b>6,527</b>
Transfers to/from Earmarked Reserves	8	(617)	617	0	0	0	0	0	0
<b>Increase/(Decrease) in Year</b>		<b>1,000</b>	<b>617</b>	<b>1,617</b>	<b>4,812</b>	<b>0</b>	<b>6,429</b>	<b>98</b>	<b>6,527</b>
<b>Balance at 31 March 2022 Carried Forward</b>		<b>6,000</b>	<b>8,305</b>	<b>14,305</b>	<b>4,812</b>	<b>0</b>	<b>19,117</b>	<b>58,901</b>	<b>78,018</b>



## Balance Sheets for the Group and the PCC

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

The PCC as at 31 March 2021 £000	The Group as at 31 March 2021 £000		Notes	The PCC as at 31 March 2022 £000	The Group as at 31 March 2022 £000
89,352	89,352	Property, Plant & Equipment	22	95,556	95,556
246	246	Investment Property	24	505	505
431	431	Intangible Assets	25	1,079	1,079
39	39	Long Term Debtors	15	13	13
<b>90,068</b>	<b>90,068</b>	<b>Long Term Assets</b>		<b>97,153</b>	<b>97,153</b>
634	634	Assets Held for Sale	23	762	762
11,336	12,697	Short Term Debtors	26	14,018	14,219
1,014	1,014	Cash and Cash Equivalents	27	5,275	5,275
0	0	Intra-Group Debtor	11	0	0
<b>12,984</b>	<b>14,345</b>	<b>Current Assets</b>		<b>20,055</b>	<b>20,256</b>
(4,997)	(4,997)	Short Term Borrowing	31	(5,427)	(5,427)
(14,515)	(19,390)	Short Term Creditors	28	(11,771)	(17,880)
0	(224)	Provisions	29	0	(195)
(600)	0	Intra Group Creditor	11	(2,791)	0
<b>(20,112)</b>	<b>(24,611)</b>	<b>Current Liabilities</b>		<b>(19,989)</b>	<b>(23,502)</b>
(10,156)	(10,156)	Long Term Borrowing	31	(17,729)	(17,729)
0	(1,280,971)	Liability Relating to Defined Benefit Pension Schemes	36	0	(1,280,189)
(624)	(624)	Revenue Grants Receipts in Advance	14	(494)	(494)
(668)	(668)	Capital Grants Receipts in Advance	14	(978)	(978)
<b>(11,448)</b>	<b>(1,292,419)</b>	<b>Long Term Liabilities</b>		<b>(19,201)</b>	<b>(1,299,390)</b>
<b>71,492</b>	<b>(1,212,617)</b>	<b>Net Assets / (Liabilities)</b>		<b>78,018</b>	<b>(1,205,483)</b>
12,688	12,688	Usable Reserves	8	19,117	19,117
58,804	(1,225,305)	Unusable Reserves	9	58,901	(1,224,600)
<b>71,492</b>	<b>(1,212,617)</b>	<b>Total Reserves</b>		<b>78,018</b>	<b>(1,205,483)</b>

The unaudited Statement of Accounts were issued on 31st July 2022 and these audited Statement of Accounts were authorised for issue on 30th November 2022.

Treasurer to the Police and Crime Commissioner for Warwickshire

## Cash Flow Statements for the Group and the PCC

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

The PCC 2020/21 £000	The Group 2020/21 £000		Notes	The PCC 2021/22 £000	The Group 2021/22 £000
10,126	37,294	<b>Net deficit (surplus) on Provision of Services</b>	<b>1 &amp; 11</b>	<b>(6,164)</b>	<b>28,211</b>
(16,404)	(43,572)	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	33	(8,477)	(42,852)
114	114	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	33	10,182	10,182
<b>(6,164)</b>	<b>6,164</b>	<b>Net cash flows from Operating Activities</b>		<b>(4,459)</b>	<b>(4,459)</b>
9,027	9,027	Investing Activities	34	9,201	9,201
982	982	Financing Activities	35	(9,003)	(9,003)
<b>3,845</b>	<b>3,845</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>(4,261)</b>	<b>(4,261)</b>
<b>(4,859)</b>	<b>(4,859)</b>	Cash and cash equivalents at the beginning of the reporting period	27	<b>(1,014)</b>	<b>(1,014)</b>
<b>(1,014)</b>	<b>(1,014)</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>27</b>	<b>(5,275)</b>	<b>(5,275)</b>

## Notes to the Financial Statements

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

### 1. Expenditure and Funding Analysis (EFA)

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

#### The Group

	2021/22 Net Expenditure Chargeable to the Police Fund Balances	2021/22 Adjustments between the Funding and Accounting Basis (Note 1 (a))	2021/22 Net Expenditure in the CIES
	£000	£000	£000
Policing Services	111,096	26,411	137,507
Police and Crime Commissioner	2,557	0	2,557
<b>Net Cost of Policing Services</b>	<b>113,653</b>	<b>26,411</b>	<b>140,064</b>
Other income and expenditure	(115,270)	3,417	(111,853)
<b>(Surplus) or deficit on provision of Services</b>	<b>(1,617)</b>	<b>29,828</b>	<b>28,211</b>

Opening Police Fund at 31 March 2021	(12,688)
Less Deficit on Police Fund in Year	(1,617)
<b>Closing Police Fund at 31 March 2022</b>	<b>(14,305)</b>

	2020/21 Net Expenditure Chargeable to the Police Fund Balances	2020/21 Adjustments between the Funding and Accounting Basis (Note 1 (a))	2020/21 Net Expenditure in the CIES
	£000	£000	£000
Policing Services	113,445	18,579	132,024
Police and Crime Commissioner	2,601	0	2,601
<b>Net Cost of Policing Services</b>	<b>116,046</b>	<b>18,579</b>	<b>134,625</b>
Other income and expenditure	(107,734)	10,403	(97,331)
<b>(Surplus) or deficit on provision of Services</b>	<b>8,312</b>	<b>28,982</b>	<b>37,294</b>

Note to the Financial Statements

Opening Police Fund at 31 March 2020	(21,000)
Less Deficit on Police Fund in Year	8,312
<b>Closing Police Fund at 31 March 2021</b>	<b>(12,688)</b>

**The PCC**

	2021/22 Net Expenditure Chargeable to the Police Fund Balances	2021/22 Adjustments between the Funding and Accounting Basis (Note 1 (a))	2021/22 Net Expenditure in the CIES
	£000	£000	£000
Policing Services	(14,519)	2,982	(11,537)
Police and Crime Commissioner	2,557	0	2,557
<b>Net Cost of Policing Services</b>	<b>(11,962)</b>	<b>2,982</b>	<b>(8,980)</b>
Funding to the Chief Constable for financial resources consumed	125,615	1,329	126,944
Other income and expenditure	(115,270)	(8,858)	(124,128)
<b>(Surplus) or deficit on provision of Services</b>	<b>(1,617)</b>	<b>(4,547)</b>	<b>(6,164)</b>

Opening Police Fund at 31 March 2021	(12,688)
Less Deficit on Police Fund in Year	(1,617)
<b>Closing Police Fund at 31 March 2022</b>	<b>(14,305)</b>

	2020/21 Net Expenditure Chargeable to the Police Fund Balances	2020/21 Adjustments between the Funding and Accounting Basis (Note 1 (a))	2020/21 Net Expenditure in the CIES
	£000	£000	£000
Policing Services	(10,819)	(1,218)	(12,037)
Police and Crime Commissioner	2,601	0	2,601
<b>Net Cost of Policing Services</b>	<b>(8,218)</b>	<b>(1,218)</b>	<b>(9,436)</b>
Funding to the Chief Constable for financial resources consumed	124,264	2,775	127,039
Other income and expenditure	(107,734)	257	(107,477)
<b>(Surplus) or deficit on provision of Services</b>	<b>8,312</b>	<b>1,814</b>	<b>10,126</b>

Opening Police Fund at 31 March 2020	(21,000)
Less Deficit on Police Fund in Year	8,312
<b>Closing Police Fund at 31 March 2021</b>	<b>(12,688)</b>

## Note to the Financial Statements

## 1(a) Note to the EFA

## Adjustments between Funding and Accounting Basis

## The Group

2021/22					
Adjustments from Police Fund to arrive at the CIES amounts	Adjustments for Capital Purposes (note i)	Net Change for the Pensions Adjustments (note ii)	Financing and Investment Adjustments (note iii)	Other Adjustments (note iv)	Total Adjustments
	£000	£000	£000	£000	£000
Policing Services	4,812	21,925	(501)	175	26,411
Police and Crime Commissioner	0	0	0	0	0
<i>Net Cost of Services</i>	4,812	21,925	(501)	175	26,411
Other income and expenditure from the Funding Analysis	(9,087)	12,275	501	(272)	3,417
<b>Difference between Police Fund surplus or deficit and CIES surplus or deficit</b>	<b>(4,275)</b>	<b>34,200</b>	<b>0</b>	<b>(97)</b>	<b>29,828</b>

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	2,092	15,997	(536)	1,026	18,579
Police and Crime Commissioner	0	0	0	0	0
<i>Net Cost of Services</i>	2,092	15,997	(536)	1,026	18,579
Other income and expenditure from the Funding Analysis	(0,651)	10,146	536	0.372	10,403
<b>Difference between Police Fund surplus or deficit and CIES surplus or deficit</b>	<b>1,441</b>	<b>26,143</b>	<b>0</b>	<b>1,398</b>	<b>28,982</b>

## Note to the Financial Statements

## The PCC

2021/22					
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	3,598	0	16	(632)	2,982
Police and Crime Commissioner	0	0	0	0	0
<i>Net Cost of Services</i>	3,598	0	16	(632)	2,982
Funding to the Chief Constable	1,214	0	(517)	632	1,329
Other income and expenditure from the Funding Analysis	(9,087)	0	501	(272)	(8,858)
<b>Difference between Police Fund surplus or deficit and CIES surplus or deficit</b>	<b>(4,275)</b>	<b>0</b>	<b>0</b>	<b>(272)</b>	<b>(4,547)</b>

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	(937)	0	18	(299)	(1,218)
Police and Crime Commissioner	0	0	0	0	0
<i>Net Cost of Services</i>	(937)	0	18	(299)	(1,218)
Funding to the Chief Constable	3,029	0	(554)	300	2,775
Other income and expenditure from the Funding Analysis	(651)	0	536	372	257
<b>Difference between Police Fund surplus or deficit and CIES surplus or deficit</b>	<b>1,441</b>	<b>0</b>	<b>0</b>	<b>373</b>	<b>1,814</b>

Note to the Financial Statements**Note (i) Adjustments for Capital Purposes**

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

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

**Note (ii) Net Change for Pensions Adjustments**

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

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

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

**Note (iv) Other Adjustments** – this column reflects variations in the amount chargeable for Council Tax under Statute and the Code; and timing differences relating to accruing for compensated absences earned but not taken in the year (absorbed by the Accumulated Absences Account).

**1(b) Expenditure and Income Analysed by Nature  
The Group**

2020/21 £000		2021/22 £000
57,982	Police officers pay	60,018
33,567	Police staff pay	30,524
1,390	Police pensions	1,548
1,875	Other Employee Expenses	1,709
32,830	Pensions current cost of service	38,775
(17,103)	Cost of pensions based on cash flows	(17,317)
1,025	Accumulated absences	175
31,807	Other service expenditure	33,097
270	Non distributed costs	467
3,196	Depreciation, Amortisation, Revaluation Loss and REFCUS	8,059
554	Interest payable	517
25,010	Net interest on the net defined benefit liability	25,742
179	Loss / (gain) on disposal of non-current assets	(8,604)
<b>172,582</b>	<b>Total Expenditure</b>	<b>174,710</b>

## Note to the Financial Statements

(6,638)	Fees, charges and other service income	(9,982)
0	Investment property income and gain on change in fair value	(259)
(18)	Interest and investment income	(16)
(49,770)	Income from council tax	(53,434)
(78,862)	Government grants and contributions	(82,808)

## The PCC

2020/21		2021/22
£000		£000
688	Police staff pay	662
0	Other employee expenses	3
3,027	Other service expenditure	3,749
554	Interest payable	517
179	Loss / (gain) on disposal of non-current assets	(8,604)
(937)	Capital Charges – net of recharges to Chief Constable for use of assets	3,597
127,039	Funding to the Chief Constable for financial resources consumed	126,944
<b>130,550</b>	<b>Total Expenditure</b>	<b>126,868</b>
(6,638)	Fees, charges and other service income	(9,982)
0	Investment property income and gain on change in fair value	(259)
(18)	Interest and investment income	(16)
(49,770)	Income from council tax	(53,434)
(63,998)	Government grants and contributions	(69,341)
<b>(120,424)</b>	<b>Total Income</b>	<b>(133,032)</b>
<b>10,126</b>	<b>Deficit on the Provision of services</b>	<b>(6,164)</b>

## 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 annual IFRS improvement programme notes four changed standards:

- IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS;
- IAS 37 (Onerous contracts) – clarifies the intention of the standard;
- IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material;
- IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.

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, until



Note to the Financial Statements

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1 April 2024, and it is currently not possible to provide an estimate of the impact this may have. Both the 2022/23 and the 2023/24 Codes will allow for early adoption of IFRS 16 should an Authority consider that it is able to do so as of 1 April 2022 or 2023, but there are currently no plans for Warwickshire to do this. On 12<sup>th</sup> April 2021 Chief Officers agreed to set Warwickshire Police's minimum threshold for leases at £5,000, and this remains the same for 2021/22 accounts.

### **3. Critical Judgements in Applying Accounting Policies**

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

#### **PCC and Chief Constable Group Relationship**

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

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

The 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 the CC Accounts;
- The CC's accounts have been charged with the expense associated with IAS19 pensions and accumulated staff absences as well as the fair value of non-current assets consumed during the year and the CC's Balance Sheet contains the net liabilities associated with these items offset by unusable reserves as required by the Code of Practice;
- An intra-group transfer has been made between the CC's and the PCC's CIES offsetting the above expenses;
- Within the Group accounts, where material, a distinction is made between the transactions and balances of the Group and the PCC;
- The Chief Constable's Balance Sheet contains employment-related debtors, creditors and provisions together with all inventories.

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

The Accounts contain estimated figures that are based on judgements and assumptions made by the PCC about the future or that are otherwise uncertain. However, because balances cannot be determined with certainty, actual results could be materially different from those that have been estimated. The items in the Group's Balance Sheet at 31 March 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

##### **Property, Plant and Equipment**

The basis of estimating the value of assets is referred to in the Statement of Accounting Policies. Assets are depreciated over their Useful Economic Lives (UEL), which is determined by external valuers, based on judgements which include assumptions about the level of repairs and maintenance that will be incurred on individual assets. These estimates are important for example, if the UEL is reduced, depreciation charged to the CIES would increase and the carrying value of the asset would fall. It is estimated that the annual depreciation charge for buildings would increase by £0.030m for every year that useful lives were reduced. The Net Book Value of Property, Plant and Equipment as at 31 March 2022 is £96.2m (£89.3m as at 31 March 2021).

##### **Post Employment Benefits (Pension Liability)**

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

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

Whilst this area is not a critical judgement, the materiality of any movement in pension figures through estimation techniques could have a significant impact on the accounts. The actuaries provide the Group with advice and illustrations of the potential impact of the changes in assumptions and these are set out at the end of Note 37.

#### **5. Material Items of Income and Expenditure**

The re-measurement of the net defined benefit liability in the Other Comprehensive Income and Expenditure section of the CIES is a gain of £34.982m, compared to a loss of £144.877m

Note to the Financial Statements

in 2020/21. The gain is due to relatively small changes in the rates and assumptions used by the actuaries for calculating inflation, salary increases, and discounting scheme liabilities. Overall, the Pensions Liability held on the Balance Sheet, has reduced by £0.782m to £1,280.2m at 31 March 2022. Further information regarding the Pensions Liabilities can be found in Note 37.

## 6. Events After the Reporting Period

The Statement of Accounts were authorised for issue by the Treasurer to the PCC on 30 November 2022. Events taking place after this date are not reflected in the financial statements or notes.

## 7. Adjustments Between Accounting Basis and Funding Basis under Regulations

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

	Usable Reserves		
	Police Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied
2021/22	£000	£000	£000
<b>Adjustments to the Revenue Resources</b>			
<i>Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:</i>			
Pensions Costs (transferred to or from Pensions Reserve)	(34,200)	0	0
Council tax (transfers to or from Collection Fund)	273	0	0
Holiday pay (transferred to the Accumulated Absences Reserve)	(175)	0	0
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items charged to the CAA)	(9,155)	0	0
<b>Total Adjustments to Revenue Resources</b>	<b>(43,257)</b>	<b>0</b>	<b>0</b>
<b>Adjustments between Revenue and Capital Resources</b>			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	9,958	(9,958)	0
Statutory provision for the repayment of debt (transfer from the CAA)	2,421	0	0
Capital expenditure financed from revenue balances (transfer to the CAA)	826	0	0
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>13,205</b>	<b>(9,958)</b>	<b>0</b>
<b>Adjustments to Capital Resources</b>			
Application of capital receipts to finance capital expenditure	0	5,191	0
Application of capital grants to finance capital expenditure	224	0	0
Cash payments re deferred capital receipts	0	(45)	0
<b>Total Adjustments to Capital Resources</b>	<b>224</b>	<b>5,146</b>	<b>0</b>

Note to the Financial Statements

<b>Total Adjustments Group</b>	<b>(29,828)</b>	<b>(4,812)</b>	<b>0</b>
<i>Less: Chief Constable only adjustments</i>			
Pensions Costs	34,200	0	0
Holiday pay	175	0	0
<b>Total Adjustments PCC</b>	<b>4,547</b>	<b>(4,812)</b>	<b>0</b>

	Usable Reserves		
	Police Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied
2020/21	£000	£000	£000
<b>Adjustments to the Revenue Resources</b>			
<i>Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:</i>			
Pensions Costs (transferred to or from Pensions Reserve)	(26,143)	0	0
Council tax (transfers to or from Collection Fund)	(373)	0	0
Holiday pay (transferred to the Accumulated Absences Reserve)	(1,025)	0	0
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items charged to the CAA)	(2,659)	0	0
<i>Total Adjustments to Revenue Resources</i>	<b>(30,200)</b>	<b>0</b>	<b>0</b>
<b>Adjustments between Revenue and Capital Resources</b>			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	0	0	0
Statutory provision for the repayment of debt (transfer from the CAA)	1,072	0	0
Capital expenditure financed from revenue balances (transfer to the CAA)	32	0	0
<i>Total Adjustments between Revenue and Capital Resources</i>	<b>1,104</b>	<b>0</b>	<b>0</b>
<b>Adjustments to Capital Resources</b>			
Application of capital receipts to finance capital expenditure	0	45	0
Application of capital grants to finance capital expenditure	114	0	0
Cash payments re deferred capital receipts	0	(45)	0
<i>Total Adjustments to Capital Resources</i>	<b>114</b>	<b>0</b>	<b>0</b>
<b>Total Adjustments Group</b>	<b>(28,982)</b>	<b>0</b>	<b>0</b>
<i>Less: Chief Constable only adjustments</i>			
Pensions Costs	26,143	0	0
Holiday pay	1,025	0	0
<b>Total Adjustments PCC</b>	<b>(1,814)</b>	<b>0</b>	<b>0</b>

## Note to the Financial Statements

**8. Usable Reserves**

The PCC holds all of the Group's reserves. This note sets out the amounts set aside from the Police Fund Balances into earmarked reserves to provide financing for future expenditure plans and the amounts used from earmarked reserves to meet Police Fund expenditure in 2021/22. Note the reserves held on behalf of the Justice Centres are omitted from this table because they are not part of the Group and PCC's Accounts. The PCC's contribution, as a partner to the Justice Centre arrangement, forms part of the expenditure in the CIES and contributes to the surplus or deficit carried to the budget reserve.

Reserve	Balance at 1 April 2020 £000	Transfers out 2020/21 £000	Transfers in 2020/21 £000	Balance at 31 March 2021 £000	Transfers out 2021/22 £000	Transfers in 2021/22 £000	Balance at 31 March 2022 £000
Budget & Transformation	(1,707)	0	(396)	(2,103)	735	(2,109)	(3,477)
Transformation	(9,538)	8,160	0	(1,378)	1,378	0	0
Investment in Infrastructure	(1,166)	115	0	(1,051)	277	0	(774)
Pension & Redundancy	(400)	400	0	0	0	(900)	(900)
Insurance & Legal Claims	(300)	47	0	(253)	0	(247)	(500)
Income Risk	(500)	0	0	(500)	250	0	(250)
COVID-19	(500)	201	0	(299)	0	(201)	(500)
Collection Fund	(0)	0	0	0	339	(339)	0
PCC Grants and Initiatives	(300)	0	0	(300)	0	0	(300)
Nat. Comm Vetting Services	0	0	(573)	(573)	0	0	(573)
Safer Roads	(1,589)	358	0	(1,231)	305	(105)	(1,031)
<b>Earmarked Reserves</b>	<b>(16,000)</b>	<b>9,281</b>	<b>(969)</b>	<b>(7,688)</b>	<b>3,284</b>	<b>(3,901)</b>	<b>(8,305)</b>
<b>General Reserves</b>	<b>(5,000)</b>	<b>0</b>	<b>0</b>	<b>(5,000)</b>	<b>0</b>	<b>(1,000)</b>	<b>(6,000)</b>
<b>Total</b>	<b>(21,000)</b>	<b>9,281</b>	<b>(969)</b>	<b>(12,688)</b>	<b>3,284</b>	<b>(4,901)</b>	<b>(14,305)</b>
Capital Receipts Reserve	0	0	0	0	0	(4,812)	(4,812)
Capital Grants Reserve	0	0	0	0	0	0	0
<b>Total</b>	<b>(21,000)</b>	<b>9,281</b>	<b>(969)</b>	<b>(12,688)</b>	<b>3,284</b>	<b>(9,713)</b>	<b>(19,117)</b>

Capital receipts and Capital grants have been used to fund capital expenditure during 2021/22.

The purposes of the Earmarked Reserves are as follows:

Note to the Financial Statements

- **Budget & Transformation Reserve** to support the budget where required & enable projects to be funded on a corporate basis focusing on service improvement, efficiency, and cost reductions;
- **Investment in Infrastructure Reserve** is held to support delivery of the Capital Programme and reduce the amount of new borrowing required;
- **Pension & Redundancy Reserves** have been created to address specific risks identified;
- **Insurance & Legal Reserves** have been created to address specific risks identified;
- **Income Risk Reserve** has been created to address specific risks identified;
- **COVID-19 Reserve** is the funding set aside during the pandemic in 2019/20, and whilst some reserves have been used, it is likely to continue, at least in the earlier part of 22/23;
- **PCC's Grants and Initiatives Reserve** to support specific PCC initiatives;
- **National Comm Vetting Services** have been created to address specific risks identified;
- **Safer Roads Reserve** is the reserves held by the Safer Roads Partnership to be invested into road safety.

## 9. Unusable Reserves

The Pensions Reserve and Accumulated Absences Reserves are held by the Chief Constable and all other unusable reserves are held by the PCC. Unusable reserves are consolidated in the Group Accounts.

The unusable reserves can be summarised as follows:

31 March 2021 £000		31 March 2022 £000
	<b>The PCC</b>	
(12,892)	Revaluation Reserve	(12,971)
(46,200)	Capital Adjustment Account	(45,991)
(77)	Deferred Capital Receipts Reserve	(32)
366	Collection Fund Adjustment Account	93
<b>(58,803)</b>	<b>PCC Total:</b>	<b>(58,901)</b>
	<b>The Chief Constable Unusable Reserves</b>	
1,280,971	Pension Reserve	1,280,189
3,137	Accumulated Absences Account	3,312
<b>1,284,108</b>	<b>Total: Chief Constable Unusable Reserves</b>	<b>1,283,501</b>
<b>1,225,305</b>	<b>Total Group Unusable Reserves</b>	<b>1,224,600</b>

### (i) Revaluation Reserve

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

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

## Note to the Financial Statements

- disposed of and the gains are realised.

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

2020/21			2021/22	
£000	£000		£000	£000
	(11,365)			(12,892)
(1,768)		Upward revaluation of assets	(880)	
0		Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	517	
	(13,133)	<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>		(13,225)
241		Difference between fair value depreciation and historical cost depreciation	284	
0		Accumulated gains on assets sold or scrapped	0	
	241	Amount written off to the Capital Adjustment Account		0
	(12,892)	<b>Group and PCC Balance as at 31 March</b>		(12,971)

**(ii) Capital Adjustment Account**

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

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

2020/21			2021/22	
£000	£000		£000	£000
				(46,200)
		Reversal of items relating to capital expenditure debited or credited to the CIES:		
3,627		Charges for depreciation and impairment of non-current assets	3,969	
(1,743)		Revaluation losses (gains) on PPE	3,627	
0		(Gains)/losses on changes in fair value of investment property	(259)	
265		Amortisation of intangible assets	208	
179		Amounts of non-current assets written off on disposal as part of the gain/loss on disposal to the CIES	1,354	
(716)		Revenue expenditure funded from capital under statute	(28)	
806		Donated Assets	0	

Note to the Financial Statements

	2,418	<b>Net written out amount of the cost of non-current assets consumed in the year</b>		<b>(37,329)</b>
		Capital financing applied in the year:		
(45)		Use of the Capital Receipts Reserve to finance new capital expenditure	(5,191)	
(114)		Capital grants and contributions credited to the CIES that have been applied to capital financing	(224)	
0		Application of grants to capital financing from the Capital Grants Unapplied Account	0	
(1,072)		Statutory provision for the financing of capital investment charged against the General Fund	(2,421)	
(32)		Capital expenditure funded from Reserves	0	
(0)		Capital expenditure charged against the General Fund	(826)	
	<b>(1,263)</b>			<b>(8,662)</b>
	<b>(46,200)</b>	<b>Group and PCC Balance as at 31 March</b>		<b>(45,991)</b>

**(iii) Pensions Reserve**

Payments for the cost of post-employment benefits and the associated liability are shown in the Chief Constable's Accounts. The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Chief Constable Accounts for post-employment benefits in the CIES as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Chief Constable makes employers contributions to pension funds or eventually pays any pensions for which the Chief Constable, as Scheme Manager, 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:

2020/21 £000		2021/22 £000
<b>1,109,951</b>	<b>Group and Chief Constable Balance as at 1 April</b>	<b>1,280,971</b>
144,877	Re-measurement of the net defined benefit liability	(34,982)
58,110	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	64,984
(31,967)	Employer's pensions contributions and direct payments to pensioners payable in the year	(30,784)
<b>1,280,971</b>	<b>Group and Chief Constable Balance as at 31 March</b>	<b>1,280,189</b>

**(iv) Collection Fund Adjustment Account**

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the CIES as it falls due from council tax payers compared with the



Note to the Financial Statements

statutory arrangements for paying across amounts to the Police Fund from the Collection Fund.

2020/21 £000		2021/22 £000
(7)	<b>Group and PCC Balance as at 1 April</b>	<b>366</b>
373	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(273)
<b>366</b>	<b>Group and PCC Balance as at 31 March</b>	<b>93</b>

**(v) Accumulated Absences Account**

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

2020/21			2021/22	
£000	£000		£000	£000
	<b>2,112</b>	<b>Group and Chief Constable Balance as at 1 April</b>		<b>3,137</b>
(2,112)		Cancellation of accrual made at the end of the preceding year	(3,137)	
3,137		Amount accrued at the end of the current year	3,312	
	1,025	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		175
	<b>3,137</b>	<b>Group and PCC Balance as at 31 March</b>		<b>3,312</b>

**(vi) Deferred Capital Receipts Reserve**

The deferred capital receipts reserve relates to the disposal of the Warwickshire Police share of the East Midlands Air Support Unit helicopter in the sum of £32k (£77k 2020/21).

**10. Prior Period Adjustment**

The Home Office grant receivable towards the cost of retirement benefits (Pensions Top-up Grant) was previously shown in "Taxation and non-specific grant income" in the CIES and has now been shown as "Other operating income", in accordance with the Code. The comparative 2020/21 figures in the CIES have now been restated, as follows:

## Note to the Financial Statements

CIES for the Group 2020/21 (extract)	Originally stated 2020/21 Net Expenditure £000	Restated 2020/21 Net Expenditure £000	Amount of restatement £000
<b>Net Cost of Policing Services</b>	<b>134,625</b>	<b>134,625</b>	<b>0</b>
Other operating expenditure – Loss on disposal of non-current assets	179	179	0
Other operating expenditure / (income) - Home Office grant receivable towards the cost of retirement benefits	0	(14,864)	(14,864)
Financing and investment net expenditure	25,546	25,546	0
Taxation and non-specific grant income	(123,056)	(108,192)	14,864
<b>Deficit or (Surplus) on Provision of Services</b>	<b>37,294</b>	<b>37,294</b>	<b>0</b>
(Surplus) or deficit on revaluation of Property, Plant & Equipment Assets	(1,768)	(1,768)	0
Re-measurement of the net defined benefit liability	144,877	144,877	0
<b>Other Comprehensive Income &amp; Expenditure</b>	<b>143,109</b>	<b>143,109</b>	<b>0</b>
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>180,403</b>	<b>180,403</b>	<b>0</b>

## 11. 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 2021/22 amounts to £126.944m (£127.039m in 2020/21). This is included within the Net Cost of Policing Services in the CIES, in line with current best practice for the preparation of Police Accounts.

The PCC's Balance Sheet includes an Intra-Group Creditor of £2.791m (£0.600m Creditor in 2020/21) 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:

2020/21 £000		2021/22 £000
144,061	Chief Constable's Cost of Services	149,044
25,010	Interest on the net defined benefit liability	25,742
(14,864)	Home Office grant towards the cost of retirement	(13,467)
144,877	Re-measurement of the net defined benefit liability	(34,982)
<b>299,084</b>	<b>Resources consumed</b>	<b>126,336</b>

## Note to the Financial Statements

	<b>Items removed through the MIRS:</b>	
(171,020)	Movement in pensions liability	782
(1,025)	Movement in accumulated absences liability	(175)
<b>127,039</b>	<b>Total resources consumed for the year by the Chief Constable and funded by the PCC</b>	<b>126,944</b>

**12. Financing and Investment Income and Expenditure**

<b>2020/21 £000</b>		<b>2021/22 £000</b>
554	Interest payable	517
(18)	Interest receivable	(16)
0	Income and expenditure in relation to investment properties and changes in their fair value	(259)
<b>536</b>	<b>Total for the PCC</b>	<b>242</b>
25,010	Net interest on the net defined benefit liability (Chief Constable)	25,742
<b>25,546</b>	<b>Total for the Group</b>	<b>25,984</b>

**13. Taxation and Non-Specific Grant Income**

<b>2020/21 £000</b>	<b>2020/21 £000 Re-stated*</b>		<b>2021/22 £000</b>	<b>2021/22 £000</b>
	<b>(49,770)</b>	<b>Council tax precepts</b>		<b>(53,434)</b>
(33,722)		Police Grant	(36,032)	
(18,715)		Ex-DCLG Formula Funding	(19,711)	
(3,910)		Local Council Tax Support Grant	(3,910)	
(1,244)		Council Tax Freeze Grant	(1,244)	
0		Local Council Tax Support Grant	(782)	
0		Collection Fund Grant	(429)	
(97)		Capital grants	(114)	
(734)		Capital Contributions	(110)	
	<b>(58,422)</b>	<b>Total Non-specific Grant Income</b>		<b>(62,332)</b>
	<b>(108,192)</b>	<b>Taxation and Non-Specific Grant Income</b>		<b>(115,766)</b>

\* The Home Office grant towards the cost of retirement benefits was previously shown as Non-specific grant income but has now been moved to Other operating income (see Note 10). The 2020/21 comparative figures have been restated to reflect this amendment (reduction of £14.864m from £123.056m to £108.192m).

**14. Grant Income**

The Group credited the following grants, contributions, and donations to the CIES in 2021/22:

## Note to the Financial Statements

2020/21 £000		2021/22 £000
(108,192)	<b>Credited to Taxation and Non-Specific Grant Income, as per Note 12</b>	(115,766)
	<b>Credited to Services</b>	
(717)	Speed Awareness Contributions	(1,693)
(1,048)	Victims Support Services	(1,405)
(869)	Police Pension Grant	(899)
(1,153)	Operation Uplift	(686)
(300)	Apprenticeship Levy	(632)
(979)	COVID19 Grants	(398)
(262)	DBS Vetting	(307)
0	Safer Streets	(249)
0	Domestic Abuse Perpetrator Scheme	(186)
0	County Lines Surge Act Grant	(150)
(72)	Proceeds of Crime Contributions	(124)
(67)	Emergency Services Network (ESN)	(116)
0	Young Apprenticeship Incentive	(57)
(67)	Counter Terrorism Grant	(56)
0	Witness Care (CJ System) Grant	(29)
0	Audit Support Grant	(18)
(2)	College Bursary Scheme	(5)
(40)	CEO Fund	0
<b>(5,576)</b>	<b>Total Credited to Services – PCC and Group</b>	<b>(7,010)</b>

The Group received a revenue grant in 2016/17 related to the introduction of the Emergency Services Network, the replacement of the national airwave radio system amounting to £0.720m. Although the grant initially related to the 2017/18 financial year, this was topped up in 2020/21 by £0.203m and there has been spending in 2021/22 of £0.130m (£0.067m in 2020/21), the balance of £0.494m is still being recognised as a receipt in advance (£0.624m 2020/21).

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

31 March 2021 £000		31 March 2022 £000
(46)	Warwickshire Safety Camera Unit Partnership	(46)
0	Stratford District Council (Section 106)	0
0	Warwick District Council (Section 106)	0
(0)	Warwick District Council (Section 106) – received June 2017	0
(70)	Stratford District Council (Section 106) – received April 2018	(25)
(32)	Stratford District Council (Section 106) - Alcester	(32)

Note to the Financial Statements

(153)	Warwick District Council (Section 106) – received March 2019	(103)
(117)	Warwick District Council (Section 106) - Warwick Central SNT	(117)
(24)	Warwick District Council (Section 106) - Warwick SNT	(24)
(186)	Warwick District Council (Section 106) - Warwick Central SNT	(186)
(27)	Stratford District Council (Section 106) - Shipston SNT	(27)
0	Stratford District Council (Section 106) – received Jan 2022	(17)
0	Warwick District Council (Section 106) – received Jan 2022	(19)
0	Rugby Borough Council (Section 106) – Rugby SNT	(369)
(13)	Laser Scanning Grant – via PCC for Sussex 2019/20	(13)
<b>(668)</b>	<b>Total</b>	<b>(978)</b>

## 15. Pooled budgets and joint operations

### Hosted and Shared Services with West Mercia Police during 2020/21 and 2021/22

Two S22a Collaborative Agreements were agreed between Warwickshire Police and West Mercia Police in 2020/21 for four services that were provided by or shared with West Mercia during 2020/21 and the first half of 2021/22. A revised cost sharing mechanism was also agreed, with costs being recharged to Warwickshire at 31.7% in 2020/21, amended to 31.8% in 2021/22. The services covered by the s22a agreements were Forensics, Transactional Services / Business Operations Centre, File Storage (all three hosted), and ICT (shared). The hosted service to Warwickshire for Transactional Services ceased from 1 October 2021 and the service for Forensics ceased from 1 September 2021, although there was some residual Forensics “pipeline” work still being provided to Warwickshire up to 31 March 2022 amounting to £0.011m.

Under these arrangements the costs of the hosted services provided by West Mercia to Warwickshire were shown in full in West Mercia’s accounts with the appropriate recharge to Warwickshire shown as expenditure to Warwickshire, as set out below. The recharges consist of Direct Costs (Staff Pay, Transport and Supplies & Services), plus 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. Warwickshire Police directly incurred £0.3m (2020/21: £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’s 2021/22 and 2020/21 accounts, but the additional charges are not included in the table below.

Until October 2021 the costs of the ICT Shared Service arrangement were incurred by both forces with the appropriate recharge being made by West Mercia Police to Warwickshire after taking into account costs incurred directly by Warwickshire and costs that were solely attributable to either Force; the net total payable by Warwickshire was £1.176m.

After October 2021 a Hosted service arrangement was in place for ICT services provided by West Mercia to Warwickshire. Costs amounting to £1.684m were paid by Warwickshire under this arrangement to cover the Hosted Service charges until January 2022 (£0.635m), plus set up costs (£0.224m), overheads (£0.100m), and the costs of providing certain applications to March 2022 (£0.725m).

## Note to the Financial Statements

2021/22	Business Operation Centre (BOC) £	Records £	Forensics £	Total £
Employees	347,884	17,502	665,330	1,030,716
Transport	0	0	422	422
Supplies & Services	0	0	33,380	33,380
<b>Direct Costs</b>	<b>347,884</b>	<b>17,502</b>	<b>699,132</b>	<b>1,064,518</b>
General Overheads 2%	6,897	350	13,307	20,554
Premises 3%	10,344	10,301	26,613	47,258
Vehicles	0	954	4,695	5,649
<b>Shared Overheads</b>	<b>17,241</b>	<b>11,605</b>	<b>44,615</b>	<b>73,461</b>
<b>Direct Overheads</b>	<b>37,025</b>	<b>14,652</b>	<b>29,991</b>	<b>81,668</b>
<b>Total Cost for service to Warwickshire</b>	<b>402,150</b>	<b>43,759</b>	<b>773,738</b>	<b>1,219,647</b>

2020/21	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
<b>Direct Costs</b>	<b>694,544</b>	<b>19,881</b>	<b>2,326,818</b>	<b>3,041,243</b>
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
<b>Shared Overheads</b>	<b>34,181</b>	<b>11,620</b>	<b>113,014</b>	<b>158,815</b>
<b>Direct Overheads</b>	<b>72,880</b>	<b>552</b>	<b>0</b>	<b>73,432</b>
<b>Total Cost for service to Warwickshire</b>	<b>801,605</b>	<b>32,053</b>	<b>2,439,832</b>	<b>3,273,490</b>

## Place Partnership Limited

Place Partnership Limited (PPL) was a single asset management company co-owned by Warwickshire Police, West Mercia Police, Worcestershire County Council, and Hereford & Worcester Fire Authority that commenced business on 1 September 2015. Each party had equal shares and equal voting rights.

Note to the Financial Statements

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In March 2020 Worcestershire County Council gave notice of its intention to exit PPL effective from 1<sup>st</sup> April 2021. The remaining partners agreed to dissolve PPL and it ceased trading 31<sup>st</sup> March 2021. Papers have now been filed at Companies House placing PPL into a solvent liquidation and a small balance will be payable to former Partners in due course.

In 2021/22, all services supplied by PPL have been absorbed by Warwickshire Police or outsourced to external bodies. Most of the work carried out was concerning maintenance and facilities management of the estate and this has been absorbed into the estates department.

The Property valuations that were previously carried out by PPL are now outsourced to Lambert Smith Hampton (LSH), who have provided our annual Land and Buildings valuations as required to comply with Financial Accounting Standards.

PPL was classified as a Joint Operation, because there was 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 and this is reflected in the CIES in that year. Costs relating to PPL reflected Warwickshire Police's contribution to the operating costs of PPL, on the agreed basis and the direct costs for works undertaken.

Warwickshire Police's share of PPL's Local Government Pension Scheme assets and liabilities as at 31 March 2021 were incorporated into the Accounts and are shown separately in the tables in Note 37. 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 took into account the guarantee that was in place between the partners and PPL to ensure that PPL's pension position was fully funded at inception and cessation.

Following PPL termination the Actuary assessed that on extrapolation to the end of the term (careers) of staff who worked for PPL there is currently forecast a deficit of £17.1m. The share of any surplus / deficit is divided amongst the partners on the basis of guarantee based on the level of fees. For Warwickshire Police that is a 4.3% share.

For those Partners in the Worcestershire Pension Fund they have the opportunity to have their valuations adjusted on an ongoing basis to reflect the staff / liability transferred back to them. So if the liability worsens or gets better they will have their employer valuations adjusted for that fact. For Warwickshire Police that is not possible as it is part of the Warwickshire Local Government Pension Fund. There were a number of options available to deal with this liability but the PCC opted to make a termination or 'clean break' payment that discharges the PCC's liability forever. This one off payment of £0.735m (4.3% of £17.1m) has been accounted for in the 2021/22 Accounts, funded from the Budget Reserve.

### **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.

Note to the Financial Statements

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:

2020/21 £000		2021/22 £000
(14,721)	Contribution from West Midlands Police	(14,500)
(4,001)	Contribution from West Mercia Police	(3,970)
(3,887)	Contribution from Staffordshire Police	(3,857)
(1,944)	Contribution from Warwickshire Police	(1,928)
(2,399)	WMROCU Grant	(2,399)
(140)	National Cyber Security Programme funding	(365)
(178)	Regional Asset Recovery Team grant	(224)
(482)	ROCU Reserves	(1,156)
(1,096)	UCOL Funding	(1,096)
(112)	ROCTA funding	(122)
(256)	Disruption Team Funding	(155)
(250)	Dark Web Funding	(250)
(34)	OPSY Income	(67)
<b>(29,500)</b>	<b>Total funding provided to the WMROCU</b>	<b>(30,089)</b>
1,066	Regional Asset Recovery Team (RART)	1,172
187	RART – ACE team	237
739	Regional Cyber Crime Unit	827
320	Regional Fraud Team	389
952	Regional Prisons Intelligence Unit	1,211
63	Operational Security (OPSY)	71
61	Regional Government Agency Intelligence Network (GAIN)	62
1,440	Command Team	1,400
5,679	Regional Confidential Unit	5,660
0	Posts created from underspend	93
765	TIDU – Technical Intelligence	841
251	Enabling Services	312
5,197	SOCU	4,780
7,531	Regional Surveillance Unit (FSU)	7,710
112	Threat Assessment Team (ROCTA)	3,808
385	Disruption Team	902
3,649	Other Regional Operations	195
853	Additional Contribution to Reserves	160
249	Dark Web	259
<b>29,500</b>	<b>Total Expenditure</b>	<b>30,089</b>
<b>0</b>	<b>Total Net Expenditure</b>	<b>0</b>



### **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 £0.281m in 2020/21, (£0.441m in 2020/21) 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 £0.008m and a short term debtor of £0.025m, representing the discounted value of future expected cash flows in 2022/23 and subsequent years. Future payments from NPAS will be offset against these debtors and an annual interest amount credited to the CIES.

### **The Northern Justice Centre and Southern Justice Centre**

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

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

#### **Northern Justice Centre**

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

#### **Southern Justice Centre**

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

The operational costs, including building maintenance, for the Northern Justice and Southern Justice Centre are met from partner's contributions. A surplus or deficit on the Justice Centre Accounts is carried forward and taken into account in setting the following year's budget. Sinking funds exist for both Justice Centres to meet future building maintenance costs, these funds are ring fenced in their earmarked Reserves and do not form part of the PCC and Group Accounts. The sinking funds are cash-backed Reserves and £4.767m (£4.084m as at 31

Note to the Financial Statements

March 2021) relating to these reserves is invested by Warwickshire Police on behalf of the Justice Centres.

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

**Northern Justice Centre**

2020/21 £000		2021/22 £000
	<b>Income</b>	
(1,549)	Contribution from partners	(1,583)
0	Other income	(6)
<b>(1,549)</b>	<b>Total Income</b>	<b>(1,589)</b>
	<b>Expenditure</b>	
48	Pay and Allowances	44
1,386	Premises	1,409
57	Supplies & Services	57
<b>1,491</b>	<b>Total Expenditure</b>	<b>1,510</b>
<b>(58)</b>	<b>Net (Income) / Expenditure</b>	<b>(79)</b>

**Southern Justice Centre**

2020/21 £000		2020/21 £000
	<b>Income</b>	
(3,183)	Contribution from partners	(3,225)
(10)	Other income	(9)
<b>(3,193)</b>	<b>Total Income</b>	<b>(3,234)</b>
	<b>Expenditure</b>	
73	Pay and Allowances	67
2,534	Premises	2,576
85	Supplies & Services	76
435	Capital Charges – loan repayment	434
<b>3,127</b>	<b>Total Expenditure</b>	<b>3,153</b>
<b>(66)</b>	<b>Net (Income) / Expenditure</b>	<b>(81)</b>

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

Note to the Financial Statements

					Transfers out 2021/22 £000	Transfers in 2021/22 £000	Balance at 31 March 2022 £000
Sinking fund		323	(684)		336	(699)	(5,860)
General Reserve		0	(124)	(297)	0	(160)	(457)
<b>TOTAL</b>	<b>(5,309)</b>	<b>323</b>	<b>(808)</b>	<b>(5,794)</b>	<b>336</b>	<b>(859)</b>	<b>(6,317)</b>

## 16. Exit Packages

Following on from changes to the way we deliver some services there were a small number of exit packages approved during 2021/22.

Exit packages include charges by the LGPS in respect of benefits paid before normal retirement age. There were no compromise agreements covering the 2021/22 exit packages. Some employees left the organisation prior to 1 April 2022, and some in early 2022/23. The number of exit packages resulting from redundant posts with total cost per band is set out in the table:

Exit Package cost band (including special payments)	Number of Exit Packages		Total cost of Exit Packages in each band	
	2020/21	2021/22	2020/21 £000	2021/22 £000
£0 - £20,000	30	2	318	7
£20,001 - £40,000	11	3	285	91
£40,001 - £60,000	6	0	280	0
£60,001 - £80,000	1	0	65	0
<b>Total</b>	<b>48</b>	<b>5</b>	<b>948</b>	<b>98</b>

## 17. 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:

Note to the Financial Statements

**Senior Officer and Relevant Police Officer Emoluments:**

		Salary, Fees & Allowances	Bonuses	Expenses Allowances	Benefits in Kind (e.g. car allowance)	Other Payments (Police Officers only)	Exit Packages	Pension Contributions	Total
		£	£	£	£	£	£	£	£
Chief Constable 1 - Mr M Jelley – Note 1	2021/22	36,617	0	0	0	1,639	0	0	38,256
	2020/21	144,980	0	60	8,677	12,399	0	0	166,116
Chief Constable 2 – Mrs D Tedds Note 2	2021/22	140,509	0	0	0	4,226	0	43,558	188,293
	2020/21	113,818	0	0	8,291	4,226	0	35,283	161,618
Deputy Chief Constable 1 - Note 3	2021/22	95,617	0	0	0	3,423	0	38,083	137,123
	2020/21	121,382	0	0	7,645	3,423	0	37,628	170,078
Temp Deputy Chief Constable 2 – Note 4	2021/22	121,776	0	0	0	1,239	0	37,751	160,766
	2020/21	113,147	0	0	266	3,117	0	35,076	151,606
Asst Chief Constable 2 – Note 5	2021/22	91,634	0	0	0	18,508	0	28,407	138,549
	2020/21	90,161	0	0	0	7,044	0	27,950	125,155
Asst Chief Constable 2 – Note 6	2021/22	91,749	500	0	0	12,842	0	28,442	133,533
	2020/21	89,847	0	0	0	3,074	0	27,852	120,773
Director of Finance (S151 Officer) – Note 7	2021/22	94,422	0	0	0	0	0	18,129	112,551
	2020/21	91,452	0	0	0	0	0	17,285	108,737
Director of Enabling Services – Note 8	2021/22	90,405	0	0	0	0	0	17,358	107,763
	2020/21	87,520	0	0	0	0	0	16,541	104,061
Police & Crime Commissioner – Note A	2021/22	66,300	0	213	0	0	0	12,730	79,243
	2020/21	66,300	0	658	0	0	0	12,531	79,489
Chief Exec to the PCC 1 – Note B	2021/22	0	0	0	0	0	0	0	0
	2020/21	62,530	0	0	0	0	0	11,818	74,348
Chief Exec to the PCC 2 – Note C	2021/22	69,260	0	0	0	0	0	13,298	82,558
	2020/21	17,033	0	0	0	0	0	3,219	20,252
Chief Finance Officer to the PCC Note D *	2021/22	71,163	0	0	0	0	0	13,663	84,826
	2020/21	68,896	0	0	0	0	0	13,021	81,917

Note to the Financial Statements

Notes:

1	Outgoing CC started in post 1 April 2015, retired 30 June 2021
2	Incoming CC started in post 1 July 2021 after a period as Temp DC from 27 January 2021 to 30 June 2021.
3	DCC 1 became substantive 11 Sept 2018 after a short period Acting up.
4	DCC 2 acted up as ACC from 13 August 2018 to 20 April 2020 when the postholder became substantive. Appointed Temporary DCC on 1 July 2021.
5	Temporary ACC acted up from 6 Jan 2020 till 31 May 2020 and again from 27 Jan 2021.
6	Temporary ACC from 1 July 2021
7	Director of Finance appointed permanently 30 May 2018
8	Director of Enabling Services started in post 9 October 2019
A	The PCC was re-elected on 7 May 2021, having commenced in office on 12 May 2016.
B	Chief Executive 1 to the PCC commenced in post on 21 July 2016, and retired in January 2021
C	Chief Executive 2 to the PCC commenced in post on 1 January 2021
D	The Treasurer to the PCC Started in post 9 October 2019

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

Number of Employees		Remuneration Band	Number of Employees	
Group	PCC		Group	PCC
2020/21	2020/21		2021/22	2021/22
83	0	£50,000 - £54,999	120	0
78	0	£55,000 - £59,999	66	0
26	1	£60,000 - £64,999	30	0
11	2	£65,000 - £69,999	12	2
4	0	£70,000 - £74,999	8	1
5	0	£75,000 - £79,999	4	0
4	0	£80,000 - £84,999	5	0
2	0	£85,000 - £89,999	2	0
4	0	£90,000 - £94,999	5	0
0	0	£95,000 - £99,999	1	0
1	0	£110,000 - £114,999	0	0
1	0	£115,000 - £119,999	0	0
1	0	£120,000 - £124,999	1	0
1	0	£140,000 - £144,999	1	0
<b>221</b>	<b>3</b>	<b>Total</b>	<b>255</b>	<b>3</b>

The increase in numbers in the table above is due to Warwickshire Police recruiting staff to take up posts in force following the separation of the alliance, and also due to increased overtime during the coronavirus pandemic.

**18. External Audit Costs**

	2020/21 re stated	2021/22
	£000	£000
Chief Constable	28,167	17,900
PCC	48,327	37,897
<b>Total for the Group</b>	<b>76,494</b>	<b>55,797</b>

The audit fees for 2020/21 have been re-stated to show the actual costs charged in the 2020/21 year. The initial agreed fees were £11,550 for the Chief Constable and £23,897 for the PCC. However, additional fees were agreed and charged for both 2018/19 and 2019/20 and an accrual was made for an estimate of additional fees for 2020/21 and the figures above reflect all these fee variations. In 2021/22 the agreed fees were £12,550 for the Chief Constable and £25,897 for the PCC and the fees above again include an accrual for estimated fee variations for previous years.

Grant Thornton UK LLP provided no non-audit services during the year (nil in 2020/21).

**19. Related Parties**

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

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

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

The PCC has direct control over the Group's finances, including making crime and disorder reduction grants and is responsible for setting the Police and Crime Plan. The Chief Constable retains operational independence and operates within the budget set by the PCC, to deliver the aims and objectives set out in the Police and Crime Plan. Section 28 of the Police Reform and Social Responsibility Act 2011 requires that the local authorities covered by the police area must establish a Police and Crime Panel (PCP) for that area. The PCP scrutinises the decisions of the PCC, reviews the Police and Crime Plan and has a right of veto over the precept.

Warwickshire County Council administer the LGPS and provide Legal Services and Internal Audit services to the Group.

Note to the Financial Statements

The PCC and Chief Constable participate in various partnerships with a range of public bodies. Details of the transactions with other public bodies participating in joint arrangements are set out in Note 14 to the Accounts.

As explained in Note 14, 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. Following Worcestershire County Council giving notice in March 2020 of its intention to exit PPL effective from 1<sup>st</sup> April 2021, during 2020/21 the remaining partners agreed to dissolve PPL and it ceased trading 31<sup>st</sup> March 2021. Each party held two shares of £1 each (held by the PCC). The PCC received no remuneration from PPL.

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

In 2021/22, the Group incurred spend of £1.375m with Warwickshire County Council (grants, legal services, internal audit services pensions' services, and other items of general expenditure).

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

The following table shows the extent of the Force's accounting balances for expenditure and income with other local authorities, police forces and PPL. (The Other Police Forces figure excludes the settlement amount paid by West Mercia).

	Expenditure	Income
	£000	£000
Local Authorities in the Policing Area	2,848	(37)
Other Local Authorities	4	(4)
Seconded Police Officers	0	(317)
Other Police Forces	9,389	(1,060)
<b>Total</b>	<b>12,241</b>	<b>(1,418)</b>

There are no related party transactions for the PCC and Chief Constable other than those set out above, which require adjustment of or disclosure in the financial statements or the accompanying notes. All contracts have been entered into in compliance with the Scheme of Delegation and Financial and Contract Regulations 2021/22. As Warwickshire transitions from the alliance and sets up separate contracts, cross charges continue to decline.

Note to the Financial Statements

The following table shows the five suppliers with which the Group incurred the greatest expenditure in 2021/22 (excluding PPL & West Mercia Police with whom Warwickshire Police had a shared services agreement in place) and with comparative figures for the 2020/21 top five:

	Expenditure	
	2020/21	2021/22
	£000	£000
Specialist Computer Services	3,808	3,892
PCC for West Midlands	2,016	2,225
Bramble Hub Limited	0	1,727
Telefonica Tech UK Ltd	0	1,458
Warwickshire County Council	1,445	1,375
KCOM Group	1,195	0
Graham Asset Management	943	0

## 20. Leases

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

### The Group as Lessee

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

31 March 2021 £000		31 March 2022 £000
138	Not later than one year	141
80	Later than one year and not later than five years	527
21	Later than five years	154
<b>239</b>	<b>Total PCC and Group</b>	<b>822</b>

The amount paid in 2021/22 was £0.142m (£0.091m in 2020/21).

### The Group as Lessor

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

31 March 2021 £000		31 March 2022 £000
15	Not later than one year	22
60	Later than one year and not later than five years	60
10	Later than five years	10
<b>85</b>	<b>Total PCC and Group</b>	<b>92</b>



Note to the Financial Statements

The rent received in 2020/21 was £0.033m (£0.039m in 2020/21), 3 out of 4 rental agreements have expired and negotiations were not completed during the year, therefore no income has been accrued for these, due to the volatility of rental prices in this area in recent years.

## 21. Capital Expenditure and Capital Financing

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

2020/21		2021/22
£000		£000
23,979	<b>Opening Capital Financing Requirement – PCC and Group</b>	32,915
	<b>Capital investment:</b>	
9,378	Property, plant and equipment	15,435
15	Intangible assets	623
806	Revenue expenditure funded from capital under statute (correction from 2020/21)	(28)
	<b>Sources of finance:</b>	
(45)	Capital receipts	(5,190)
(114)	Government grants and other contributions	(224)
	<b>Sums set aside from revenue:</b>	
0	Direct revenue contributions	0
(32)	Contribution from Reserves	(826)
(1,072)	Minimum Revenue Provision	(2,421)
	<b>Closing Capital Financing Requirement PCC and Group</b>	<b>40,284</b>
	<b>Explanation of movements in the year</b>	
10,008	Increase in underlying need to borrow in respect of capital expenditure not financed by other means (and unsupported by government financial assistance)	9,790
(1,072)	Decrease in underlying need to borrow in respect of Minimum Revenue Provision for the year	(2,421)
	<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>7,369</b>

## Capital Commitments

As at 31 March 2022, the Group had capital commitments of £4.208m (£4.239m as at 31 March 2021).

## Note to the Financial Statements

**22. Property, Plant and Equipment (PPE)**

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

PCC and Group Movements in 2021/22	Land & Buildings £000	Vehicles £000	Plant, Furniture & Equipment £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant & Equipment £000
<b>Cost or valuation at 1 April 2021</b>	<b>76,096</b>	<b>6,156</b>	<b>29,327</b>	<b>0</b>	<b>8,324</b>	<b>119,903</b>
Additions	1,523	616	13,296	0	0	15,435
Transfer to / (from) Assets Under Construction	0	0	6,848	0	(7,081)	(233)
Transfer to / (from) Assets Held for Sale	0	0	0	0	0	0
Donated Assets	0	0	0	0	0	0
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(1,862)	0	0	0	0	(1,862)
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	(3,627)	0	0	0	0	(3,627)
De-recognition – disposals	(69)	(702)	0	0	0	(771)
De-recognition – donated	0	0	0	0	0	0
De-recognition – other	0	0	0	0	(1,243)	(1,243)
<b>Movement in year:</b>	<b>(4,035)</b>	<b>(86)</b>	<b>20,144</b>	<b>0</b>	<b>(8,324)</b>	<b>7,699</b>
<b>At 31 March 2022</b>	<b>72,061</b>	<b>6,070</b>	<b>49,471</b>	<b>0</b>	<b>0</b>	<b>127,602</b>
<b>Less Accumulated Depreciation and Impairment</b>						
<b>Depreciation charge at 1 April 2021</b>	<b>(482)</b>	<b>(4,247)</b>	<b>(25,821)</b>	<b>0</b>	<b>0</b>	<b>(30,550)</b>
Depreciation written out to the Revaluation Reserve	(284)	0	0	0	0	(284)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(1,801)	(693)	(1,475)	0	0	(3,969)
Revaluation increases / (decreases) recognised in the Revaluation Reserve	2,097	0	0	0	0	2,097
De-recognition – disposals	0	660	0	0	0	660
De-recognition – other	0	0	0	0	0	0
<b>Depreciation at 31 March 2022</b>	<b>(470)</b>	<b>(4,280)</b>	<b>(27,296)</b>	<b>0</b>	<b>0</b>	<b>(32,046)</b>
<b>Net book value at 31 March 2022</b>	<b>71,591</b>	<b>1,790</b>	<b>22,175</b>	<b>0</b>	<b>0</b>	<b>95,556</b>
<b>Net book value at 31 March 2021</b>	<b>75,614</b>	<b>1,909</b>	<b>3,506</b>	<b>0</b>	<b>8,324</b>	<b>89,353</b>

## Note to the Financial Statements

Assets created under the alliance with the PCC for West Mercia were jointly controlled and only the PCC's share was held in the Balance Sheet. Where the PCC's share of these assets were originally purchased by the PCC for West Mercia, they have been donated by the latter to the PCC for Warwickshire. The PCC has then made a REFUCUS payment to the PCC for West Mercia equivalent to the expenditure incurred. ICT Equipment Assets amounting to £0.011m and ICT Assets under Construction amounting to £0.679m were treated in this manner for 2020/21.

PCC and Group Movements in 2020/21	Land & Buildings £000	Vehicles £000	Plant, Furniture & Equipment £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant & Equipment £000
<b>Cost or valuation at 1 April 2020</b>	<b>73,336</b>	<b>5,786</b>	<b>28,288</b>	<b>0</b>	<b>1,158</b>	<b>108,568</b>
Additions	912	810	930	0	6,726	9,378
Transfer to / (from) Assets Under Construction	0	0	230	0	(239)	(9)
Transfer to / (from) Assets Held for Sale	0	0	0	0	0	0
Donated Assets	0	0	11	0	679	690
Revaluation increases / (decreases) recognised in the Revaluation Reserve	105	0	0	0	0	105
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	1,743	0	0	0	0	1,743
De-recognition – disposals	0	(440)	0	0	0	(440)
De-recognition – donated	0	0	(132)	0	0	(132)
De-recognition – other	0	0	0	0	0	0
<b>Movement in year:</b>	<b>2,760</b>	<b>370</b>	<b>1,039</b>	<b>0</b>	<b>7,166</b>	<b>11,335</b>
<b>At 31 March 2021</b>	<b>76,096</b>	<b>6,156</b>	<b>29,327</b>	<b>0</b>	<b>8,324</b>	<b>119,903</b>

<b>Less Accumulated Depreciation and Impairment</b>						
<b>Depreciation charge at 1 April 2020</b>	<b>(421)</b>	<b>(3,886)</b>	<b>(24,625)</b>	<b>0</b>	<b>0</b>	<b>(28,932)</b>
Depreciation written out to the Revaluation Reserve	(241)	0	0	0	0	(241)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(1,650)	(781)	(1,196)	0	0	(3,627)
Revaluation increases / (decreases) recognised in the Revaluation Reserve	1,830	0	0	0	0	1,830
De-recognition – disposals	0	420	0	0	0	420
De-recognition – other	0	0	0	0	0	0
<b>Depreciation at 31 March 2021</b>	<b>(482)</b>	<b>(4,247)</b>	<b>(25,821)</b>	<b>0</b>	<b>0</b>	<b>(30,550)</b>

## Note to the Financial Statements

Net book value at 31 March 2020	72,915	1,900	3,663	0	1,158	79,636
Net book value at 31 March 2021	75,614	1,909	3,506	0	8,324	89,353

## Revaluations

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

2020/21 PCC and Group		Land and buildings	Vehicles, Plant, Furniture & Equipment	Assets Under Construction	Total 2021/22 PCC and Group
£000		£000	£000	£000	£000
13,739	Carried at historical cost	0	23,965	0	23,965
0	Carried at current value at 31 March 2022	65,625	0	0	65,625
64,526	Carried at current value at 31 March 2021	5,966	0	0	5,966
11,001	Carried at current value at 31 March 2020	0	0	0	0
<b>89,353</b>	<b>Total Valuations</b>	<b>71,591</b>	<b>23,965</b>	<b>0</b>	<b>95,556</b>

The Group held no surplus assets as at 31 March 2022 (31 March 2021 nil).

## 23. Assets Held for Sale

Through the Asset Rationalisation Programme the PCC is actively reducing the extent of land and buildings held for operational purposes. Where the characteristics of an asset matches those set for asset held for sale in the Code, it is necessary to show assets held for sale separately and ensure the carrying value is estimated in accordance with accounting policy.

There was 1 asset classified as held for sale as at 31 March 2022 (1 as at 31 March 2021).

2020/21 £000		2021/22 £000
<b>800</b>	<b>Balance outstanding at start of year</b>	<b>634</b>
0	Assets classified as held for sale	0
(166)	Revaluation gains / (losses) via Revaluation Reserve	128
0	Revaluation gains via CIES	0
0	Assets re-classified as operational	0
0	Assets sold	0
<b>634</b>	<b>Total</b>	<b>762</b>

Note to the Financial Statements

The gain of £8.604m on disposal of non-current assets shown in the CIES includes £9.8m in respect of the gain on the disposal of land at Leek Wootton.

## 24. Investment Properties

Ilmington Mast was re-classified (and re-valued) during 2017/18 as the property is now held solely for investment purposes and is no longer used as an operational asset. Rental income of £0.035m from Ilmington Mast has been accounted for in 2021/22 (£0.056m in 2020/21) in the Financing and Investment Income and Expenditure line in the CIES. There are no restrictions on the PCC's ability to realise the value inherent in its investment property or on the PCC's right to the remittance of income and the proceeds of disposal. The PCC has no contractual obligations to purchase, construct or develop investment property or to undertake repairs, maintenance or enhancement. The following table summarises the movement in the fair value of investment properties for 2020/21 and measured using significant observable inputs (Level 2 of the fair value hierarchy):

2020/21 £000		2021/22 £000
247	Balance at start of the year – PCC and Group	247
0	Additions in year – Land & Bldgs	0
0	Net gains/losses from fair value adjustments	258
<b>247</b>	<b>Balance at end of the year – PCC and Group</b>	<b>505</b>

## 25. Intangible Assets

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

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

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

2020/21		2021/22
Software £000		Software £000
	<b>Balance at start of year – PCC and Group</b>	
7,699	Gross carrying amounts	7,723
(7,027)	Accumulated amortisation	(7,292)
<b>672</b>	<b>Net carrying amount at start of year</b>	<b>431</b>
15	Additions - purchased	624
9	Additions – transfer from Assets Under Construction	232
0	Donated Assets from West Mercia PCC	0

Note to the Financial Statements

0	De-recognition – Assets donated to West Mercia PCC	0
(265)	Amortisation for the period	(208)
<b>431</b>	<b>Net carrying amount at end of year</b>	<b>1,079</b>
	Comprising:	
7,723	Gross carrying amount	8,579
(7,292)	Accumulated amortisation	(7,500)
<b>431</b>	<b>Balance at end of the year – PCC and Group</b>	<b>1,079</b>

**26. Debtors**

This note shows money owed to the Group and PCC for funding and services provided on or before the 31 March 2022 where the money has not been received by this date.

<b>31 March 2021 £000</b>		<b>31 March 2022 £000</b>
1,502	Trade Receivables	2,684
1,137	Prepayments	1,345
10,058	Other Receivables	10,190
<b>12,697</b>	<b>Group Debtors</b>	<b>14,219</b>
0	<b>Less</b> Chief Constable Debtors: Prepayments	0
(1,361)	<b>Less</b> Chief Constable Debtors: Other Receivables	(201)
<b>11,336</b>	<b>PCC Debtors</b>	<b>14,018</b>

**27. Cash and Cash Equivalents**

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

<b>31 March 2021 £000</b>		<b>31 March 2022 £000</b>
2	Cash held by the Group	2
3,596	Bank current accounts	5,273
1,500	Short term deposits	0
(4,084)	Shortfall on investments	0
<b>1,014</b>	<b>Total Group and PCC</b>	<b>5,275</b>

## Note to the Financial Statements

**28. Creditors**

This note shows money owed by the Group and PCC for goods and services purchased and received on or before the 31 March 2022 where the money has not been paid by this date. Further information regarding Creditors is shown in Note 29 – Financial Instruments.

(1,703)	Trade Payables	(2,316)
(17,687)	Other Payables	(15,564)
0	<b>Less</b> Chief Constable Creditors: Trade Payables	0
4,874	<b>Less</b> Chief Constable Creditors: Other Payables	6,109

**29. Provisions, Contingent Assets and Contingent Liabilities**

A £224k provision was charged to the CIES in 2020/21 in respect of termination benefits which will give rise to payments in the future. £29k of this was used during the year relating to adjustments to injury pensions in respect of the Evans & Ashcroft case, leaving a balance as at 31 March 2022 of £195k.

**30. Financial Instruments****Categories of Financial Instruments**

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

Financial Assets	Long Term		Current	
	Investments	Debtors	Investments/Cash	Debtors
As at 31 March 2022	£000	£000	£000	£000
Fair value through profit or loss	0	0	0	0
Amortised cost (previously loans and receivables)	0	0	5,275	10,725
Fair value through other comprehensive income	0	0	0	0
Debtors that are not financial instruments (taxes and payments in advance)	0	0	0	3,494
Financial Assets	Long Term		Current	
As at 31 March 2021	Investments	Debtors	Investments/Cash	Debtors
	£000	£000	£000	£000
Fair value through profit or loss	0	0	0	0

Note to the Financial Statements

Amortised cost (previously loans and receivables)	0	0	1,014	9,563
Fair value through other comprehensive income	0	0	0	0
Debtors that are not financial instruments (taxes and payments in advance)	0	0	0	3,134
<b>Financial Liabilities</b>	<b>Long Term</b>		<b>Current</b>	
	<b>Borrowings</b>	<b>Creditors</b>	<b>Borrowings</b>	<b>Creditors</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>As at 31 March 2022</b>				
Fair value through profit or loss	0	0	0	0
Amortised cost	17,729	0	5,427	10,100
Creditors that are not financial instruments (taxes, National Insurance and prepayments)	0	0	0	7,780
<b>Financial Liabilities</b>	<b>Long Term</b>		<b>Current</b>	
	<b>Borrowings</b>	<b>Creditors</b>	<b>Borrowings</b>	<b>Creditors</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>As at 31 March 2021</b>				
Fair value through profit or loss	0	0	0	0
Amortised cost	10,156	0	4,996	9,340
Creditors that are not financial instruments (taxes, National Insurance and prepayments)	0	0	0	10,050

### Income, Expense, Gains and Losses

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

	Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure
	£000	£000
<b>2021/22</b>		
Interest Revenue: financial assets measured at amortised cost	(16)	0
Interest Expense Payable and Similar Charges	517	0
<b>2020/21</b>		
Interest Revenue: financial assets measured at amortised cost	(18)	0
Interest Expense Payable and Similar Charges	554	0

The PCC received a £0.435m (£0.435m in 2020/21) contribution from the Southern Justice Centre partnership to meet the cost of the principal and interest on total outstanding loans of £4.0m (£4.2m as at 31 March 2021), relating to the cost of building the complex; the figures in the table above are gross of the contribution.

### Fair Value of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the



Note to the Financial Statements

remaining term of the instruments, using the following assumptions (other significant observable inputs – Level 2 of the fair value hierarchy):

- estimated interest rates at 31 March 2022 of 1.12% for loans from the Public Works Loans Board (PWLB);
- discount rates of between 1.372% and 2.535% for Arlingclose’s calculation of fair value of PWLB loans, based on local authority bonds in issue;
- no early repayment or impairment is recognised;
- where an instrument will mature in the next 12 months the carrying amount is assumed to approximate to fair value;
- the fair value of trade and other receivables is taken to be the invoiced or billed amount (equal to the carrying amount shown in the table above).

The fair values calculated are as follows:

PCC and Group	31 March 2021		31 March 2022	
	Carrying amount	Fair Value	Carrying amount	Fair Value
	£000	£000	£000	£000
Financial Liabilities	11,152	10,483	20,156	18,112

The fair value of the liabilities is different from the carrying amount because the Group’s portfolio of loans includes only fixed rate loans where the interest rate payable is generally higher than the prevailing discount rates at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2022) arising from a commitment to pay interest to lenders at a different rate from current market rates. A calculation of the fair value amount is supplied by the PWLB, using redemption rates, however, IFRS13 requires a different basis to be used and the fair value figures in the table have been calculated by the PCC’s Treasury Advisors Arlingclose, using the basis above, PWLB basis for Fair Value would be 2021/22 £22.253m (2020/21 £14.034).

### 31. Nature and Extent of Risks Arising From Financial Instruments

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

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

The Group has adopted CIPFA’s Treasury Management in Public Services Code of Practice and set treasury management indicators to control financial instrument risks in accordance with CIPFA’s Prudential Code. The Group’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund police services. Risk management is carried out by a Treasury Management Team, under policies approved by the PCC in the annual Treasury Management

Note to the Financial Statements

Strategy. The PCC provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash. The Treasury Management Strategy can be found on the PCC's website.

### Credit Risk

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

The principal risks are minimised by the Annual Investment Strategy, which forms part of the overall Treasury Management Strategy. It is a requirement that cash balances are invested with banks and building societies with strong short-term credit rating, other local authorities and the UK Government Debt Management Office. However, in continuance of the caution, which was adopted following turbulent financial markets in 2008/09, the Group limited its list of borrowers to the Bank of England and other local authorities in 2021/22.

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

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

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

At 31 March 2021 the short- term investment balances were as follows:

2020/21 £000		2021/22 £000
0	- On call (available immediately) (variable rate)	0
0	- Repayable in 1 month (fixed rates)	0
1,500	- Repayable in 2 months (fixed rates)	0
0	- Repayable in 3 months (fixed rates)	0
<b>1,500</b>	<b>Total PCC and Group</b>	<b>0</b>

Note to the Financial Statements

It is not unheard of for local authorities and public bodies to hold investments that subsequently the financial institution fails to repay. However, there has been no experience of default on investment of these cash balances and there is no reason to suspect that there will be in the future. Counter party lists from the Force's Treasury advisors Arlingclose are updated regularly and adhered to rigorously.

During 2021/22 Warwickshire Police continued its position of supporting suppliers as we began to ease out of the pandemic by paying invoices when they were available for payment rather than when they were due. The Force was able to use our call account again towards the end of the year for short periods during the month when supplier payments were lower. The Force's capital programme gained momentum during the year, which increased supplier payments as planned, and resulted in a long-term loan being taken out at the end of March 2022.

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

The Group generally allows a 30 day standard credit term for customers, however £0.784m of the £1.237 balance outstanding from customers at 31 March 2022 was past the point of 30 days from the date of invoice. This was partly due to a backlog of transactional posting following our separation from the alliance systems in October 2021, and issues getting the finance system to work as it should, once such issues were resolved emphasis was made on getting all transactions posted up to date and credit control processes have started to collect overdue debts, or to allocate receipts to the correct customer accounts against the correct invoices. The past due amount can be analysed as follows:

31 March 2021 £000		31 March 2022 £000
333	Less than 3 months	766
172	3 to 6 months	356
155	6 to 12 months	266
76	Over 12 months	162
<b>736</b>		<b>1,550</b>

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

	%	£000
Balance of debtors ledger at 31 March 2022		2,327
Historical experience of default	0.5	
Historical experience adjusted for market conditions at 31 March 2022	0.5	
Estimated maximum exposure to default at 31 March 2022		208
Estimated maximum exposure to default at 31 March 2021		41

## Liquidity Risk

The Group has a cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen the Group has ready access to borrowings from the PWLB and took out £10m new borrowing during 2021/22. There is no significant risk that it will be unable to raise any further requirement for finance to meet its commitments under financial instruments, although this is not anticipated in the short term.

Whilst the new loan was not taken out at the lowest point of bank interest rates, it was still quite favourable compared to forecast interest rates for 2022, and we continue to monitor interest rates for any potential further borrowing requirements, as well as for investment purposes.

Borrowing limits for the Group are set in the Prudential Indicators prepared as a requirement of the CIPFA Prudential Code. Maximum borrowing limits for 2021/22 were set at £35m. The Group maturity analysis of its financial liabilities is:

31 March 2021 £000		31 March 2022 £000
997	Less than one year – Short-term Borrowing (includes no accrued interest at 31 March 2020 (£0.316 at 31 March 2019))	2,427
998	Between one and two years	2,664
3,069	Between two and five years	7,015
6,088	Between five and twenty years	8,050
<b>11,152</b>		<b>20,156</b>

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

## Market Risk

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

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

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

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

The approach to borrowing for capital projects is to delay borrowing and to temporarily use working capital balances. The present relative rates of interest for borrowing and lending mean that it is advantageous to delay long-term borrowing whilst the overall cash flow is positive.

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Capital expenditure temporarily funded from working capital up to 31 March 2022 was £17.1m (£17.8m as at 31 March 2021) due to capital expenditure during the year as illustrated in Note 20. It is possible that this capital expenditure will eventually require external borrowing. There is a risk that rates may be adverse when and if this borrowing takes place. Monitoring medium and long-term borrowing costs versus the opportunity costs of not investing working capital mitigates this risk. The Treasury Management team has an active strategy for assessing interest rates exposure that feeds into setting the MTFP and annual budget, which is used to update the budget quarterly during the year.

It is calculated that if interest rates had been 1% higher for 2021/22 with all other variables held constant, the financial effect would be:

	£000
Increase in interest payable on fixed rate borrowings	202
Increase in interest receivable on fixed rate short term investments	(118)
<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>84</b>

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

### 32. Proceeds of Crime

The Act gives powers to the Police and Customs to seize cash derived from, or intended for use in crime, and to secure its forfeiture in civil magistrates' court proceedings. The PCC is currently holding cash totalling £0.309m.

### 33. Cash Flow Statement – Operating Activities

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

2020/21 £000		2021/22 £000
(18)	Interest received	(16)
554	Interest paid	517
<b>536</b>	<b>Total – Group and PCC</b>	<b>501</b>

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

PCC 2020/21 £000	Group 2020/21 £000		PCC 2021/22 £000	Group 2021/22 £000
(3,868)	(3,868)	Depreciation	(4,253)	(4,253)
1,743	1,743	Downward / (Upward) valuations	(3,627)	(3,627)
(265)	(265)	Amortisation of intangible assets	(208)	(208)
(4,008)	(5,035)	(Increase)/decrease in revenue creditors	4,032	2,797
(1,109)	(1,107)	Increase/(decrease) in revenue debtors	(2,135)	(3,295)

Note to the Financial Statements

(4,543)	(4,543)	Increase in Long-term Assets	0	0
(4,000)	(4,000)	Increase / Reduction in Short-term Borrowing	1,000	1,000
(175)	0	Movement in Intra-Group Funding	(2,191)	0
0	(26,143)	Movement in pension liability	0	(34,200)
0	(175)	Movement in provisions	0	29
0	0	Changes in fair value of investment property	259	259
(179)	(179)	Carrying amount of non-current assets sold	(1,354)	(1,354)
<b>(16,404)</b>	<b>(43,572)</b>	<b>Total – PCC and Group</b>	<b>(8,477)</b>	<b>(42,852)</b>

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

2020/21 £000		2021/22 £000
0	Proceeds from the sale of property, plant and equipment	9,958
114	Capital Grants	224
<b>114</b>	<b>Total – Group and PCC</b>	<b>10,182</b>

### 34. Cash Flow Statement – Investing Activities

2020/21 £000		2021/22 £000
9,208	Purchase of property, plant and equipment and intangible assets	14,592
(20)	Proceeds from the sale of property, plant and equipment (adjusted for Debtors)	(5,165)
(161)	Other receipts from investing activities	(226)
<b>9,027</b>	<b>Total – Group and PCC</b>	<b>9,201</b>

### 35. Cash Flow Statement – Financing Activities

2020/21 £000		2021/22 £000
982	Repayment / (receipt) of long-term borrowing	(9,003)
0	New loans	0
<b>982</b>	<b>Total – Group and PCC</b>	<b>(9,003)</b>

### 36. Defined Benefit Pension Schemes

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

#### Participation in Pension Schemes

As part of the terms and conditions of employment for police officers and other employees the Chief Constable makes contributions towards the cost of post-employment benefits (pensions). Although these benefits will not actually be payable until employees retire, the Chief Constable

Note to the Financial Statements

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has a commitment to make the payments that need to be disclosed at the time that the employees earn their future entitlement, no matter when the actual financial cost is incurred.

The Chief Constable participates in two defined benefit pension schemes:

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

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

As explained in Note 14, the PCC opted to make a termination or 'clean break' payment to discharge the PCC's share of the PPL Local Government Pension Scheme liability forever. This one-off payment of £0.735m (4.3% of £17.1m) has been accounted for in the 2021/22 Accounts, funded from the Budget Reserve.

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

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

### **Legal Cases**

The Chief Constable, along with other Chief Constables and the Home Office, currently has a number of claims in respect of unlawful discrimination arising from transitional provisions in the Police Pension Regulations 2015. These claims against the Police pension scheme (the Aarons case) had previously been stayed behind the McCloud / Sargeant judgement, but a case management hearing was held in October 2019, with the resulting Order including an interim declaration that the claimants are entitled to be

Note to the Financial Statements

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treated as if they had been given full transitional protection and had remained in their existing scheme after 1 April 2015. Whilst the interim declaration applied only to claimants, the Government made clear through a Written Ministerial Statement on 25 March 2020 that non-claimants would be treated the same way.

**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, the Group's actuaries have carried out some approximate analysis across their 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 (c. 0.1-0.2% 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 (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.

**Impact on pension liability**

**McCloud/Sargeant and 2016 valuation cost control**

Allowing for all eligible members to accrue benefits from their legacy scheme during the remedy period would lead to an increase in the Police Pension Scheme liabilities. This increase was reflected in the IAS19 disclosure as a past service cost in the 2018/19 Accounts. GAD re-calculated the 2019/20 disclosures in light of the eligibility criteria set out in HM Treasury's remedy consultation exercise and these revised figures were incorporated in the 2019/20 audited Accounts.

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

The impact of an increase in annual pension payments arising from McCloud / Sargeant is determined through the Police Pension Fund Regulations 2007. These require a police authority to maintain a police pension fund into which officer and employer contributions



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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 COVID-19

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. The Actuaries state 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 years' 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:

2021/22	LGPS £000	LGPS (PPL element) £000	Police Pension Schemes £000	Total £000
<b>CIES</b>				
<b>Cost of Services:</b>				
- current service costs	10,825	0	27,950	38,775
- past service costs and gain/loss from settlements	167	0	300	467
<b>Financing and Investment Income and Expenditure</b>				
- net interest expense	1,782	0	23,960	25,742
<b>Total Post Employment Benefit charged to the surplus or deficit on the Provision of Services</b>	<b>12,774</b>	<b>0</b>	<b>52,210</b>	<b>64,984</b>
<b>Other Post-Employment Benefits charged to the CIES</b>				
Re-measurement of the net defined benefit liability and return on plan assets	(26,329)	0	(8,653)	(34,982)
<b>Total Post Employment Benefit charged to the CIES</b>	<b>(13,555)</b>	<b>0</b>	<b>43,557</b>	<b>30,002</b>
<b>MIRS</b>				

Note to the Financial Statements

Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code.	(12,774)	0	(52,210)	(64,984)
<b>Actual amount charged against the Police Fund Balance for pensions in the year</b>				
- employers' contributions payable to the scheme	4,397	0	12,920	17,317
- benefits paid direct to beneficiaries			1,230	1,230

2020/21	LGPS £000	LGPS (PPL element) £000	Police Pension Schemes £000	Total £000
<b>CIES</b>				
<b>Cost of Services:</b>				
- current service costs	7,743	37	25,050	32,830
- past service costs and gain/loss from settlements	0	0	270	270
<b>Financing and Investment Income and Expenditure</b>				
- net interest expense	1,200	0	23,810	25,010
<b>Total Post Employment Benefit charged to the surplus or deficit on the Provision of Services</b>	<b>8,943</b>	<b>37</b>	<b>49,130</b>	<b>58,110</b>
<b>Other Post-Employment Benefits charged to the CIES</b>				
Re-measurement of the net defined benefit liability and return on plan assets	28,762	(17)	116,132	144,877
<b>Total Post Employment Benefit charged to the CIES</b>	<b>37,705</b>	<b>20</b>	<b>165,262</b>	<b>202,987</b>
<b>MIRS</b>				
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)
<b>Actual amount charged against the Police Fund Balance for pensions in the year</b>				
- employers' contributions payable to the scheme	4,675	20	12,408	17,103
- benefits paid direct to beneficiaries			1,120	1,120

Note to the Financial Statements**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:-

<b>2021/22</b>	<b>LGPS £000</b>	<b>Police Pension Schemes £000</b>	<b>Total £000</b>
Present value of the defined benefit obligation (including PPL £1.612m)	(208,052)	(1,214,440)	(1,422,492)
Fair value of plan assets (including PPL £1.612m)	142,303	0	142,303
<b>Net liabilities arising from the defined benefit obligation</b>	<b>(65,749)</b>	<b>(1,214,440)</b>	<b>(1,280,189)</b>
<b>2020/21</b>	<b>LGPS £000</b>	<b>Police Pension Schemes £000</b>	<b>Total £000</b>
Present value of the defined benefit obligation (including PPL £1.612m)	(214,237)	(1,197,270)	(1,411,507)
Fair value of plan assets (including PPL £1.612m)	130,536	0	130,536
<b>Net liabilities arising from the defined benefit obligation</b>	<b>(83,701)</b>	<b>(1,197,270)</b>	<b>(1,280,971)</b>

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

<b>2021/22</b>	<b>LGPS £000</b>	<b>LGPS (PPL element) £000</b>	<b>Police Pension Schemes £000</b>	<b>Total £000</b>
<b>Opening balance at 1 April 2021</b>	<b>(212,625)</b>	<b>(1,612)</b>	<b>(1,197,270)</b>	<b>(1,411,507)</b>
Current service cost	(10,825)	0	(27,950)	(38,775)
Interest cost	(4,452)	0	(23,960)	(28,412)
Contributions by scheme participants	(1,421)	0	(5,020)	(6,441)
Re-measurement of liabilities	18,430	0	7,990	26,420
Removal of PPL Liabilities as a result of cessation of PPL and the associated final settlement payment (see Note 14)	0	1,612	0	1,612
Benefits paid	3,008	0	32,070	35,078
Past service costs	(167)	0	(300)	(467)
Curtailments	0	0	0	0
<b>Closing balance 31 March 2022</b>	<b>(208,052)</b>	<b>0</b>	<b>(1,214,440)</b>	<b>(1,422,492)</b>

Note to the Financial Statements

2020/21	LGPS £000	LGPS (PPL element) £000	Police Pension Schemes £000	Total £000
<b>Opening balance at 1 April 2020</b>	<b>(149,882)</b>	<b>(1,310)</b>	<b>(1,059,280)</b>	<b>(1,210,472)</b>
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
<b>Closing balance 31 March 2021</b>	<b>(212,625)</b>	<b>(1,612)</b>	<b>(1,197,270)</b>	<b>(1,411,507)</b>

**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)	2020/21 £000	PPL element 2020/21 £000	Total 2020/21 £000	2021/22 £000	PPL element 2021/22 £000	Total 2021/22 £000
<b>Opening balance at 1 April</b>	<b>99,211</b>	<b>1,310</b>	<b>100,521</b>	<b>128,924</b>	<b>1,612</b>	<b>130,536</b>
Interest income	2,319	35	2,354	2,670	0	2,670
Re-measurement gain/loss: The return on plan assets, excluding the amount included in the net interest expense	23,979	256	24,335	7,899	0	7,899
Contributions by employer	4,675	20	4,695	4,397	0	4,397
Contributions from employees into the scheme	1,587	9	1,596	1,421	0	1,421
Removal of PPL Assets as a result of cessation of PPL and the associated final settlement payment (see Note 14)					(1,612)	(1,612)
Benefits paid	(2,847)	(18)	(2,865)	(3,008)	0	(3,008)
<b>Closing balance 31 March</b>	<b>128,924</b>	<b>1,612</b>	<b>130,536</b>	<b>142,303</b>	<b>0</b>	<b>142,303</b>

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.

Note to the Financial Statements

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 £4.773m. Expected contributions for the Police Pension Schemes by the Chief Constable in the year to 31 March 2022 are £12.377m.

### 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 2021/22 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.

	LGPS £000	LGPS (PPL element) £000	Police Pension Schemes £000	Total £000
<b>2021/22</b>				
Changes in financial assumptions	(17,884)	0	1,047	(16,837)
Changes in demographic assumptions	(1,085)	0	0	(1,085)
Return on plan assets	(7,899)	0	0	(7,899)
Experience gains and losses	539	0	(9,700)	(9,161)
<b>Total re measurement</b>	<b>(26,329)</b>	<b>0</b>	<b>(8,653)</b>	<b>(34,982)</b>

	LGPS £000	LGPS (PPL element) £000	Police Pension Schemes £000	Total £000
<b>2020/21</b>				
Changes in financial assumptions	51,594	239	125,832	177,665
Changes in demographic assumptions	2,793	0	0	2,793
Return on plan assets	(23,979)	(256)	0	(24,235)
Experience gains and losses	(1,646)	0	(9,700)	(11,346)
<b>Total re measurement</b>	<b>28,762</b>	<b>(17)</b>	<b>116,132</b>	<b>144,877</b>

## Note to the Financial Statements

**LGPS Assets**

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

	Total 31 March 2021 £000	Split of Assets between Investment categories %	Total 31 March 2022 £000	Split of Assets between Investment categories %
Cash & Cash Equivalents	2,504	2	2,984	2
Equities	61	0	61	0
Corporate Bonds	0	0	22,629	9
Investment Funds & Unit Trusts	108,051	84	92,500	72
Private Equity	6,604	5	10,114	7
Property	11,704	9	14,015	10
<b>Total Assets</b>	<b>128,924</b>	<b>100</b>	<b>142,303</b>	<b>100</b>

**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 2020, projected forward to 31 March 2022. The liabilities for the Police Pension Schemes have been assessed by the Government Actuary's Department. The principal assumptions used by the actuaries have been:

2020/21			2021/22	
LGPS	Police Pension Schemes		LGPS	Police Pension Schemes
		Mortality assumptions		
		Longevity at 65 for current pensioners:		
21.8 years	22.0 years	Men	21.6 years	22.1 years
24.2 years	23.7 years	Women	24.1 years	23.8 years
		Longevity at 65 for future pensioners:		
23.0 years	23.7 years	Men	22.7 years	23.8 years
26.1 years	25.3 years	Women	25.9 years	25.4 years
2.00%	2.40%	Rate of CPI inflation	0 %	3 %
3.60%	4.15%	Rate of increase in salaries	3.95 %	4.75 %
2.80%	2.40%	Rate of increase in pensions	3.15 %	3.00 %
2.05%	2.00%	Rate for discounting scheme liabilities	2.75 %	2.65 %
0 %	3.65%	CARE Revaluation Rate	0 %	4.25%

Note to the Financial Statements

2020/21			2021/22	
LGPS	Police Pension Schemes		LGPS	Police Pension Schemes
pre-April 2008 service: 50% post-April 2008 service: 75%	100%	Take-up of option to convert annual pension into retirement lump sum	pre-April 2008 service: 50% post-April 2008 service: 75%	100%

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

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

	Impact on the Defined Benefit Obligation in the Scheme	
	Increase in assumption	Decrease in assumption
	£000	£000
Longevity (increase or decrease in 1 year)	50,322	(50,322)
Rate of increase in salaries (increase or decrease by 1%)	24,270	(24,270)
Rate of increase in pensions (increase or decrease by 1%)	254,140	(254,140)
Rate for discounting scheme liabilities (increase or decrease by 1%)	(278,750)	278,750

## 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.

2020/21			2021/22	
£000	£000		£000	£000
		<b>Contributions Receivable</b>		
		From employer		
(11,305)		- Normal at 31% of pensionable pay (see below)	(11,693)	
(252)		- Ill Health Capital Sum Income	(327)	
(68)		- Other – Pre 1974 Contributions (West Midlands)	(54)	
(4,862)		From members (serving police officers)	(5,020)	
	<b>(16,487)</b>			<b>(17,094)</b>
	<b>(272)</b>	<b>Individual Transfers In from other schemes</b>		<b>(300)</b>
		<b>Benefits Payable</b>		
26,759		Pensions	27,240	
4,831		Commutations and Lump Sum retirement benefits	3,591	
0		Lump sum death benefits	0	
	<b>31,590</b>			<b>30,831</b>
		<b>Payments to and on account of leavers</b>		
33		Refunds of contributions	30	
0		Individual transfers out to other schemes	0	
	<b>33</b>			<b>30</b>
	<b>14,864</b>	<b>Sub total for the year before transfer from the Group of amount equal to the deficit</b>		<b>13,467</b>
	<b>(14,864)</b>	<b>Additional funding payable by the Group to meet deficit for the year</b>		<b>(13,467)</b>
	<b>0</b>	<b>Net Amount Payable / Receivable for the year</b>		<b>0</b>
	<b>(14,864)</b>	<b>Actual Home Office Top Up funding</b>		<b>(13,467)</b>



## 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 37;
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.

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**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

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

**Creditors** – Individuals or organisations to which the Police and Crime Commissioner owes money at the end of the financial year.

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

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

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

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

**Debtors** – Individuals or organisations who owe the PCC money at the end of the financial year.

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

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

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

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

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

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

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

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

Glossary of Terms

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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**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

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**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 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.

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**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.



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

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

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

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

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

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

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

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

## APPENDIX 1

### Warwickshire Police and Crime Commissioner's Annual Governance Statement 2021/22



Office of the  
**Police and Crime  
Commissioner**  
for Warwickshire



Warwickshire  
**POLICE**

# Joint Annual Governance Statement 2021-22

## Warwickshire Police and Crime Commissioner and Warwickshire Police

### 1. Introduction

This 'Annual Governance Statement 2021-22' is a regulatory requirement and is presented as a joint document for the Warwickshire Police and Crime Commissioner and Chief Constable. It explains how the Chief Constable of Warwickshire Police (WP) and the Warwickshire Police and Crime Commissioner (PCC) have complied with their published joint corporate governance framework for the year ended 31 March 2022, including plans for the financial year 2022-23.

### 2. Scope

Following the introduction of the Police Reform and Social Responsibility Act 2011 (the 2011 Act), the PCC and Chief Constable were established on 22 November 2012 as separate legal entities ('corporations sole') which means they are both entitled to own assets and employ staff. However, the 2011 Act gives PCCs responsibility for the totality of policing within their force area and requires them to hold their force Chief Constable to account for the operational delivery of policing.

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Under the 2011 Act, the PCC is the recipient of all funding, including government grant, precept and other sources of income related to policing and crime reduction, and all force funding must come via the PCC. How this money is allocated is a matter for the PCC in consultation with the Chief Constable, who provides professional advice and recommendations to the PCC. However, the PCC is ultimately accountable to the public for the management of the Police Fund.

The PCC is responsible for ensuring his business is conducted in accordance with the law and proper standards of governance and, consequently, that public money is safeguarded, properly accounted for, and used economically, efficiently, and effectively in the discharge of his statutory duties and powers.

Both the PCC and Chief Constable are required to, and have, appointed chief financial officers who each have a fiduciary duty to the local taxpayer for securing the efficient use of public funds. Under the Local Government Act 1999 the PCC makes arrangements to secure continuous improvement in the way his functions are exercised, having regard to a combination of economy, efficiency, and effectiveness.

In discharging this overall responsibility, the PCC is responsible for putting in place proper arrangements for the governance of his affairs and facilitating the exercise of his functions, which includes ensuring a sound system of internal control is maintained and that arrangements are in place for the management of risk. In exercising this responsibility, the PCC places reliance on the Chief Constable to support the governance and risk management processes.

The Chief Constable is accountable to the law for the exercise of police powers and to the PCC for the delivery of efficient and effective policing, management of resources and expenditure by the police force. At all times the Chief Constable, her police officers and staff remain operationally independent in the service of the public. In discharging his overall responsibilities, the Chief Constable is responsible for establishing and maintaining appropriate risk management processes, governance arrangements and ensuring that there is a sound system of internal control which facilitates the effective exercise of these functions.

The Policing Protocol Order 2011 requires both the PCC and Chief Constable to abide by the seven principles of personal conduct set out in 'Standards in Public Life: First Report of the Committee on Standards in Public Life' (commonly known as the 'Nolan Principles'), i.e., 'Selflessness', 'Integrity', 'Objectivity', 'Accountability', 'Openness', 'Honesty' and 'Leadership'.

The PCC and Chief constable share a joint corporate governance framework, which is reviewed annually and sets out how governance operates. This code is consistent with the principles of the CIPFA/SOLACE guidance 'Delivering Good Governance in Local Government.'

<http://www.cipfa.org/policy-and-guidance/publications/d/delivering-good-governance-in-local-government-framework-2016-edition>

The framework consists of: -

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- **Statement of Corporate Governance.** Outlining the statutory framework and local policy,
- **Code of Corporate Governance.** Setting out how the core principles will be implemented,
- **Scheme of Corporate Governance.** Defining the parameters within which the organisations will conduct their business, scheme of delegations etc,
- **Policy and Procedures.** Separate for each corporation sole, with protocols where they operate jointly.
- **Cooperative Arrangements.** Those arrangements by which the PCC and the Warwickshire Chief Constable support the exercise of each other's functions.

This statement also explains how the Commissioner and Chief Constable have complied with the Code and meet the requirements of the Accounts and Audit Regulations 2015 (amended 2020), regulation 6(1), which requires all relevant bodies to prepare an annual governance statement.

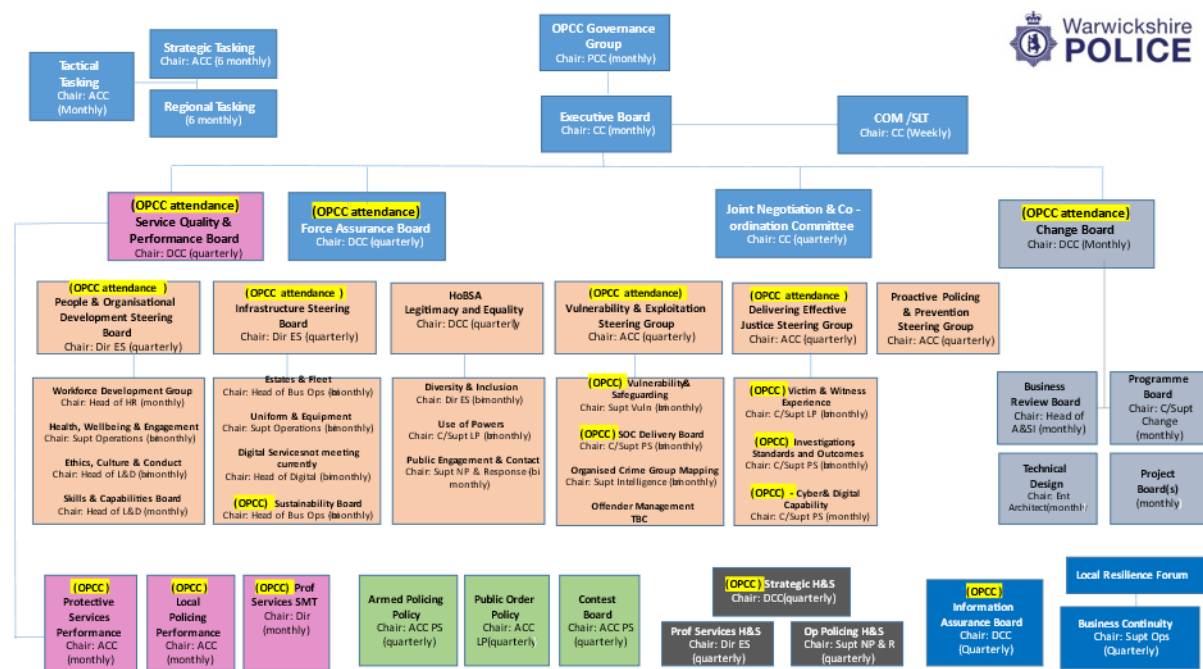
### 3. The Governance Framework

Governance comprises of the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved. The fundamental function of good governance in the public sector is to ensure that entities (meaning the PCC and Chief Constable) achieve their intended outcomes whilst acting in the public interest at all times. The governance framework comprises the systems and processes, together with culture and values by which the PCC and Chief Constable directs and controls the activities for which they are accountable, including engagement with communities. It enables the PCC to monitor the achievement of his strategic objectives and to consider whether these objectives have led to the delivery of appropriate cost-effective services, including achieving value for money.

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

The diagram below outlines the governance structure that was in place in 2021/22 in the force and clearly shows OPCC oversight and attendance to gain assurance regarding governance processes. Both the PCC and Chief Constable also share a Joint Audit and Standards Committee that receives reports and meets quarterly. The meetings are well attended by force and OPCC staff alike, and to help secure their own assurance regarding governance processes, they have worked with staff from the OPCC and force to develop an assurance map outlining three levels of controls for seeking assurance in key governance/service areas. The assurance map has been shared with key stakeholders and will continue to be developed and used alongside the formal framework documents.

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The Chartered Institute for Public Finance and Accountancy (CIPFA) ‘Delivering Good Governance Framework for Public Services 2016’ sets out seven good governance core principles. The governance arrangements that have been put in place for the Commissioner and Chief Constable and how they adhere to these principles are set out below: -

### 3.1 Principle A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

The Police Reform and Social Responsibility Act<sup>1</sup> sets out the functions of the PCC and Chief Constable. The Act requires the PCC to have a Chief Executive and Chief Finance Officer<sup>2</sup> (the Treasurer). The PCC and the Chief constable have developed and approved a ‘Joint Corporate Governance Framework’ which clarifies the working relationship between the PCC, Chief Constable, and their respective staff. This includes the code of corporate governance, the scheme of delegation and financial regulations. The framework is informed by the requirements of ‘The Good Governance Standard for Public Services<sup>3</sup>’ and the Policing Protocol 2011 and is consistent with the seven Nolan principles of standards in public life. Additionally, the ‘Police Code of Ethics<sup>4</sup>’ combines these values with others enshrined in policing and sets and provides a framework for upholding high standards of conduct and behaviour which applies both on and off duty. It guides behaviour within the organisation as much as it informs how to deal with those outside.

<sup>1</sup> PRSRA11, S5 – 8

<sup>2</sup> PRSRA11 Sch1 p6

<sup>3</sup> Standards in Public Life 2005. As amended by the 14<sup>th</sup> Report of the Committee on Standards in Public Life: Selflessness; Integrity

<sup>4</sup> Code of Ethics (College of Policing 2014)

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On his election, the PCC signed a code of conduct based on the principles referred to above. This document has been published on the OPCC website along with the register of interest of the PCC, together with the protocol for managing the relationship and any conflicts between the leader of Warwickshire County Council and the Warwickshire PCC. Following his election, the PCC has approved a new Police and Crime Plan, which was developed following wide consultation. This is available on the PCC's website and sets the strategic priorities for policing in Warwickshire. The five priorities of the new plan are:

1. Fight crime and reduce reoffending
2. Deliver visible and effective policing
3. Keep people safe and reduce harm
4. Strengthen Communities
5. Deliver better justice for all.

The Chief Constable's Fit for the Future strategy, outlines the strategic policing response to the Police and Crime plan and has three key themes 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.

The key values of Warwickshire police are public service, impartiality, integrity, and transparency. As part of the fit for the future strategy and the long running knowing the line strategy, the force highlights and addresses issues of culture, tone and style across all service areas and centres to build an organisation where all are treated with dignity and respect. Knowing the line specifically aims to eradicate sexual harassment and inappropriate behaviour from policing, encouraging officers and staff to challenge and report behaviours that makes colleagues feel uncomfortable, intimidated, embarrassed, or uncomfortable with. The health and wellbeing of all those working in the force is central to the efficiency and effectiveness of Warwickshire police and this continues to be an area of focus, most recently discussed with all employees at the Chief Constables engagement seminars, but also through the Health and Wellbeing Board and at the PCC and Chief Constable meetings.

Measures are in place to ensure that the PCC, and employees of the Office of the PCC (OPCC) and Warwickshire Police are not influenced by prejudice, bias, or conflicts of interest in dealing with different stakeholders. The policies have been reviewed during 2021/22 and approved by the Commissioner, they include the code of conduct, decision making, managing complaints and safeguarding. Notifications of disclosable interests and a register of gifts and hospitality are published on the PCC's and the Force website.

The PCC and Chief Constable have a Joint Audit and Standards Committee (JASC) that meets at least 4 times a year which has increasingly met face to face during 2021/22. They receive reports and also private briefings on a number of specific areas. Members of the Committee are allocated dedicated areas of work to maximise their coverage by working

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closely with key staff, often meeting outside of the formal meetings to monitor progress and seek assurance. Dip-sampling of complaints made against the police that are subject to investigation by the Professional Standards Department (PSD) is usually undertaken by a committee member, and is supported by the OPCC, with formal Ethics reports taken to each Committee meeting. The dip sampling work has been stifled during the pandemic, but has more recently recommenced, but the committee member is also a member of the internal ethics board which discusses ethical dilemmas and is chaired externally by a representative from the University of Warwick, which helps them to gain a fuller understanding of topical ethical issues at Warwickshire. Other Committee members have taken lead responsibility on seeking assurance on governance issues, relating to the transition of service, risk and general finance and audit matters. Members meet outside of the formal meetings with force and OPCC staff on these matters. A new member was recruited during 2021 to fill a vacancy, and this has brought new experience and knowledge to the Committee. All members have received extended contracts during 2021/22. The Committees agreed work programme, which is on the agenda of each meeting, seeks to ensure that the force and OPCC embrace the highest levels of integrity and ethical standards of behaviour. It is a public meeting and has been attended by the Chair of the Police and Crime Panel or their representatives and copies of papers are published on the website. The Committee has continued to develop a strong working relationship with the Police Crime Panel with member also regularly attending Police and Crime Panel meetings.

The PCC and Chief Constable have transparent and accessible arrangements in place for dealing with complaints received from members of the public, and reviews of the complaints process and findings are reported to the Joint Audit and Standards Committee, and actions implemented based on the findings. PCCs have had a stronger role in the complaints system during 2021/22, following changes made in February 2020, resulting from extensive consultation and work by the Home Office and the IOPC. The OPCC are responsible for reviews of complaints dealt with by Warwickshire police, known as Complaint Reviews, with the intention that members of the public dissatisfied with the outcome of the process undertaken by Warwickshire Police to make a representation for it to be reviewed. In 2021/22, the OPCC conducted 38 complaint reviews and made recommendations in 14 cases. Any recommendations arising from the review are referred to Warwickshire Police and monitored by the OPCC. Learning is also an integral part of every complaint and any lessons learned are used to continuously improve the service provided to Warwickshire communities. In addition to Complaint Reviews, the Commissioner also leads on Police Appeal Tribunals (when a police officer is dismissed) and in Pension Forfeiture.

The force has a Professional Standards Department (PSD) whose role is to uphold the ethical and professional standards of Warwickshire Police by managing the application of police misconduct regulations, and the administration of complaints by members of the public against police officers and police staff below the rank of Chief Constable. Any complaints against the Chief Constable are dealt with by the PCC. The independent Warwickshire Police and Crime Panel (PCP) deals with any formal complaints made against the PCC. Warwickshire Police employs a vetting team, within professional standards to ensure compliance with vetting standards, and is also the lead force for providing a national contractor vetting service.

The PCC and Chief Constable both have respect for the rule of law and comply with all relevant laws and regulations. To ensure that they do not breach their legal powers intentionally or inadvertently they both appoint legal advisors to provide assurance and guidance upon lawful decision making. The PCC is independent of Force management and operational decision-making, which is the responsibility of the Chief Constable, and



established mechanisms and guidance are in place to ensure that the PCC and Chief Constable do not breach or misuse their legal and regulatory powers. The PCC is subject to the PCC's Code of Conduct and Oath of Office, and the Chief Constable (and all other individuals who work in policing) are subject to the College of Policing's Code of Ethics, both of which are consistent with the Nolan principles. The Chief Executive of the OPCC is also the designated statutory Monitoring Officer, with responsibility for advising on the legality and appropriateness of the PCC's actions and decisions.

The PCC and Chief Constable create the environment for all members of the OPCC and Force to be able to discharge their responsibilities in accordance with good practice. Any guidance originating from the key partners and bodies including the College of Policing and NPCC is disseminated Force-wide either by the in-house learning and development team, or other relevant stakeholders. Similarly, best practice for PCCs is obtained via the Association of Police and Crime Commissioners (APCC), Association of Policing and Crime Chief Executives (APAC2E) and Police and Crime Commissioners' Treasurers Society (PACCTS) and is disseminated amongst the OPCC staff. Managers meet regularly to discuss topical issues, including any legal matters, as necessary.

### **3.2 Principle B. Ensuring openness and comprehensive stakeholder engagement**

The protocol<sup>5</sup> highlights that the PCC is accountable to local people and draws on this mandate to set and shape the strategic objectives for the force area in consultation with the Chief Constable. He must have regard to the views of the public as well as the priorities of the authorities within Warwickshire and relevant government bodies before issuing a Police and Crime Plan.

During 2021/22, following his re-election, the PCC has approved his new Police and Crime Plan 2021-25 which sets out the strategic direction and priorities and how they will be delivered. In formulating the new plan, it was crucial to gain a full understanding of the public's priorities, so an extensive online and telephone survey was carried out across a representative sample of respondents from all parts of the county. This helped assess perceptions of policing within Warwickshire, as well as identifying the key issues in communities that required greater focus.

Originally commissioned in early 2020 in anticipation of elections that year, the survey was supplemented by questions in the subsequent budget consultations to test if public perceptions had changed, after the election was moved to 2021. The surveys also captured any new emerging priorities.

Other research, such as Warwickshire County Council's 'You Say' Survey 2020, the Crime Survey of England and Wales and feedback from victims of crime also helped to shape my understanding of perceptions of policing and the criminal justice system.

The work of sector advocates, such as the Victim's Commissioner, has also been considered along with input from the Chief Constable and partners across Warwickshire.

The research was rigorously analysed to ensure there was a strong evidence base to draw conclusions from. It means that the new plan for 2021-25 is carefully derived from the

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<sup>5</sup> Policing Protocol Order 2011, art14

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priorities highlighted by the public and aligned with the expert opinions of those involved in the frontline of community safety. The PCC has adopted a wide range of different approaches to engaging with communities, including media engagement, online events and through social media, although his preference has always been to meet people and community groups face-to-face whenever possible, although the pandemic presented challenges in being able to do this at various times across the year. The PCC recruited a Communications and Engagement Officer in late 2021 to deliver a structured programme of engagement with communities across the county, building upon the activity previously carried out and to ensure his office has the capacity and resilience to deliver more events and opportunities to engage with the public across the year.

In addition to this public consultation, the PCC has also widely consulted on the Precepts for 2021/22 and 2022/23 and reported the outcome of those consultations to the Police and Crime Panel for their information and scrutiny, before setting the precepts each year. The Panel meets regularly to review and scrutinise the decisions and actions of the PCC and his performance in delivering the objectives contained in his Police and Crime Plan, his Annual Report, and any proposed appointments to key roles. Two separate working groups also meet regularly to specifically deal with issues around performance monitoring and finance.

The Corporate Governance framework, and associated documentation defines the parameters for decision making, including delegations, financial regulations, and contract regulations. The PCC publishes all formal and significant decisions in accordance with this framework on his website.

The PCC proactively publishes information to maintain openness and transparency with the public on the website which helps to ensure that he meets the obligations under the Elected Local Policing Bodies (specified information) (amendment) order 2021 and requirement under the Freedom of Information Act 2000. The PCC published his 2020/21 annual report during the year, outlining his main achievements, operational and financial performance details and progress made in delivering the Police and Crime Plan. His annual report for 2021/22 has also been prepared, reviewed by the Police and Crime Panel, and is also published.

A new PCC 'Consultation and Engagement Strategy' is in the process of being developed in line with the new Police and Crime Plan priorities. This will set out how local people will be involved with the PCC and the Chief Constable to ensure that they are part of the decision making, accountability and the future direction of police and crime matters in Warwickshire. Social media is used extensively by the OPCC and force to engage with the public, to run campaigns, to promote various public consultations run by the force and PCC and more recently for recruitment drives. This sits alongside more traditional methods of engagement, including remote engagements during the pandemic. Critically for the PCC, this has ensured that two-way communication channels remain fully open, which serve to inform him of public concerns on local policing and crime matters of importance, and thus enabling the wider dissemination of information to and from local groups, partners, organisations, and key stakeholders on activities that have been undertaken.

The PCC and Chief Constable attend various Local Authority meetings across Warwickshire and provide formal briefings to local MPs on topical policing matters and the precept. The PCC also works with and part funds the four Community Safety partnerships across Warwickshire and has commissioned services to deliver many key services to victims, drugs and substance misuse services, and sexual abuse and exploitation services. Such activities are aligned to the PCC's strategic objectives as set out in the Police and Crime Plan and help

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in their delivery in addition to supporting other partners in achieving their local priorities too. The PCC has recently commenced the re-commissioning process for key victim services. A local needs assessment has been undertaken, following engagement with a range of stakeholders, to inform the commissioning process, and this commissioning process will continue throughout 2022/23 through more extensive targeted market engagement sessions, to ensure fit for purpose and effective services are commissioned from April 2023. The PCC chairs the Local Criminal Justice Board, which is also attended by the force. It meets regularly to consider and discuss the performance of the local criminal justice system and any issues or initiatives being addressed individually or collectively by the criminal justice agencies. This remains a key focus for the Commissioner, as the pandemic has had a significant impact on the criminal justice system.

The Chief Constable has a statutory responsibility for making arrangements for obtaining the views of the public within each neighbourhood about crime and disorder in their locality. Force engagement with the public takes place on many levels, from daily street contact and phone calls through to attendance at public meetings and formal surveys in relation to service priorities, levels, and quality. Parish Council meetings, along with other community forums and local meetings have been established across the force area and are active partnerships between the public, statutory and voluntary agencies, partners, and policing teams. The safer neighbourhood approach is central to policing in Warwickshire, and there are 32 safer neighbourhood teams throughout the force area. These teams include police officers, PCSO's, Special constables and other volunteers to help keep communities safe. Each SNT holds meetings at which issues, and problems identified by the local community are discussed. All contact details are published on the website, along with crime data. The SNT's also use social media widely having their own twitter feeds and Facebook pages, to maximise the engagement potential with their communities. The force has introduced Warwickshire Connected which is a free community messaging service which enables officers to connect and engage directly with communities by sending quick time messages to members. It provides a two-way digital platform to help build public confidence through positive and proactive community engagement and reassurance.

The force also undertakes a number of user satisfaction surveys, predominantly with victims of certain crime types including domestic burglary victims, violent crime, vehicle crime, hate crime and domestic abuse crime. Warwickshire outsources these surveys to a third party specialist, the process was temporarily stalled during the pandemic but has been re-established since June 2020.

### **3.3 Principle C. Defining outcomes in terms of sustainable economic, social, and environmental benefits**

The PCC's Police and Crime Plan outlines the police and crime objectives (outcomes) and the strategic direction for the policing of the Force area.

A new Chief Constable was recruited in July, but there remained some continuity in approach, particularly through the continued adoption of the forces Fit for the Future strategy which underpins the Police and Crime plan but also sets out an ambitious agenda for the force up to 2025. Transitional work has been undertaken through the evolve programme in 2021/22, and work to continue and develop the transformation of Warwickshire Police will fall under the Empower programme from April 2022 onwards, which will build on and drive out more efficient ways of working following the recent heavy investment in ICT equipment, systems, and infrastructure. The strategy is built around 3 main themes – Effective and

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Efficient, Prevent and Protect and Respond and Reassure. These themes set out the strategic direction of the force, along with its purpose and priorities, taking account of the PCC's Police and Crime Plan and the Home Secretary's Strategic Policing requirement. This work is overseen by the Change board.

The fit for the future strategy reflects a commitment towards achieving a greener more sustainable force, recognising that their activities both operational and non-operational have an impact on the natural environment for the communities of Warwickshire. The force has established a Sustainability Board dedicated to looking at this area and will work in accordance with the remit of the Estate review work to achieve and improve environmental sustainability in the way it uses its assets, and the PCC has established a sustainability reserve to help fund initiatives that fall outside of the main capital and revenue budgets. The PCC has a duty to ensure value for money through purchasing, contracts, and the wider commissioning of services. Every effort is taken to secure value for money whilst improving or minimising the impact on the environment. However, it is recognised that in some areas of compliance with legislation and/or to achieve higher standards, or to improve environmental impacts, this might increase costs or require specific one-off investment. The force now operates some hybrid vehicles and estates work undertaken in 2021/22 for example boiler replacement works will improve the efficiency and help to minimise the impact on the environment.

The PCC and Chief Constable are both committed to the identification and consideration of collaborative opportunities, recognising the increased capacity and resilience along with the access to specialist services that such working can bring. During 2021/22, the force has formed a new collaborative working arrangement with West Midlands Police to deliver forensics services. Other collaborative working for historical file storage and dog kennelling also exists. Such collaborative working will always support the attainment of the Police and Crime Plan objectives, will build resilience, capability, and capacity to deliver improved services, will enable longer-term operational effectiveness and economy through greater interoperability, integration and will help to achieve improved value for money through economies of scale, increased efficiency, greater effectiveness, or improved potential for sustainable delivery. Governance issues around this are discussed at the Executive Board meetings in the force. Warwickshire police continues to collaborate regionally to combat national threats identified in the strategic Policing requirement, and to threats from serious and organised crime. The Regional organised crime unit (ROCU) for the West Midlands forms a critical part of the national and local response to disrupting organised crime groups.

A 'Medium Term Financial Plan' (MTFP) has been developed to support the delivery of the Police and Crime Plan and to ensure that the plans are financially sustainable, which remains a key priority for the Commissioner, with the requirement for a good and balanced budget well documented in his Police and Crime plan. A five year MTFP is published and approved by the Commissioner but modelling over an extended period is also undertaken to ensure financial resilience and sustainability over the long term. This is particularly important given the long cyclical pattern of officer recruitment, spinal point progression and some certainty regarding leavers based on maximum service assumptions. Whilst the assumptions are always open to challenge and will flex, close monitoring throughout the year is undertaken, in addition to an annual more formal review as part of the budget setting process. Invariably the MTFP includes a requirement for savings or increased income, and the force will be developing options through early planning to address these should they be required. Discussions on financial matters between the PCC and Chief Constable is mainly at the governance Board meetings, but also at the Holding to account and informal finance

meetings between the Director of Finance and Treasurer. The Police and Crime Panel and Joint Audit and Standards Committee also both receive quarterly financial updates.

Risk is managed through a governance framework at a local and strategic level to manage and mitigate threats to service delivery. Strategic risk is managed and recorded by the force and OPCC separately, it passes through their respective internal governance processes and is reported to each JASC meeting, for independent scrutiny and to seek feedback.

The force and PCC both have a duty to consider the wider impact of equality of proposed change to policies, procedures, and practises. Equality impact assessments are carried out, to assess the impacts internally and externally for staff, stakeholders, and the public.

### **3.4 Principle D. Determining the interventions necessary to optimise the achievement of the intended outcomes**

The Police and Crime Plan sets out the strategic policing and crime reduction priorities and key aims, and how these will be delivered over the tenure of office.

The force's performance management framework reflects the Police and Crime Plan, and monthly and quarterly performance reports are produced which enable both the PCC and Chief Constable to assess and scrutinise force performance. During 2021/22 monthly Performance and Accountability Meeting were held between the Commissioner and Chief Constable to consider specific topics of interest, each being determined from the (previous) Police and Crime Plan but also with consideration of the force's own Fit for the Future Strategic Plan. This enables a good understanding of the successes and challenges the force faces across a range of policing issues, to understand how the force's work meets the articulated requirements of the Police and Crime Plan and to enable dynamic scrutiny when issues arise. The PCC team review police performance datasets and work with the force to understand the explanations for trends and then use the information effectively to seek improvements where identified. The Police and Crime Panel has provided another layer to this process, continuing to show a commitment to understanding the force's performance and requesting regular updates on the office's activity in identifying areas to probe and seek information on any issues arising. A performance framework is in the process of being developed for monitoring the performance of the police and crime plan objectives and this will be presented to the police and crime panel meetings in time.

The Force's Director of Finance maintains the MTFP in conjunction with the Treasurer, which integrates the force business plans. It is refreshed annually, and scenario planning is undertaken as part of the budget setting process. The PCC undertakes a budget and precept consultation exercise to help him formulate his precept proposal. The Police and Crime Panel review and scrutinise the PCC's proposed council tax precept increase and make recommendations to the PCC, to which he is required to respond before he sets the budget and precept. Formal budget monitoring is undertaken throughout the year and is discussed internally at the regular Force Governance Board meetings with the Chief Constable and key stakeholders. The Panel receive a financial update at each of their meetings and the finance working group also scrutinise and challenge the budget monitoring reports, at their more focussed quarterly meetings requesting additional information, as necessary.

The transformation programme is governed by the Change Board, which coordinates activity and prioritises work, assessing them against the strategic objectives, capacity, and financial capability. During 2021/22 the final three areas of service have transitioned from the former alliance arrangements. Transactional and ICT services are now delivered through a hybrid in

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house and service contract model and forensics services are delivered through a collaboration with West Midlands police. These services continue to be provided effectively and efficiently and the PCC will hold the Chief Constable to account for their ongoing performance.

The PCC and Chief Constable's joint system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures, management supervision and a system of delegation and accountability. Both have agreed the strategic aim of setting balanced revenue budgets for day to day policing costs, with no reliance on reserves to meet ongoing cost. The outturn for 2021/22 was an underspend of £2.4m, which represents a variance of £1.5m against the revised budget. This increased contribution to reserves will help to manage future risk and support the ongoing transformation of Warwickshire police through its capital and revenue works. The increased underspend is mainly derived from higher vetting income. The force provides national contractor vetting through a commercialised service which is being used to finance costs and will help to manage future budget gaps. The risks associated with the service and income source are being managed through the vetting board and a dedicated vetting earmarked reserve and general reserves. The Chief Constable is the national vetting lead, and this also helps to manage risk. Reserve levels remain healthy and provide resilience against any fluctuation in funding and for specific and known risks.

The PCC and Chief Constable both have separate Risk Management Strategies in place, and hold separate risk registers to manage their key risks. The risk registers are reported to the respective Chief Officer teams and their own internal governance processes and are also regularly reviewed by the Joint Audit and Standards Committee for scrutiny and comment. Financial, governance related, and operational risks are a feature of both registers.

Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) provides an annual independent thematic inspection and assessment of the force's performance in terms of its effectiveness, efficiency, and legitimacy. The force has recently had its latest PEEL (police effectiveness, efficiency, and legitimacy) inspection and the results are expected at the end of Summer 2022. The force has had also had a custody inspection which was published in February 2022. This assessed the force against 29 previous recommendations. Of the 29 recommendations made during that previous inspection, Warwickshire has achieved or partially achieved 15 of them.

Two recommendations are no longer applicable, but the remaining 12 have been identified in this inspection as areas still requiring attention. The force is also awaiting the final report for the child inspection which was undertaken in early 2022.

The previous PEEL assessment published in September 2019 found the force to be good in the areas for legitimacy and effectiveness but requiring improvement in efficiency. The force considers carefully HMICFRS recommendations and acts upon them through a series of coordinated action plans 'owned' by the appropriate Chief Officer. As part of the force's own governance arrangements, they have established a Warwickshire Assurance Board, which acts as the primary vehicle to ensure that recommendations from HMICFRS are actioned appropriately. The Analysis and Service Improvement team in the force provide oversight within the force of the HMICFRS actions and monitor progress against them, reporting these to the PCC and JASC on a regular basis. The PCC also holds the Chief Constable to account through ongoing performance monitoring at the monthly Governance and Performance meetings and through deep dives into scheduled service areas. Actions are also reported and reviewed by the Joint Audit and Standards Committee to provide further assurance that progress and appropriate actions to deal with the issues raised in the

inspections are being dealt with. The actions arising from the latest inspection will be no exception, but it is hoped that the work and changes that have been undertaken prior to the latest inspection will be recognised.

The Police and Crime Commissioner's Grant Scheme has been further developed to ensure funding is based on identified need, with clear outcomes. A comprehensive process of application, evaluation and award is undertaken each year. The Commissioner engages with these recipients during the year, to understand how the projects and his investment is being used, and more formal financial and performance monitoring is undertaken during the year to ensure that police and crime plan objectives are being delivered. The PCC commissions a number of key services to ensure that they are fit for purpose and provide value for money. He has also undertaken some co-commissioning with partners in terms of domestic abuse services. All commissioned services are performance monitored and sit alongside the annual grants process.

### **3.5 Principle E. Developing the entity's capacity, including the capability of its leadership and the individuals within it**

The PCC ensures that their statutory officers have the skills, resources, and support necessary to perform effectively in their roles and that these roles are properly understood throughout the OPCC and force. Specialist advice in areas such as treasury management, along with some other key services, is externally sourced as this is more cost effective and practical. Our training strategies provide the climate for continued development of individuals. The respective performance development review processes will ensure that these strategies are turned into reality for officers and members of staff. This principle is included within the Police and Crime Plan.

The Corporate Governance Framework provides a clear statement of respective roles and responsibilities and how they are delegated. All OPCC and force staff are encouraged to network and build working relationships with key stakeholders in their respective fields. The PCC's Treasurer and the force Director of Finance participate in the CIPFA continuous professional development programme to ensure that their skills and knowledge are kept up to date and relevant, but this is just one example and there are many others throughout the organisations. The force also supports the MAX programme which looks at how contributions and potential can be maximised by recognising achievements, realising aspirations, helps to improve health and wellbeing, fosters talent and drives clarity in focus and direction. The force and OPCC also undertake performance development reviews, through annual assessments, which includes the setting of priorities and objectives.

To develop capacity, reach and capability, the PCC is a member of the Association of Police and Crime Commissioners (APCC) and the Chief Constable, and her chief officers are members of the National Police Chiefs Council (NPCC). Members of their respective teams are involved with numerous other professional bodies, at the OPCC this includes the Association of Police and Crime Commissioners Chief Executives (APACE), the Police and Crime Commissioners Treasures Society (PACCTS), and there are similar professional networking bodies attended by force staff and officers. Such organisations provide an opportunity to share knowledge, experience and thinking on current issues, legislation, and Government announcements, how these should be applied and examples of best practise. They also provide opportunities for networking and release guidance and notifications on a regular basis to assist staff to carry out their roles effectively.

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The force uses local succession planning and promotion processes, and champions diversity and inclusion through the Diversity and inclusion Board, which is attended by unions, staff associations, support networks and diversity and equality leads. This encourages two way communication to drive cultural change and improve health and wellbeing of all employees. Regular force order communications to all staff are delivered regularly, and these have been particularly relevant during the pandemic but also as part of the ICT transition process, using them as an effective tool to achieve maximum reach. These supplement other more local updates by specific teams, but also a programme of face to face Chief Constable engagement seminars were held in early summer 2022, reinforcing the forces commitment to meeting and engaging with staff across the force. The Health and Wellbeing Strategy supports the force fit for the future objectives with the aim of achieving the forces vision of creating a positive working environment and promoting a culture of trust where our people work together and feel motivated. The force fared very well in the first national wellbeing survey and the results placed the force above all other forces across a range of measures. The National Pay and Morale Police Federation survey also 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 from the 43 Forces, but the challenge in 2021/22 has been to maintain this level of morale, to continue to focus on health and wellbeing to ensure that staff feel valued and are able to fulfil their roles effectively. This also has a bearing on the appeal of the force to new recruits, and in a challenging employment market, Warwickshire have been successful in recruiting their 41 uplift officers in 2021/22 and will continue to focus efforts to reach the recruitment target of a further 55 officers in 2022/23.

### **3.6 Principle F. Managing risks and performance through robust internal control and strong public financial management**

The PCC and Chief Constable each have a Strategic Risk Strategy in place to ensure that the risks facing the force and PCC's office are effectively and appropriately identified, evaluated, and reported. At the OPCC the risk management process is becoming increasingly embedded, but this will remain a key focus of work by OPCC managers. Operational risks are logged centrally and are used to inform agreed changes to strategic risks as necessary by the management team. The OPCC strategic risk register is updated quarterly and discussed at regular OPCC managers meetings. The forces risk management process is more mature and embedded in both operational and organisational activities. The primary objective is again to manage risk in a way that reduces the likelihood of occurrence and minimising the impact or risks, should they take place. There is some alignment in strategic risks across the force and OPCC and both separate risk registers are reported to the quarterly JASC meetings for assurance and scrutiny.

The Corporate Governance Framework sets out the parameters for decision making, including the delegations, consents, financial limits for specific matters and for contracts. The framework and associated documents are reviewed annually and scrutinised by JASC.

The Joint Audit and Standards Committee meets on a quarterly basis and the agendas, papers and minutes are published on the OPCC website. A special meeting of the committee was convened in December 2021 to discuss the statement of Accounts, prior to their anticipated imminent sign off. As part of its work programme the committee receives regular updates on internal and external audit, HMICFRS inspections, treasury management, risk management, health and safety, financial matters, and the progress on transitioning services from the alliance. The JASC recruited a new member in 2021 and has met remotely and where possible in person during 2021/22. The JASC re-approve their terms of reference



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annually and have a formal work plan which is reviewed regularly. The JASC operates in line with CIPFA guidance and within the guidance of the Financial Management Code of Practice<sup>6</sup>. Members are highly experienced in related fields and offer support and assistance on key issues. They have also built up a working relationship with the Police and Crime Panel to avoid duplication and enhance the work of both groups.

The Warwickshire County Council Law and Governance Service have been used by the PCC and Chief Constable to conduct independent and impartial audits in 2021/22. An annual audit plan is set and performance against the plan is monitored throughout the year and reported to JASC.

Regular financial monitoring is undertaken and reported to the PCC against the approved budget. This is supplemented by regular informal meetings between the Treasurer and the force finance teams, who provides feedback on issues, as necessary. Budget monitoring and performance is discussed at the monthly governance group meetings as well as at weekly holding to account meetings held with Chief Officers to enable the PCC to scrutinise and challenge performance, financial management and internal control. Business planning feeds into the budget planning processes and this will continue to be refined and embedded during the next budget setting round, along with the work of the Empower workstreams.

The Director of Finance and Treasurer, both have a series of statutory responsibilities that underpin various codes of practice. The Financial Management (FM) Code of Practice and CIPFA document the role of the CFO, set out the core responsibilities of the CFO as well as the personal skills and professional standards that are crucial to success in the role. The PCC and force are applying the requirements of the FM code, which sets out the criteria for sound financial management through appropriate governance arrangements and financial management style. This is managed through the work to address the actions raised in the 2020 Independent CIPFA report on the financial capability of the organisation. This is being reported to the JASC, and the Director of Finance and Treasurer continue to monitor this on a regular basis. To supplement the independent work and recommendations from CIPFA on financial management capability and resilience, the Director of Finance and Treasurer have considered the CIPFA financial management code self-assessment tool and are content that the actions that they would identify for improvement are in line with the action plan that is being delivered, and further work will continue on this to embed the seven criteria including – the responsibilities of the CFO and leadership team, governance and financial management styles, approach taken to long to medium term financial management, the annual budget setting process, stakeholder engagement and business plans, monitoring of financial performance and external financial reporting.

To ensure that financial control has been maintained and operated in respect of the resources under the control of the Chief Constable and the PCC, the system of internal financial control provides assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or should be detected within a timely period. To conduct their business effectively, the PCC and Chief Constable need to ensure that they have sound financial management policies in place and to which they are strictly adhered. Part of this process is to adopt and implement financial regulations. The regulations are updated annually, and form part of the corporate governance framework. They are supported through the scheme of delegation and other policies in other specific areas.

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<sup>6</sup> Financial Management Code of Practice for the Police, s11.1.3

The relationship between the Treasurer and Director of Finance is critical to ensure that an appropriate and effective financial strategy is developed and implemented. Regular meetings between the two statutory post holders are held to discuss financial performance against budget, to refresh the MTFP and examine key issues that require strategic financial input to decisions as well as routine matters of governance and audit report findings and recommendations. This is a strong relationship built on trust and confidence, and the controls are adequate. The Treasurer also works closely with other key members of the force finance teams, to scrutinise financial reports and specific areas of work.

### **3.7 Principle G. Implementing good practices in transparency, reporting and audit to deliver effective accountability**

The PCC complies with all good practice and statutory requirements regarding transparency in that he has produced and published an annual report that details performance against objectives for the previous year, and the information published on the OPCC website is in accordance with the Elected Local Policing Bodies (Specification Information) (amendment) Order 2021. The draft internal audit report on the transparency and publication data on the PCC website has reported a substantial assurance opinion.

The OPCC website is kept up to date with the publication of key decisions, performance reports and details of HMICFRS inspections including the PCC's response to the Home Secretary on the reports. Additionally, the PCC publishes notes from his governance and holding to account meetings with the Chief Constable. The website for the OPCC and the force are both reviewed regularly and are refreshed and updated to ensure they remain up to date and compliant.

The PCC and Chief Constable have appointed internal and external auditors and audit recommendations are reported to the JASC. The JASC meet with representatives from the force, the lead auditors, and key partners on a regular basis to consider all internal and external outstanding issues. Regular briefings are held between the Director of Finance, Treasurer and internal and external audit colleagues to ensure that audit progress is on track against plan and to keep abreast of any specific issues which can be raised more widely if necessary, to ensure that good outcomes are achieved, relationships are strong and controls are adequate and provide the necessary assurance to the PCC and Chief Constable.

The PCC has a 'Publication and Freedom of Information (FOI) Scheme' in place. All FOIs received into the OPCC are dealt with directly or passed onto the force as appropriate by agreement. The force has a dedicated team who collate requests and manage responses on their behalf.

The Police and Crime Panel also undertake a scrutiny role of the PCC. The Panel meet at least quarterly to challenge the PCC, they receive formal reports and meet in open session. On occasion they have also received informal updates on specific issues, and they have two separate working groups who report back to the full panel on budget and performance issues.

The force publishes its Force Management statement (FMS) each year, which is a self-assessment document to inform business planning, and to identify organisational and operational risk and priorities around achieving the PCC's Police and Crime Plan.

## **4. Review of Effectiveness**

The PCC's office has responsibility for conducting, at least annually, a review of the effectiveness of the governance framework, including the system of internal audit and internal control. The review of the framework is influenced by the internal and external audit reviews for its effectiveness by the Chief Executive and Treasurer, along with other key stakeholders. The roles and processes applied in maintaining and reviewing the effectiveness of the governance framework are outlined below: -

### **4.1 Police and Crime Commissioner**

The PCC has overall responsibility for the discharge of all the powers and duties placed on him and has a statutory duty to maintain an efficient and effective police force.

The effectiveness, review and maintenance of the governance framework is undertaken by the JASC, who discuss governance issues, make comments on reports they receive and refer reports or recommendations to the PCC when necessary.

### **4.2 Warwickshire Police**

The Chief Constable has responsibility for conducting a review of the effectiveness of the governance framework within the force at least annually. This review is informed by the work of senior officers and managers, including the Director of Finance, Head of Internal Audit and the Risk and Assurance managers, who have responsibility for the development and maintenance of the governance environment.

### **4.3 Joint Audit and Standards Committee (JASC)**

The JASC receives regular reports on governance issues, it has an agreed terms of reference that are reviewed annually, a comprehensive workplan is in place and a series of pre-meet training and informal update sessions are also held to ensure members are fully briefed on all topical governance matters. Members have dedicated areas of interest and regularly meet with key officer and staff contacts in the force and OPCC outside of the formal meeting timetable. The Committee formally meets approximately 4 times a year, although a special additional meeting was held in December 2021 in the light of the anticipated imminent sign off of the 2020/21 Statement of Accounts.

Reporting on governance issues includes the review of the Annual Governance Statement (AGS) for inclusion in the Annual Statement of Accounts and update reports on the progress made in addressing any significant governance issues identified in the AGS.

The JASC receives regular reports on policy and procedure, risk, key topical issues, decision making, leadership, culture, finance, people, health and safety, performance, and conduct. They have also received various and regular update reports on the progress made in addressing any significant issues that have been identified, particularly in terms of updates relating to the remaining service transitions completed during 2021/22.

### **4.4 Head of Internal Audit**

In maintaining and reviewing the governance framework, the Treasurer places reliance on the work undertaken by internal audit; in particular, the Head of Internal Audit's independent

opinion on the adequacy and effectiveness of the system of internal control. The annual report of the Head of Internal Audit provides the opinion that taking into account all available evidence, that internal control environments give “moderate assurance”.

The internal audit service is compliant with all CIPFA and industry requirements and standards. The internal audit plan is developed according to risk, but also through discussions between senior audit staff and leads across the OPCC and force each year. The proposed audit plan is shared with JASC prior to the start of the year and comments are sought in order to finalise the plan for the coming year. The JASC reviews (and will continue to review) internal audit performance, and feeds back as necessary. The Treasurer also meets regularly with senior audit staff to discuss topical issues and review progress and actions against the audit plan, and the OPCC and force separately monitor progress and actions against the recommendations made in specific audits.

## **4.5 External Audit and Other External Review Bodies**

External audits are an essential element in ensuring public accountability and stewardship of public resources and the corporate governance of all services provided by the OPCC and Warwickshire Police. Their annual Auditor Findings report provides commentary and opinion on the financial aspects of corporate governance, performance management and other matters of note. A separate auditor’s annual report provides an overview on value for money.

The external auditors have issued their opinion on the ‘Statement of Accounts 2020/21’ including their separate annual report on value for money, and both documents are published on the OPCC and force website. Recommendations made in the report have been responded to and will be actioned as appropriate. Regular update meetings are held quarterly between external audit, the Treasurer and Director of Finance to discuss topical and emerging issues in more detail. Regular updates from external audit are also provided in a report to each JASC meeting which is also attended by the PCC and Chief Constable and their respective staff.

In addition to the above, other review / assurance mechanisms such as Her Majesty’s Inspectorate of Constabulary and Fire and Rescue Service (HMICFRS), who are charged with promoting the effectiveness and efficiency of policing and improving performance and sharing good practice nationally, are relied upon by the PCC, along with assurances from within the Analysis and Service Improvement department within the force who monitor progress against HMICFRS action plans and report back to the PCC, Chief Constable and JASC. The Police and Crime Panel also provide some assurance and scrutiny to ensure that the PCC and his office are undertaking and fulfilling their key responsibilities effectively, and two separate sub-working groups on performance and finance met during 2021/22 to scrutinise specific areas in more detail.

## **5. Significant Governance Issues**

### **5.1 Strategic Risks**

This AGS referred earlier to the Strategic Risk Registers which are held separately for the Force and PCC.

The Force strategic risk map is reviewed monthly at the Executive Board meeting. The OPCC risk register is discussed at the regular managers meetings. Managers also discuss

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operational and project risks with their individual teams, and any issues are reported upwards at the managers meeting and collective decisions taken as to whether they will impact on strategic risks. The risk maps for the OPCC and Warwickshire police are both reported to the Joint Audit and Standards Committee at each of their meetings.

The OPCC Strategic Risk Register includes:

- The risk that the PCC does not fulfil his statutory duties, including holding the Chief Constable to account. This risk outlines that failure to meet any of these responsibilities could lead to possible litigation and reputational damage to the OPCC in Warwickshire.
- The risk that we fail to manage our finances effectively across the Medium Term Financial Plan (MTFP) and longer term sustainability. This relates primarily to the risk that day to day expenditure will not be met by the core funding available which would be unsustainable. The PCC has given a commitment to set good and balanced budgets as part of his financial strategy and has developed a 5 year medium term financial plan to demonstrate sustainability and resilience. The budget was significantly underspent in 2021/22, largely due to the success of the commercial national contractor vetting service. Whilst this income carries some risk, this is being monitored through the dedicated force vetting board, and through a specific vetting earmarked reserve. This underspend has enabled reserves to be replenished after the significant transfers from reserves in 2020/21, but also provides for effective provision for future investments in service and will also be used to fund capital investment over the medium term.
- Risks three on the PCC strategic risk register - re-establishing a resilient and efficient standalone policing service in Warwickshire is now treated and removed as at the end of 2021/22 as all the intended services had transitioned by that point, and a project closure meeting has taken place to understand any lessons learnt. The Empower programme to further the transformation of Warwickshire Police commenced in April 2022 with three separate but interdependent workstreams of people, place, and technology. One of the most significant challenges and thus risks is to ensure that the technological work of the Evolve programme becomes embedded throughout the organisation, and that efficiencies can be driven out and are evident in working practises and productivity. This risk is introduced as a new risk three on the PCC's strategic risk register.
- The risk that we have inadequate commissioning of services. The PCC is responsible for commissioning services for the victims of crime, along with other services to meet specific Police and Crime Plan objectives. These services are often for vulnerable people at usually sensitive and emotional times, so the risk remains that if these services are not provided in a suitable manner this could bring serious consequences to the lives of individuals in our communities and significant reputational risk to the PCC
- The risk that we do not manage our partnerships effectively which could lead to our objectives not being achieved, poor value for money, an adverse impact on the reputation of the PCC and non-achievement of the Police and Crime Plan objectives
- That the PCC fails to engage with the community. Engagement with the public is a primary concern for the Commissioner. The staffing structure at the OPCC has been reviewed during 2021/22 and an Engagement Officer has been recruited

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within the Communications team. This will help to increase the engagement work, to enable the PCC to more effectively fulfil his role as being the link between the public and the Force. More recently the PCC has also recruited to the vacant Deputy PCC role to increase engagement opportunities and provide more resilience to the office. The public must be informed about the work the PCC is undertaking and that he is doing the job for which he was elected. If public engagement is ineffective then this can have an adverse effect on the reputation of the PCC, lack of public buy-in to the PCC plans as they do not reflect their concerns and loss of confidence in the PCC and Force.

- The risk that we fail to deal with the challenges posed by the Coronavirus pandemic was included on the PCC strategic risk register for much of 2021/22 but is now considered treated.

The forces' strategic risk register (as at June 2022) contained the following risks:

- Establishing a separate Warwickshire ICT structure  
Following the recent separation of ICT from West Mercia, this relates to the risks from embedding a new ICT infrastructure and service which was delivered at pace.
- Uplift recruitment target for 2022/23  
This relates to the risk that the force does not meet its agreed officer target by 2023.
- Workforce Skills and Mobility  
This relates to the risk that the force is not able to deploy its resources in the way it would like due to factors such as the new Police Education Qualification Framework and training delays linked to backlogs developed during COVID.
- Financial Impacts – the medium term financial plan  
This relates to the risk that day to day net expenditure does not balance with the total amount of core government funding and council tax
- Legitimacy – trust and confidence in policing  
This relates to the risk to legitimacy linked to significant events over the past 18 months which are assessed as having negatively impacted on public trust and confidence, particularly amongst certain groups of society.
- Staff Retention and Recruitment  
This relates to the risk of retaining and recruiting staff given pressures in the job market. Nationally and across all industries recruitment and retention of staff is reported as challenging, with high profile examples of staff shortages being reported.
- Data Separation  
This relates to the risk of the complex task of separating data with West Mercia given the quantity and structure of the data.

## 5.2 Significant Governance Issues 2021/22

There were no significant governance issues for 2021/22 in the last AGS, but the following governance issues were noted:

- 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 of September 2021.
- Ensure that a smooth transition of transactional services occurs which will be delivered by Warwickshire Police from the 1<sup>st</sup> of 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.

Mitigations and action plans have been put in place to address each of these issues and manage the risk, through normal governance processes. A balanced budget was approved for 2021/22 and 2022/23, in addition to a 5 year MTFP with clearly defined assumptions. Forensics services did transition as planned to West Midlands, as did transactional and ICT services to internal provision. These changes were delivered on time and within the revised budgets that had been set. The Warwickshire ICT infrastructure is now more robust and is compliant with National enabling programme requirements. The majority of staff have been issued with new equipment and devices and are using these effectively.

Recommissioning work by the OPCC is well underway and continues to be progressed and the commercialisation of the national contractor vetting service has surpassed initial estimations. These are being used to support the wider budget and any risks are being managed through the vetting board and financially through reserves.

## 5.3 Potential Significant Governance Issues 2022/23

There are no significant governance issues for 2022/23, but the following issues are outlined:

- To progress the Empower workstreams of – technology, place, and people. To ensure that the recommendations from the reviews are implemented in an efficient and cost effective way to enhance service provision.
- To continue to monitor the risks and seize opportunities arising from the national contractor vetting service offering.
- To drive out efficiencies from the recent significant investments in ICT and continue the transformation of Warwickshire Police.
- To recommission effective services that are fit for purpose and meet the needs of victims.

- To explore all opportunities for bidding for additional funding to support services to meet police and crime plan priorities.
- To ensure that the uplift recruitment targets are achieved of 55 officers in 2022/23.
- To continue to build good working relationships with partners.

## 6. Conclusion and Commitment Statement

The PCC and Chief Constable have reviewed this statement and are satisfied that it is an accurate summary of the governance arrangements in place and of their effectiveness during 2021/22.

The coronavirus pandemic continued through much of 2021/22, but restrictions existed for much of the year although they were generally less stringent than at the start of the pandemic, generally as we all learned to live with covid and as vaccination programmes across the United Kingdom and the world were rolled out. The OPCC and force have adapted their working practises to the ever-changing regulations in an efficient and effective way, but increasingly throughout the year staff and officers this has been from the police estate. This AGS reflects on those changes, to bring this document up to date at the point of signing.

All necessary steps will be taken to implement and scrutinise effective governance during 2022/23 and to ensure that the areas identified in Section 5.3 are suitably addressed.

Signed

Philip Seccombe TD

Warwickshire Police and Crime Commissioner

Debbie Tedds

Chief Constable of Warwickshire Police

Polly Reed

Chief Executive Warwickshire OPCC

Jeff Carruthers

Director of Finance – Warwickshire Police

Sara Ansell

Treasurer Warwickshire OPCC

Dated 30<sup>th</sup> November 2022