



# Statement of Accounts

## 2022/23

# THE GROUP AND POLICE AND CRIME COMMISSIONER FOR WARWICKSHIRE

## STATEMENT OF ACCOUNTS 2022/23

### CONTENTS

Narrative Report	3
Statement of Accounting Policies	36
Statement of Responsibilities	50
Independent Auditor's Report	51
Financial Statements for The Group and Police and Crime Commissioner for Warwickshire:	
• Comprehensive Income and Expenditure Statements	56
• Movement in Reserves Statements	58
• Balance Sheets	60
• Cash Flow Statements	61
Notes to the Financial Statements (see table of Notes overleaf):	62 to 114
Supplementary Financial Statement and Notes – Police Pension Fund Account	115
Glossary of Terms	117
Appendix 1: Annual Governance Statement	125

## Table of Disclosure Notes

Note	Description	Page
1	Expenditure and Funding Analysis and Related Notes	62
2	Accounting Standards That Have Been Issued But Have Not Yet Been Adopted	67
3	Critical Judgements in Applying Accounting Policies	68
4	Assumptions Made About the Future and Other Major Sources of Estimation and Uncertainty	69
5	Material Items of Income and Expenditure	69
6	Events After the Reporting Period	70
7	Adjustments Between Accounting Basis and Funding Basis under Regulations	70
8	Usable Reserves	72
9	Unusable Reserves	73
10	Intra-Group Funding Arrangements Between the PCC and the Chief Constable	76
11	Financing and Investment Income	77
12	Taxation and Non-Specific Grant Income	77
13	Grant Income	78
14	Pooled Budgets and Joint Operations	79
15	Exit Packages	84
16	Officers' Remuneration	85
17	Prior Period Adjustment – Officers' Remuneration	87
18	External Audit Costs	87
19	Related Parties	88
20	Leases	90
21	Capital Expenditure and Capital Financing	90
22	Property, Plant and Equipment	91
23	Assets Held for Sale	94
24	Investment Properties	94
25	Intangible Assets	95
26	Debtors	96
27	Cash and cash equivalents	96
28	Creditors	96
29	Provisions and Contingent Liabilities	97
30	Financial Instruments	97
31	Nature and Extent of Risks Arising From Financial Instruments	99
32	Proceeds of Crime	103
33	Cash Flow Statement – Operating Activities	103
34	Cash Flow Statement – Investing Activities	104
35	Cash Flow Statement – Financing Activities	104
36	Defined Benefit Pension Schemes	105

## Narrative Report

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

This year has been an exciting period in which there has been much progress in the delivery of my Police and Crime Plan for Warwickshire and considerable growth and consolidation for policing in the county.

A positive financial settlement for policing from the government provided welcome assistance with the continued development of Warwickshire Police, which ended the year with a record number of police officers in service. This has been a remarkable achievement over the past few years, with numbers growing from around 800 in 2016 to 1,100 by the end of the year. The national Police Uplift Programme provided for around half of these additional recruits, with the remainder being resourced through increases to the Police Precept which have allowed for budget growth.

In making the decisions to increase funding for the force and by extension imposing increases to the amount households pay towards it, I have been clear that every penny must be carefully managed and value for money demonstrated. That's why my decision to impose a balanced budget, in which the force must spend within its means, has been so important for the long-term financial sustainability Warwickshire Police.

We have had to face considerable challenges along the way. The broader economic outlook is uncertain and in the short term rising inflation, global supply issues and the soaring costs of energy have combined to make the cost of living for all households an increasing challenge. This impacts on our workforce and also directly on the police budget, creating additional pressures on finite resources.

While there has been considerable success in recruiting police officers, the difficult employment market has meant that filling vacancies in police staff roles has been particularly challenging, leaving the force with a higher than projected vacancy factor. Reversing this situation will require considerable effort in the year ahead, alongside a continued drive to ensure that the police officer establishment is maintained and, where possible, enhanced.

Of course, my role is broader than policing alone and I have been pleased to continue supporting initiatives to enhance community safety and support the wider Criminal Justice System. My grants scheme has been vital to many charities and organisations working to enhance community safety and divert people away from crime. Ensuring victims have the best possible support to help them cope and recover from the effects of crime is also vital, so my office has completed a programme of commissioning during the year that will see an expanded set of services commence on 1 April 2023.

Likewise, I am pleased to have been able to secure additional funding throughout the year from the government to help support the ongoing work to combat violence against women and girls. This includes the successful awards of Safer Streets funding, as well as additional funding for domestic abuse and sexual violence services.

In summary, I am pleased with the progress and achievements made this year and strong financial position we end it in. At a time when many forces nationally are struggling to find the resources to cover the basic costs of policing, it demonstrates the strong financial stewardship

## Narrative Report

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that is in place here in Warwickshire. That I have been able to do this while imposing one of the smallest increases to the Police Precept in the country further demonstrates the resilience of our approach.

### **Philip Seccombe TD** **Police and Crime Commissioner for Warwickshire**

## **Introduction**

The primary function of the Police and Crime Commissioner (PCC) is to secure the maintenance of an efficient and effective police service in Warwickshire, and to hold the Chief Constable to account for the exercise of operational policing duties under the Police Act 1996. The PCC and the Chief Constable form an accounting group for reporting purposes. This set of accounts includes the Statements for the PCC Group and for the PCC as a single entity. The Chief Constable's single entity accounts are published in a separate document. Further information on the structure of the group is provided within the accounts.

The aim of this narrative report is to provide an easily understandable explanation of the PCC Group's financial performance in 2022/23 and its position at the end of the financial year. It includes a summary of the structures and governance arrangements of the PCC and Chief Constable as well as some high level detail on the financial and non-financial performance of Warwickshire Police during 2022/23.

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
5. PCC and force non-financial performance
6. Corporate risks and horizon scanning
7. Conclusion and acknowledgements

The policing landscape continues to be increasingly complex and challenging. 2022/23 was the final year of the government's uplift programme to recruit 20,000 additional officers nationally, it was the first year of Warwickshire Police being fully transitioned from the former alliance arrangements, and there were a number of significant national and local policing efforts, supported by the force, including the funeral of Her Majesty The Queen, the Commonwealth Games and a series of protests at the Kingsbury oil depot in the north of the county.

In a wider context, the economic climate has continued to be uncertain, inflation has remained high, the cost of living challenges are ongoing, the conflict in Ukraine persists adding to a number of supply chain issues, and there have been various unprecedented strikes across the country from different sectors of the economy, predominantly linked to pay, funding levels and demand for services. The PCC and Warwickshire Police are not immune to many of these issues, however a huge amount of activity has taken place across the year to improve the efficiency and effectiveness of policing, to ensure that Warwickshire Police has a sustainable financial future, communities are protected from crime and the most serious of harms, with

## Narrative Report

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strong support in place to help victims cope and recover. This has been achieved not only by the police but also through strong partnership working, which has been strengthened in several key areas and continues to form a large part of the work of the OPCC.

Because pay makes up 80% of the Force budget, we are most exposed to pay inflation as a consequence of annual negotiated pay awards. Whilst the government provided some support in year by way of specific grant, this has resulted in a pressure on the budget over the longer term and there is uncertainty over the 2023 agreement with an effective date of 1 September.

Aside from the operational and economic issues referenced above, there have been a number of highly concerning national matters that have challenged policing throughout 2022/23 and beyond. Following recent criminal cases involving Metropolitan Police Officers there has been much justifiable outrage regarding the police service's vetting procedures and counter-corruption arrangements, which are there to provide assurance regarding the suitability of police officers to serve in their role. A number of national reports and recommendations have been subsequently published, and the PCC has responded and will continue to take a number of actions to hold the Chief Constable to account for her performance in dealing with such issues more locally. This should provide reassurance to Warwickshire's communities that these important matters, which cause so much damage to public confidence in the legitimacy of the police service, are being appropriately addressed with the urgency and vigour that they deserve.

### **1. Strategy & Structure**

The 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 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 officers, and staff remain operationally independent in the service of the communities that they serve.

## Narrative Report

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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 separate Chief Constable accounts explain how the resources provided by the PCC have been used to deliver the operational policing services across Warwickshire. The original net revenue budget for 2022/23 was £121.438m, with £3.068m (net) being under the direct control of the PCC.

As the elected representative of the county's residents, the PCC has a mandate to oversee and direct how crime and community safety is addressed in the county, in addition to setting the strategic priorities for Warwickshire Police to create a safer, more secure Warwickshire by holding the Chief Constable to account for the force's delivery of its operational policing and public protection responsibilities. The PCC is the custodian of the public finances available for Warwickshire Police and for the commissioning of services to address crime and its impact in the county. 2022/23 marked the start of the delivery of the PCC's new Police and Crime Plan that sets out his key ambitions for policing, criminal justice, and community safety through to 2025.

The PCC takes a multi-year approach to financial planning, considering the budget year and the subsequent four years. The Medium Term Financial Plan (MTFP), Capital Strategy, Reserves Strategy and Treasury Management Strategy are updated annually during the budget setting process. All of these strategies underpin his police and crime plan priorities to deliver a financially sustainable policing service in Warwickshire that is efficient and effective and provides good value for money.

The five priorities of the Police and Crime 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 plan is summarised in the table below, with the three areas of focus for each priority used to direct activity, but it can be viewed in full at [www.warwickshire-pcc.gov.uk/police-and-crime-plan/](http://www.warwickshire-pcc.gov.uk/police-and-crime-plan/)



## Narrative Report

Diagram 1 – Police and Crime Plan on a page



Performance against the priorities identified in the Police and Crime Plan are monitored through the performance framework and are reported regularly to the Police and Crime Panel, and in the PCC's Annual Report. The 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, regional and national stakeholders and partnerships.

## 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



## Narrative Report

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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 (JASC) 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 draft Annual Governance Statement (AGS) outlines a number of governance issues that require addressing in 2023/24, these include:

- To progress the Empower workstreams of – technology and place, (and embed the recommendations of the people workstream, which has recently gone live).
- Identification of £1m of savings due to be delivered on 1 April 2024, being the first instalment of a £3m savings programme. To continue to invest and support our workforce, by providing adequate training and resources.
- To continue to monitor the risks and seize opportunities arising from the national contractor vetting service offering. With particular reference to automating the payments process, to help manage debt levels and improve operational and financial performance.
- To drive out efficiencies from the recent significant investments in ICT through the introduction of robotics and automation, and complete complex data separation work
- To commission 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 numbers are maintained in 2023/24, avoiding any financial penalties and maximising opportunities for supplementary income on the back of stretch targets.
- To increase trust and confidence in Warwickshire police, in the light of various recent national events.
- 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 JASC 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, standards, 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. JASC has developed a working relationship with the Police and Crime Panel (PCP) with members of JASC regularly attending PCP meetings to provide oversight, awareness of common issues, and to avoid duplication in their work.

## Narrative Report

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The PCP is composed of locally elected councillors and independent members, who hold the PCC to account through a process of scrutiny and review, which includes scrutinising performance against the priorities set out in the Police and Crime Plan, the annual budget and the precept. The PCP meets in open session several times throughout the year. The PCP has two working groups – performance and finance - who meet to seek greater understanding on these issues. 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.

In response to recent national matters on vetting and counter corruption, His Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) published its report: 'An Inspection of Vetting, Misconduct, and Misogyny in the Police Service' on the 2 November 2022. This also included assessing forces' abilities to detect and deal with misogynistic and predatory behaviour by police officers and staff. In the report, there were five areas for improvement identified and 43 recommendations made. The PCC has published his response to this on the OPCC website in accordance with Section 55(1) of the Police Act 1996, and the force's response and progress against the recommendations through existing governance and 'holding to account' arrangements is being closely monitored.

In January 2023, The Home Office introduced further measures to root out police officers who are "not fit to serve", as a consequence, the National Police Chiefs Council has requested that all police forces in England and Wales comprehensively cross-check their officers against the National Police Database to identify offenders who may have remained undetected. Warwickshire Police are in the process of complying with this request under its Operation Amethyst.

On 21 March 2023, Baroness Louise Casey published her report 'An Independent Review into the Standards of Behaviour and Internal Culture of the Metropolitan Police Service', which was commissioned in the wake of Sarah Everard's murder. The PCC has published his response to the report and the force are considering a number of actions. Whilst the report raises significant questions about the culture and the leadership of the Metropolitan Police, there are cases of police abuse of authority, corruption and criminality which have emerged in forces all over the country, including examples from Warwickshire. It is therefore important that, through the existing governance arrangements, the PCC continues to challenge the Chief Constable to ensure that misogynistic, homophobic, and racist behaviour is being rooted out at the earliest opportunity.

## Narrative Report

The Chief Constable has continued to pursue the Force's 'Fit for the Future' Strategy which sets out an ambitious agenda for the force up to 2025, integral to which is the Empower Programme covering place, technology and people. The Empower programme has sought to stabilise digital service provision in 2022/23 and deliver technological innovation which should realise further efficiencies and benefits in 2023/24. The place workstream seeks to establish an estate that is fit for purpose and compliant for modern day policing activity over the life of the MTFP. The people workstream seeks to ensure staffing resources are in place (geographically) to deliver enhanced policing through a more effective operating model to meet increasing and changing demand for services.

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

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

Diagram 2 sets out how the values and code of ethics, which support the vision to protect people from harm.

**Diagram 2.**



## Narrative Report

Diagram 3 outlines the Chief Constable's strategic policing priorities. This links in with the priorities laid out in the Police and Crime Plan and the overarching vision.

Diagram 3:



### 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. Significant investment in learning and development and staff wellbeing services has occurred in 2022/23 and beyond.

The uplift in the number of police officers, over four years, has been made possible by the PCC's investment as well as using the government funding under the Police Uplift Programme (PUP). At the end of March 2023, the force had 1,113 officers, being the highest level ever recorded. From 2023/24 these officers will be deployed under the new enhanced geographic policing model, which is an outcome of the Empower – People programme. Officers will be



## Narrative Report

better equipped and enabled through digital services applications, automation, and self-service to be more productive and efficient and our newer officers will become more experienced. This, combination of increased capacity and enhanced capability will help to improve performance.

A number of vacancies continued in 2022/23 in police staff roles and PCSO's, due to challenges with recruitment, much of which was also being experienced in the wider economy, but also on a positive note due to some moving over to take up police officer roles. Activity to recruit into these posts is ongoing, and it is important that these posts are recruited to, to support operational policing effectively. The PCC 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, to this end he provided funding for 5 additional PCSO's in the 2022/23 budget. A number of active volunteers also form part of the Warwickshire compliment of staffing, and their role and activities are much valued, and supplement the work of officers and staff, whilst also providing an independent voice on certain issues, for example through the appropriate adults and independent custody visitors programmes.

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 2022/23 across the different sectors.

**Table 1. Workforce Gender Analysis**

	Male	Female	Total	Male %	Female %
Police Officers	716	397	1,113	64.33%	35.67%
Police Staff (including PCSO's)	261	544	805	32.42%	67.58%
Specials	59	14	73	80.82%	19.18%
<b>Total</b>	<b>1,036</b>	<b>955</b>	<b>1,991</b>	<b>52.03%</b>	<b>47.97%</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. The promotion of diversity is increasingly possible during a period of heightened recruitment, and this remains a focus for the PCC and Chief Constable.

2022/23 represented the final phase of the PUP. Warwickshire's recruitment target was for a further 55 officers, creating a total uplift target of 1,100 officers by the end of March 2023. The Force actually had 1,113 officers at the 31 March 2023, which exceeded the PUP Headcount target by 13 officers. The over-recruitment was partly in response to Home Office incentivised grant funding, equivalent to an additional £20,000 per officer for each of the 13 additional officers, a total of £260,000 and partly to ensure the force is well place to meet PUP maintenance targets during 2023/24 and avoid penalties.

Whilst the increase in officer numbers is welcome in the short-term, front line operational resilience still remains a challenge due to the relative inexperience of many PC's new to policing. This is inevitable during a period of high recruitment. To an extent this has been mitigated by transferring officers in from other forces to fill specialist or hard to recruit to roles, which have become vacant through experienced officers retiring.

**Narrative Report**

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 6.3% of Warwickshire Police employees are from BAME communities at the end of 2022/23. This is slightly higher than levels at the end of 2021/22, although there are variations across the different groupings of staff. The force supported by the PCC continues to work hard to improve the diversity of its workforce and will aim to improve diversity further through future recruitment programmes.

**Table 2. Workforce Ethnicity Analysis**

	Total	BAME	BAME %
Police Officers	1,113	63	5.66%
Police Staff (including PCSO's)	805	57	7.08%
Specials	73	6	8.2%
<b>Total</b>	<b>1,991</b>	<b>126</b>	<b>6.3%</b>

**4. Financial Performance**

Throughout 2022/23 the ongoing impact on the UK from the war in Ukraine, various long and bitter strikes in some sectors, together with higher inflation particularly for energy and food, high interest rates, political turmoil accompanied at times by uncertain government policy, have all led to a deteriorating economic backdrop. The UK economy contracted by 0.3% between July and September 2022, according to the Office of the National Statistics, followed by a period of some stabilisation. However, growth figures for the last quarter of 2022/23 (January to March) are 0.1% and still lag behind rates seen in other major economies. Inflation peaked at 11.1% in October 2022, and has decreased slightly, but remained stubbornly high, forcing the Bank of England to raise interest rates consistently, to the current high of 4.5% in May 2023, which is the highest level in 15 years. The force has operated within this uncertain and challenging environment throughout 2022/23.

The final 2022/23 police funding settlement was announced on 2 February 2022 and provided a detailed overview of national funding levels for policing, in addition to more specific funding on the levels of funding for one year (2022/23) for policing services in Warwickshire.

The main national headlines were as follows:

- The Government proposed a total police funding settlement of up to £16.9 billion in 2022/23, an increase of up to £1.1 billion when compared to 2021/22.
- It assumed that PCCs would take advantage of the full precept flexibility of £10, and on this basis the settlement outlines that overall police funding available to PCCs will increase by up to £796 million next year. This breaks down as:
  - An additional £550 million of core funding in 2022/23, representing an average increase of around 5.7%. A further £100 million in 2023/24 and an additional £150 million in 2024/25, bringing the total of additional core funding to £800m nationally over the next 3 years. The additional funding was intended to fund the



## Narrative Report

approved NI increase and a pay award, the former was subsequently rolled back in November 2022.

- Up to an additional £246 million from the proposed council tax precept flexibility, on the assumption that the maximum £10 increase would be approved by PCC's.

For Warwickshire this resulted in a £2.067m increase in revenue core grant funding in 2022/23.

Other ring-fenced uplift grant funding was confirmed for 55 additional officers in Warwickshire in 2022/23. Central capital grant was removed from 2022/23, representing an annual loss of £0.113m of capital funding for Warwickshire, and setting a requirement that all capital expenditure is funded locally.

The precept referendum threshold was confirmed at £10 for a Band D property: most PCCs approved the maximum increase. The PCC's initial precept increase proposal of £9.99 was vetoed by the Police and Crime Panel, but a subsequent revised precept increase of £9.75 was supported, which was amongst the lowest, if not the lowest increase nationally in 2022/23. It equated to an average increase of 3.85%, which was well below the rate of inflation and was equivalent to an additional charge of £0.81p per month. It increased the total band D police precept charge from £252.96 to £262.71 per annum.

The total tax base is used to calculate the precept that will be collected by billing authorities on behalf of the PCC. For 2022/23 this increased by 2.19% to 215,689.50 band D equivalent properties.

The core funding levels for 2022/23 are set out in table 3 below:

**Table 3. Funding & Budget 2022/23**

Where the Money Came From	Budget £m	Actual £m	Variation £m	%
Central Government Funding	64.254	64.254	0.000	52.9
Locally Raised Funding – Precept (Council Tax)	57.134	57.134	0.000	47.1
<b>Total Funding (excluding reserves)</b>	<b>121.388</b>	<b>121.388</b>	<b>0.000</b>	<b>100.0</b>

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 2022/23. 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.

## Narrative Report

Table 4. Warwickshire PCC and Chief Constable Outturn for year ended 31 March 2023

	Budget £m	Budget Adjustments £m	Revised Budget £m	Actual £m	Variance £m
<b>Chief Constable</b>					
Police officers' pay	60.490	(0.275)	60.215	58.599	(1.616)
Police officers' overtime	2.021	0.178	2.199	4.143	1.944
Police staff pay	25.858	(0.067)	25.791	24.061	(1.730)
Police staff overtime	0.291	(0.023)	0.268	0.446	0.178
PCSO pay	3.130	0.000	3.130	2.350	(0.780)
Police pensions	1.530	0.000	1.530	1.786	0.256
Other employee expenses	0.838	0.007	0.845	0.969	0.124
Premises	3.364	0.000	3.364	3.118	(0.246)
Transport	2.833	0.004	2.837	2.964	0.127
Supplies & services	13.330	0.107	13.437	13.147	(0.290)
Third party payments	8.474	0.401	8.875	9.730	0.855
Capital financing	5.176	1.610	6.786	8.486	1.700
<b>Expenditure</b>	<b>127.335</b>	<b>1.942</b>	<b>129.277</b>	<b>129.799</b>	<b>0.522</b>
Income	(7.183)	(0.308)	(7.491)	(10.205)	(2.714)
<b>Vetting Unit</b>					
Expenditure	2.247	0.401	2.648	2.782	0.134
Income	(3.779)	(1.901)	(5.680)	(5.031)	0.649
<b>Total Vetting Unit</b>	<b>(1.532)</b>	<b>(1.500)</b>	<b>(3.032)</b>	<b>(2.249)</b>	<b>0.783</b>
<b>Total Chief Constable</b>	<b>118.620</b>	<b>0.134</b>	<b>118.754</b>	<b>117.345</b>	<b>(1.409)</b>
<b>Police &amp; Crime Commissioner</b>					
Office of the PCC	1.166	0.000	1.166	1.083	(0.083)
Road Safety Initiatives	0.250	0.000	0.250	0.070	(0.180)
Commissioner's Grant scheme	1.652	(0.134)	1.518	1.387	(0.131)
<b>Total PCC</b>	<b>3.068</b>	<b>(0.134)</b>	<b>2.934</b>	<b>2.540</b>	<b>(0.394)</b>
<b>Net PCC &amp; Chief Constable</b>	<b>121.688</b>	<b>0.000</b>	<b>121.688</b>	<b>119.885</b>	<b>(1.803)</b>
<b>Warwickshire Road Safety Unit</b>					
Expenditure	1.490	0.000	1.490	2.441	0.951
Income	(1.740)	0.000	(1.740)	(2.588)	(0.848)
<b>Total Road Safety Unit</b>	<b>(0.250)</b>	<b>0.000</b>	<b>(0.250)</b>	<b>(0.147)</b>	<b>0.103</b>
<b>Total</b>	<b>121.438</b>	<b>0.000</b>	<b>121.438</b>	<b>119.738</b>	<b>(1.700)</b>
<b>Budget Contribution to / (from) Reserves</b>	<b>(0.050)</b>	<b>0.000</b>	<b>(0.050)</b>	<b>1.650</b>	<b>1.700</b>

## Narrative Report

Budget Contribution to/(from) Reserves	Budget £m	Budget Adjustments £m	Revised Budget £m	Actual £m	Variance £m
Infrastructure	0.000	0.000	0.000	0.980	0.980
Operational	0.000	0.000	0.000	0.360	0.360
Sustainability	0.200	0.000	0.200	0.200	0.000
National Vetting Service	0.000	0.000	0.000	0.200	0.200
PCC Reserve	0.000	0.000	0.000	0.083	0.083
Safer Roads (PCC agreed transfer)	(0.250)	0.000	(0.250)	(0.078)	0.172
Safer Roads Operating Balance	0.000	0.000	0.000	(0.049)	(0.049)
<b>Net Transfer to Reserves</b>	<b>(0.050)</b>	<b>0.000</b>	<b>(0.050)</b>	<b>1.696</b>	<b>1.746</b>

Table 4 outlines the 2022/23 outturn position for the PCC and Chief Constable which can be summarised as follows. Net expenditure, after income, is £119.738m, which is £1.650m less than the £121.388m of core funding available (Table 3). After adjusting for the Balance Sheet funding for Dilapidations of £0.046m, the net transfer to Reserves is £1.696m.

The £1.650m consists partly of agreed (budgeted) transfers to and from reserves. The PCC agreed, when setting the budget, to transfer £0.200m to a Sustainability Reserve to meet the one-off costs of environmental initiatives and to draw £0.250m from Safer Roads Partnership (SRP) Reserve for the PCC's road safety initiatives, which is a net budgeted transfer from reserves of £0.050m. However, the outturn will now only require a draw down of £0.078m from the SRP Reserve for this purpose. Comprehensive details on the outturn position are included in the Money Matters outturn report. The recommendations within this have been approved by the PCC and this document should be read in conjunction with that report.

As well as budgeted transfers to and from reserves the £1.650m includes a number of further recommended transfers, all approved by the PCC in the light of the outturn position. These included for the relocation of the WRSU to Rugby Police Station. The one-off costs of the move (property and ICT) are £0.279m, before dilapidations of £0.101m, of which £0.046m has been funded from monies held on the Balance Sheet. The surplus of WRSU income over expenditure can be used to partially meet the cost of the move as well as the day-to-day operations, meaning only a further £0.049m needs to be drawn down from the SRP reserve. Whilst not material this is a slightly unusual arrangement that is worthy of specific note.

The PCC has approved that the balance on the revenue budget is transferred to the Infrastructure Reserve to fund capital expenditure in 2023/24, thereby reducing the borrowing requirement. As at the 31 March 2023 the net surplus stands at £0.980m after allowing for other approved recommendations, as a result mainly of lower than anticipated pay costs and additional income.

Police pay underspent by £1.616m largely due to there being fewer officers at the start of the financial year than was assumed in the budgeted establishment. This was as a result of officers, who had achieved 30 years' service choosing to retire before 31 March 2022, and was exacerbated by high turnover in the first half of 2022/23. Whilst recruitment plans were adjusted the number of officers didn't increase significantly until quarter 4, which had minimal impact on the underspend 'banked' in the first half of the year.

## Narrative Report

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The Force had 1,113 officers at the 31 March 2023, which exceeded the uplift headcount target by 13 officers. As a result, the PCC will receive an additional £20,000 per officer recruited over the target, a total sum of £0.260m, which has been accrued in the outturn figures and accounts for some of the additional income.

In 2023/24 the Home Office require forces to maintain their headcount at or above their uplift target, with severe financial penalties if they fall short of their target and also with some financial incentivisation's in place to exceed the target, up to an agreed maximum number of officers. Warwickshire Police is planning to recruit up to 15 officers over the uplift target, in addition to the 10 additional precept officers, and by doing so will attract up to £0.675m of additional Home Office grant to support recruitment costs in 2023/24.

The uplift in the number of police officers, over four years, has been made possible by the PCC's investment as well as using the government funding under the Police Uplift Programme. From 2023/24 officers will be deployed under the new enhanced geographic policing model, which is an outcome of the Empower – People programme. Officers will be better equipped and enabled through digital services applications, automation, and self-service to be more productive and efficient and our newer officers will become more experienced. This combination of increased capacity and enhanced capability will improve performance.

The £1.730m underspend on police staff is primarily down to recruitment challenges, especially in the first six months of the year. Whilst recruitment has been strong in the second half of the year the underspend was, like police pay, already banked. The position will continue to be monitored in 2023/24, with a focus on the risks associated with the MTFP vacancy factor assumptions.

PCSO pay has underspent by £0.780m. This is the result of being under establishment on 1 April 2022 and cancelling the January 2023 intake to focus on police officer recruitment and meet the PUP target. PCSO turnover has remained steady, however, on a positive note, this includes PCSOs who have successfully moved over to become police officers. Plans are in place to recruit to vacant PCSO posts in 2023/24, however the Force will carry higher vacancies into the year.

Operationally it has been a challenging year, which can be seen in the £1.944m overspend on police overtime. Primarily overtime has been used to maintain officer strength, recognising that the force has vacancies in specialist roles and has operated below the officer establishment on patrol for most of 2022/23, compounded by the significant number of the newer officers abstracted to undertake their studies and being tutored whilst on duty. It is hoped that as the Force reaches full operational capacity, under the new policing model, the requirement for overtime will reduce.

The Force has also policed significant protestor activity at Kingsbury Oil terminal, drawing on overtime and mutual aid to do so. Whilst this has been absorbed within the overall budget, consideration will be given to submitting a Special Grant claim at the appropriate time and when the grant criteria has been met. It is anticipated that protestor activity may continue in 2023/24.

Finally in relation to the overtime position, the Force has provided mutual aid to other forces for events, including the Commonwealth Games and Operation London Bridge, these costs have been reimbursed and is part of the additional income received over and above the budget.

## Narrative Report

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To ensure a safe transition to the new ICT infrastructure West Mercia Police provided a backup to the ICT network, between 1 April and 30 June 2022, under an extension to the S.22 agreement, at a cost £0.536m. This accounts for the majority of the £0.855m overspend under Third Party Payments. These costs have been met from underspends for example on digital services licenses. Warwickshire has now fully transitioned from the former alliance arrangements and 2022/23 saw the final stages of the transitioning from the hosted ICT arrangement with West Mercia Police.

The next phase of the transformational journey will be through the EMPOWER programme, with the main focus being to leverage the investment in ICT (Empower - Tech), maximise the potential of the workforce (Empower - People) and ensure that buildings are safe and operationally fit for purpose (Empower - Place).

The PCC's 2023/24 Budget & Medium-Term Financial Plan (MTFP) has provided an additional £6.701m and £5.811m for the Empower – Tech and Place (capital) programmes respectively and an additional £1.8m to meet ongoing net revenue commitments. However, due to the urgency to commence the Empower – Tech programme, to develop the digital services capability and reap the return on the investment in the ICT infrastructure, the PCC approved an additional £2.858m of capital expenditure in 2022/23, which forms part of the total £6.701m investment included in the MTFP. £1.463m of the £2.858m, has been spent in 2022/23 and the balance of funding is planned to be spent on the Empower – Tech programme in future years. The £1.463m has been financed using the surplus National Contractors Vetting Service (NCVS) income.

With regard to the £1.700m overspend on capital financing, this relates to Direct Revenue Financing (DRF) and is a deliberate action, which forms part of the recommendations approved by the PCC. It seeks to take advantage of the one-off underspend in revenue and direct this to support one-off capital expenditure. This will reduce the need to borrow to finance the capital programme and lead to a balanced and prudent range of funding sources in 2022/23. The PCC also approved to increase the NCVS income budget by £1.500m and use this to offset a corresponding increase in the capital financing budget. This establishes a link between NCVS income and capital funding for as long as the NCVS continues to generate a surplus. Assuming this is sustainable it provides an ongoing source of funds, which contributes to a balanced and sustainable position where borrowing is affordable and prudent. DRF will be increased over the life of the MTFP, to reach a level of between £3m and £4m, in line with the financial strategy, where this is affordable.

The PCC is keen to establish a sustainable capital funding model. Over recent years, government (capital) grant has declined, and totally removed from 2022/23 onwards. At the same time, Warwickshire Police has successfully scaled up the NCVS and established it on a commercial footing to the extent that the income has exceeded that which was originally planned. It is therefore a sound strategy to link income to one-off discretionary capital expenditure and dial up and down the capital programme in line with that income. Turning to the NCVS, 2022/23 income is £5.031m, which is less than that which was forecast earlier in the year. This was because the NCVS closed to new business for a fixed period of six weeks to allow the backlog of applications to be reduced. At the same time the forecast income was adjusted to reflect the number of vets that will be delivered in year rather than invoiced on or before the 31 March 2023. However, the NCVS is still generating a £2.249m surplus, which exceeds the original target of £1.500m. This income remains a vital part of the financial strategy to balance the budget.



## Narrative Report

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It is increasingly difficult to escape the perpetual requirement to make savings in recent years. The MTFP identified a £3.0m gap between core funding and operating expenditure over the next five years. Therefore, the Empower - People workstream has been tasked to recommend options to save between £1.0m and £3.0m. Savings have not been taken at this time, focussing instead on building the geographic policing model and shift pattern from within the existing budget. Should the MTFP savings be required the options will be considered. This approach is justified by the in-year underspend, and taking savings early would have been inappropriate and negatively impacted on policing at the time of launching the new policing model. The force does however have a good track record on delivering savings when required, with £4.7m removed from the budget on 1 April 2021 (2021/22), and therefore, there was no immediate need to make significant savings in 2022/23, although improved efficiency and increase productivity remained a focus. It is hoped that any future change in the business will be achieved from natural wastage without the need for large scale redundancies.

It is anticipated that the £3.0m gap will be bridged by a range of measures including from greater efficiency following the investment in ICT/DS, automation, and self-service, which will improve productivity and performance. These savings will be identified in phases, over the next three years, under the governance of the DCC and led by the new Director responsible for ICT/DS, Information Assurance and A&SI.

To conclude, the underspend on pay and additional income has allowed more revenue financing to be directed to support the capital programme, either directly or at a later date through reserves, which has reduced the need to borrow. The additional income has by and large offset any pressures such as those arising from policing protests. However, it is recognised that the pay underspends are temporary. Once achieved the uplift officer headcount of 1,100 will need to be sustained after 1 April 2023, which will increase pay costs. Whilst staff and PCSO vacancies have been built into the 2023/24 budget it is important to policing these posts are filled, thereby removing any temporary and coincidental savings.

The PCC's office has reported an underspend against budget, this is due in part to underspending on office related costs including staffing, in addition to underspending on some PCC funded works carried out by partners for example in community safety. Some additional funding was made available in year, and plans are being put into place to ensure that this is spent well and effectively. The PCC delivers a number of commissioned and grant funded services, and this collaborative working with partners helps to support the PCC's wider strategic aims and objectives which includes support for victims to help them cope and recover, specialist support for the victims of sexual abuse and domestic violence, substance misuse support services, road safety initiatives and services to address rural, business and cyber-crime.

### Table 5. Capital Programme Outturn 2022/23

Table 5 shows a summary of capital programme, budget spend and the future investment plans. Table 6 shows how this has been funded in 2022/23.

It is the PCC's view that the MTFP provides for significant investment in assets including the estate, fleet and ICT infrastructure so that they are fit for purpose and deliver benefits and provide the platform for increasing productivity and generating efficiencies. The table below shows the capital outturn position and shows the investment in assets; buildings, ICT/DS, vehicles and plant & equipment, as being £9.039m in 2022/23. The expenditure compares to a revised budget of £10.701m, a variation of £1.662m.



## Narrative Report

Programme	2022/23 Budget £m	2022/23 Actual £m	2023/23 Variance £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Estates	2.926	2.969	0.043	3.079	2.048	2.703	2.500	2.500
ICT: Evolve Programme	0.813	0.593	(0.220)	0.034	0.000	0.000	0.000	0.000
ICT: Empower Tech	3.375	2.651	(0.724)	4.976	2.309	0.948	0.818	0.779
ICT: Projects	1.311	0.634	(0.676)	1.527	0.000	0.000	0.118	0.000
ICT: Replacement	0.557	1.025	0.468	0.333	0.289	0.874	1.019	1.041
Vehicles	1.320	1.044	(0.276)	1.406	1.443	1.204	1.204	1.500
Plant and Equipment	0.399	0.122	(0.277)	0.577	0.300	0.300	0.300	0.300
<b>Total Expenditure</b>	<b>10.701</b>	<b>9.039</b>	<b>(1.662)</b>	<b>11.932</b>	<b>6.389</b>	<b>6.029</b>	<b>5.959</b>	<b>6.120</b>

The estates small overspend of £0.043m is made up of variances arising from accelerated works and some slippage on other areas of 2022/23 programmed works, which will now fall into 2023/24.

The £1.152m underspend on ICT and digital services projects includes a £0.683m underspend, arising mainly from the Evolve programme contingency budget, which is largely complete, and the Empower Transformation Team where work was charged to revenue rather than capital. The digital service capital works include the Empower – Tech programme, which seeks to maximise the return on investment from the ICT infrastructure delivered through the Evolve programme. This consists of making the network more resilient, whilst delivering transformational projects, including the upgrade of the OCC software.

The £0.276m underspend on fleet replacements relates to vehicles, which will now be delivered in 2023/24 due to worldwide and local issues in the supply chain.

The £0.277m underspend on Plant & Equipment relates to delays with the receipt of body armour replacement, telematics, ANPR and CCTV work at the custody suites, which will now be fully delivered in 2023/24.

The PCC has approved that the capital programme investment will be funded as follows:

**Table 6. Capital Programme Funding 2022/23**

Funding Source	2022/23 Original Budget £m	2022/23 Revised Budget	2022/23 Actual £m	2022/23 Variance £m
Borrowing	1.815	1.500	1.500	0.000
Capital Receipts	2.437	4.126	1.769	2.357
Revenue Contribution	0.433	3.284	4.388	(1.104)
Revenue Reserves	0.000	0.974	0.988	(0.014)
Specific Grant	0.000	0.132	0.142	(0.010)
Section 106	0.000	0.367	0.252	0.115
Revenue: Safer Roads Partnership	0.000	0.318	0.000	0.318
Safer Roads Reserve	0.000	0.000	0.000	0.000
<b>Total Funding</b>	<b>4.685</b>	<b>10.701</b>	<b>9.039</b>	<b>(1.662)</b>

## Narrative Report

Earlier in this narrative report it was outlined that revenue funding has been redirected to support the Empower Tech workstream in 2022/23, from the underspend, with plans on an ongoing basis from revenue supported by NCVS income. £4.388m of Direct Revenue Financing (DRF) has been applied in 2022/23, this is higher than anticipated but has been made possible due to the in-year underspend and the need to finance discrete items, for example the WRSU relocation. The increased use of DRF has in turn meant that capital receipts can be retained so they can be applied to finance short life assets in future years. This will reduce the Minimum Revenue Provision (MRP) charged to the revenue budget over the MTFP. MRP is the statutory amount that the PCC needs to set aside to repay the principal element of borrowing.

The borrowing requirement in 2022/23, after capital receipts, specific grants, reserves and Section 106 monies, is £1.500m, which is in line with the original budget agreed by the PCC in February 2023 and well below the long-term prudent threshold of £3m to £4m p.a.

Notwithstanding any plans to increase investment in assets an emerging risk is the impact inflation may have on the buying power of the 'cash limited' Capital Programme. Both ICT/DS and buildings costs are increasing, however so too are borrowing costs. This may constrain the capital programme and/or require a greater commitment from revenue to finance increasing costs and a higher cash limit. The capital programme is assessed annually against the underlying PCC's and Chief Constable's asset strategies as well as for the effect of inflation.

## Reserves

Table 7 sets out the opening balances held on reserves as at 1 April 2022, it also shows the transfers from and to reserves in 2022/23, which includes transfers between reserves and the closing balance on reserves as at 31 March 2023. It goes on to forecast closing balances in the subsequent four years up to 2026/27.

**Table 7. Reserves**

Reserve	Opening Balance 01/04/22 £m	Transfers (from)/to Reserve 2022/23 £m	Closing Balance 31/03/2023 £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	Forecast Closing Balance 2027/28 £m
General	6.000	0.000	6.000	6.000	6.000	6.000	6.000	6.000
Budget & Transformation	3.477	0.673	4.150	2.754	2.097	1.535	1.519	1.519
Pay Award	0.000	0.500	0.500	0.000	0.000	0.000	0.000	0.200
Infrastructure	0.774	0.205	0.979	0.000	0.000	0.000	0.000	0.000
Pension & Redundancy	0.900	(0.400)	0.500	0.500	0.500	0.500	0.500	0.500
Operational	0.500	0.360	0.860	0.860	0.860	0.860	0.860	0.860
Insurance & Legal	0.500	0.000	0.500	0.500	0.500	0.500	0.500	0.500
Income	0.250	0.000	0.250	0.250	0.250	0.250	0.250	0.250
Sustainability	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000

Narrative Report

PCC Grants & Initiatives	0.300	0.083	0.383	0.283	0.283	0.283	0.283	0.283
National Contractors Vetting Service	0.573	(0.573)	0.000	0.000	0.000	0.000	0.000	0.000
Safer Roads	1.031	(0.140)	0.891	0.791	0.691	0.591	0.591	0.591
<b>Total Reserves</b>	<b>14.305</b>	<b>0.708</b>	<b>15.013</b>	<b>11.938</b>	<b>11.181</b>	<b>10.519</b>	<b>10.503</b>	<b>10.703</b>

The position on reserves is more favourable than anticipated as at the 31 March 2023, with total reserves totalling some £15.013m. This is due to not having to make some of the planned drawdowns from reserves, and underspending in pay and increased income, which has meant that reserve levels have been increased. The movement of £0.708m is made up of the revenue underspend of £1.696m less the use of reserves to fund capital of £0.988m.

The £6.000m of General Reserves exists to meet significant operational incidents if Home Office Special Grant is not forthcoming for net expenditure over and above the threshold of 1% of core funding. If used, the General Reserve would require replenishing over an appropriate period, through other planned reductions in spending. The Home Office have tightened the criteria to access Special Grant, increasing the likelihood that the General Grant may be used, and this supports the need for accurate timely financial monitoring in order to manage costs.

Earmarked reserves are held to meet one-off costs, revenue and capital and mitigate specific risks in the short-term, such as a shortfall in income. Should these risks materialise then reserves may be used to manage the impact of the reductions, and reserve levels would then reduce accordingly. Reserve levels are reviewed regularly, and where the purpose for which a reserve was held is no longer relevant, be it to manage risk or anticipated cost, the balance will be transferred to another reserve or used to deliver one-off targeted initiatives.

As part of the 2022/23 budget, the PCC made transfers between reserves, to create a reserve to meet the in-year cost of the pay award in the event of it being higher than 3%. Whilst this was the case in 2022/23, the reserve was not required, but it is likely that it may be drawn down in 2023/24 dependent on the final pay award. To make this possible the Pension & Redundancy reserve has been reduced to £0.500m, which is in line with the intention to meet any changes to the business from natural wastage and avoid large scale redundancies.

The PCC also included in the 2022/23 budget a transfer of £0.250m from the Safer Roads Reserve to meet the costs of road safety initiatives. A lesser amount is required as a result of the outturn and the reserve transfers reflect this. The PCC also created a £0.200m Sustainability Reserve, as part of the 2022/23 budget, to meet the costs of environmentally friendly sustainable initiatives, this work has been completed in 2022/23 to install solar panels, improved energy management systems and electric charging points.

As established early in the year 'excess' underspends have contributed to the infrastructure reserve, totalling some £0.980m to fund future investment to short life assets within in the capital programme. This is after transferring £0.360m to the Operational Reserve to meet continuing operational needs and training initiatives and also a small boost to the PCC initiatives reserve to fund future known costs and projects. The Operational Reserve provides the Chief Constable with the facility to meet unforeseen operational costs of incidents and events, below the 1% of core funding threshold for applying for Home Office Special Grant. It

## Narrative Report

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also provides flexibility in year to meet specific costs of initiatives for example to target improvements in performance, meet increased demand and better equip the workforce, without breaching the good and balanced budget protocol.

The Budget & Transformation reserve is set aside to meet any adverse impact on funding from changes to the grant funding formula, adverse settlements or lower than anticipated precept income because of the uncertainty in the economy. Used in this way it will provide a glide path until such time as the Force can make the £3m of savings and adjust to the revised funding position. It can also be used to support one-off revenue transformation costs arising for example from a change programme or other discrete one-off items. As part of the good and balanced budget protocol reserves will not routinely be 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 yet not excessive levels of reserves to meet the known one-off items, risks and unforeseen operational events. The Reserves Strategy and a full explanation of the purposes of each reserve is set out in the 2022/23 Budget & MTFP where The Treasurer to the PCC carries out an annual review of the adequacy to reserves.

Note 8 in the Accounts provides an analysis of the reserves at the 31 March 2023 and shows the movement since 31 March 2022.

### **MTFP – 'Looking Ahead'**

The Medium Term Financial Plan (MTFP) was fundamentally reviewed as part of the 2023/24 budget setting process. It covers the five year period to 2027/28, and is based on a number of assumptions and known information regarding all items of expenditure and income. It is an important element of our financial planning and to ensure that we are resilient and sustainable into the future. Approximately 80% of the annual revenue expenditure relates to pay related costs, for officers and staff, and pay inflation continues to be a significant risk in our budget and across the medium term, as does high non-pay inflation, which impacts on the buying power of our budget, and has created a significant cost pressure in 2023/24 and beyond. The cost of the increased uplift officers will become increasingly burdensome, as they move through the spinal point ranges over the medium and longer term, and if pay inflation continues to outstrip the funding that is made available from central government.

The 2023/24 budget and MTFP shows an increasing reliance on income, which is receivable from a variety of sources, including road safety work and the force upscaling its work as the national lead provider for contractor vetting services, and the risks associated with this are understood and are being monitored. Despite this increase in income the MTFP has identified a £3m gap between core funding and operating expenditure over the medium term, which must be bridged to deliver a balanced budget. The Chief Constable has committed to delivering £1m of savings from April 2024, which will be met from a range of measures, including, improving productivity and efficiency following the investment in ICT and Digital Services. The aim of the PCC and Chief Constable remains to deliver a financial strategy and MTFP, which is affordable, sustainable, and resilient, which factors in the risk that the current challenges pose and which in turn supports the delivery of the Police and Crime Plan and effective policing in Warwickshire.

## Narrative Report

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There is no central funding for financing capital expenditure, and challenges remain in the medium term to create a sustainable local capital financing model, to reduce our future reliance on borrowing, which carries significant revenue implications. The capital strategy outlines the approach in more detail, and the intention is to make significant revenue contributions to capital over the MTFP to fund investment in shorter life assets, ICT, vehicles, and plant and equipment, which will ensure borrowing is within prudential limits and the revenue consequences are affordable. This direct revenue financing is in part supported by the increased NCVS income.

The PCC increased the precept by £14 (5.3%) in 2023/24, this was below the maximum increase of £15 before triggering a referendum. He did so on the basis that the budget would deliver some key benefits to address his police and crime plan priorities, and they include:

- 10 extra officers deployed within local policing to improve police visibility across Warwickshire, which will help to address communities' concerns.
- 15 extra call handlers to be located in the main control room to improve the customer contact experience and reduce wait times.
- The provision of resolution centres where members of the public can speak face to face with officers and staff, with longer opening times over 7 days each week at Nuneaton, Leamington, Rugby and Stratford.
- Strengthened Safer Neighbourhood Teams, where PCSO vacancies will be proactively recruited to, to fill current vacancies, with the ambition of providing more settled teams.
- Active recruitment of more Specials to increase the numbers available to support officers to improve visible policing in Warwickshire.
- Implementation of a new geographically-based policing model, which is more locally accountable, led by a Policing Area Commander (Chief Inspector), who has the autonomy to flex needs based on local demand. They will also provide a direct communication link to the communities they police.
- The introduction of a new patrol investigations team, that will be responsible for undertaking investigations on low level crimes to deliver better outcomes for victims, and to address issues of police legitimacy and reaffirm the forces commitment to dealing with these high volume crimes. This will also enable the existing patrol teams to focus on responses to incidents.
- To strengthen and improve the skills of those in specialist policing services including child abuse, domestic abuse, rape support, and online sexual exploitation teams, undertaking work to help keep people safe in the modern era.
- Improve our ability to protect the public by ensuring that our ICT systems and data is secure, and that officers and staff have access to systems, information and equipment that is fit for purpose, accurate and meets the needs of modern day policing.
- That further efficiencies can be leveraged from our digital investments, particularly where there are high volume transactional tasks being undertaken.
- To provide improvements to the criminal justice system through out of court disposals.

## Narrative Report

- To enhance our prevention capability to avoid our communities falling victim to crime, through the prevention hubs, by adopting a problem-solving approach, and through the PCC's grants which are focused on the theme of prevention and diversion.
- To provide improved services to victims, through three enhanced commissioned services for general victims; sexual abuse and violence; and child exploitation; and two new commissioned services supporting those for the victims of modern slavery and human trafficking; and for restorative justice.
- Provide £1m of cashable savings, demonstrating our commitment to finding efficiencies and improving productivity to deliver value for money policing services to all our communities
- To provide adequate training, equipment and suitable estate for our staff to ensure that they feel able, and have the right tools, to ensure they can undertake their roles effectively and that their health and wellbeing is protected.

The table below shows the approved 2023/24 budget compared to the 2022/23 budget and MTFP up to 2026/27. The MTFP will be reviewed in the summer and beyond in the lead up to the PCC approving the precept, 2024/25 budget and MTFP in February 2024.

Table 8 Medium Term Financial Plan

	Budget 2023/24 £m	Budget 2024/25 £m	Budget 2025/26 £m	Budget 2026/27 £m	Budget 2027/28 £m
<b>Original Net Budget</b>	<b>121.438</b>	<b>125.997</b>	<b>131.266</b>	<b>134.847</b>	<b>137.486</b>
<b>Savings Target Achieved</b>	0.000	0.000	(1.000)	(1.000)	(1.000)
<b>Increases in Expenditure:</b>					
Pay, Injury Pensions and ill Health	3.101	3.306	3.423	1.920	1.172
Goods and services	1.658	0.600	0.400	0.300	0.300
Legislation, National & Regional services	1.135	0.750	0.589	0.737	0.737
Business plans	0.955	0.000	0.500	0.500	0.500
Capital Financing	1.784	0.936	0.435	0.297	0.544
Empower – Tech Transformation	1.277	0.630	(0.570)	0.000	0.000
<b>Reductions in Expenditure:</b>					
ICT efficiency savings	(0.729)	0.000	0.000	0.000	0.000
Other efficiency savings	(0.213)	(0.135)	(0.066)	(0.045)	0.000
Other minor changes	(0.007)	0.000	0.000	0.000	0.000
<b>Income Generation</b>					
National Contractor Vetting Service	(2.151)	(0.504)	(0.130)	(0.070)	(0.070)
Increased Income, including Warwickshire Safer Roads Team	(2.251)	(0.314)	0.000	0.000	0.000
<b>Net Budget</b>	<b>125.997</b>	<b>131.266</b>	<b>134.847</b>	<b>137.486</b>	<b>139.669</b>
Net Funding	125.187	130.009	133.185	136.470	139.869
Budget Gap	0.810	1.257	1.662	1.016	(0.200)
Transfer to/(from) Reserves	(0.810)	(0.257)	(0.662)	(0.016)	0.200



## Narrative Report

Savings Target	0.000	1.000	1.000	1.000	0.000
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The most recent MTFP review in February 2023 has been based on a number of assumptions, as outlined below:

- Council tax base will grow by an average of 2% each year from 2024/25 to 2027/28. No provision has been included for collection fund surpluses or deficits across the MTFP.
- Central government grant has been assumed to increase in line with the increases in national funding for policing in 2024/25, and then reduce to a 1% annual increase over the remainder of the MTFP.
- Precept increases will be within the assumed Government CSR21 / settlement level, at around 3.8% in 2024/25 and then at 2% thereafter.
- The review of the revenue grant funding formula is currently underway. It remains unclear when the final outcomes of this will be available or when or how any changes will be implemented. This remains a risk which will be backed by reserves across the MTFP until further details become known.
- Pay inflation is included at 2% in 2024/25 and 2025/26 and then falls to 1% thereafter to match the grant increase assumption.
- Pay budgets include provision for increments and turnover, which is especially material to police officer pay, given the ranges of some ranks. The turnover factor is expected to return to more normal levels of 3% in 2024/25 onwards.
- General inflation rates are assumed to fall slightly in 2024/25, and thereafter. Contractual inflation commitments have been provided for where known.
- Provision has also been estimated for increases in costs on national and regional charges in line with historical patterns.

As part of the draft settlement, the Home Office requested that forces demonstrate how they would prioritise their budget, deliver efficiencies and drive productivity improvements in Warwickshire. The Empower Programme is integral to this, as is the commercialisation of the NCVS.

The PCC holds a healthy level of reserves, and the aim is to keep them within the bandwidth of £10-£15m. At the end of March 2023, the total reserves held is £15.013m, which includes a £6m general reserve. Reserves are held to meet known future costs, and also to manage risk. Further details on reserves are contained within the separate reserves strategy.

Whilst the 2023/24 budget is felt to be a reasonable, yet challenging, it will be incumbent on the Chief Constable to exercise tight financial control around the budget delegated from the PCC and take remedial action to remain within the budget. 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, including PCSOs. 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 and PCSOs 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 2022/23 the Group paid employer's contributions in addition to contributions paid directly by staff. The most recent valuation of the LGPS is effective from the 1 April 2023, which saw the employer's contribution rate, based on actuarial valuations, increase by 0.2% and fixed for 2023/24 and 2024/25.

**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	20.6

The rate of 20.4% for 2022/23 is reflected in the employer contribution rate in the 2022/23 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.

As at the 31st March 2023 the PCC had total external borrowings of £19.729m and internal borrowing from cashflow monies of £17.0m. 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 2023.

Total investments, cash and cash equivalents at 31 March 2023 were £1.770m. These levels are at a point in time and will be affected in the future mostly by the value and use of reserves, the disposal of assets, and the levels of capital investment.

## Narrative Report

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As part of the 2022/23 budget the PCC approved £1.500m of borrowing to fund the planned capital spend, there was however no need to take out any additional external borrowing, with this being internally financed from cash balances. The PCC is keen to create a sustainable capital financing model, taking opportunities where possible to target borrowing against longer life assets supported by affordable external borrowing, whilst financing the remaining investment in capital through direct revenue financing, which has significant ongoing revenue implications. However, this is necessary and in line with his revised 2023/24 capital and treasury management strategies.

### 5. PCC and police non-financial performance

The non-financial performance of the PCC 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.

During 2022/23 the OPCC introduced a Quarterly Assurance Meeting to assess progress against the objectives and the success measures of the Police and Crime Plan 2021-2025.

From September 2022, a clear approach to monitoring has commenced, designed to ensure that there is clear evidence of the progression of the Police and Crime Plan objectives. There are five overarching principles that governed the development of the Performance monitoring framework to ensure that it is:

- **Transparent:** Clear and pre-determined performance measures and interventions.
- **Consistent:** A uniform approach across all five priority areas, at different levels of the system, and across different types of providers.
- **Proactive:** Thresholds for intervention that identify underperformance at an early stage, so that it can be swiftly addressed.
- **Proportionate:** Intervention is related to risk and appropriate to the local circumstances.
- **Focused:** On recovery initial interventions will focus on improvement and will include action to address the root causes of issues, including 'system-level' risk.

The performance monitoring framework has been developed to demonstrate principles for change. The consistency and transparency will better enable all parts of the system to work together to tackle underperformance and managed by the OPCC via Red, Amber, Green (RAG) status rating.

The following table provides the OPCC assessment at the end of March 2023 regarding the status of the objectives and focuses of the Police and Crime plan 2021-2025, in terms of delivering the stated success measures: -

## Narrative Report

PRIORITY		FOCUS AREA	
<b>Fight crime and reduce reoffending</b>	↑	) Violent crime	↑
		) Organised crime	↑
		) Re-offending	→
<b>Deliver visible and effective policing</b>	↑	) Extra officers	↑
		) Neighbourhood policing	→
		) Transforming the force	↑
<b>Keep people safe and reduce harm</b>	→	) VAWG	→
		) Vulnerability	→
		) Road safety	↑
<b>Strengthen communities</b>	→	) Involving communities	→
		) Crime prevention	↑
		) Partnership working	↑
<b>Deliver better justice for all</b>	↑	) Victims and witnesses	↑
		) Improved Communication	↑
		) Justice outcomes	↑

Table of Police and Crime Plan objectives – RAG rated.

The Chief Constable controls specific actions through various policies and procedures, however, 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. In the light of a number of high profile and damaging incidents at the Met, and subsequent reports from HMICFRS, the Home Office and the Casey Report, Chief Officers and PSD are leading on implementing any recommendations.

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, Whistle-blowing or the professional standards reporter policies are in place in the OPCC and

## Narrative Report

force and have been reviewed in March 2023 by the Independent Joint Audit and Standards Committee.

Warwickshire Police's Professional Standards Department (PSD) is responsible for the management of complaints against police officers and police staff., whilst the Independent Office for Police Conduct (IOPC) retains this responsibility for more serious and complex investigations. Since February 2020, the PCC has had the responsibility for carrying out appeals for some complaints that have been dealt with by Warwickshire Police, although the Independent Office for Police Conduct (IOPC) retains this responsibility for more serious and complex complaints. These OPCC 'complaint reviews' enable members of the public dissatisfied with the outcome of the process undertaken by Warwickshire Police to make a representation for it to be reviewed. Since this legislation came into effect, the OPCC have conducted 111 complaint reviews and have subsequently made recommendations to Warwickshire Police to improve service delivery in 46 of these cases - all recommendations have been accepted by the force, with one exception.

The PCC also holds the Chief Constable to account for the wider performance of the force. In 2022/23 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 governance board 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.

Table 10 shows a summary of force performance for 2022/23 against the various categories of crime and compares this to the number of crimes recorded in the previous year. Total recorded crime increased by 4.3% in 2022/23. This represents a slowing in the increase in recorded crime which showed a 9% increase between 2020/21 and 2021/22.

**Table 10. Policing performance 2022/23**

Crime Category	2021/22 no. of crimes	2022/23 no. of crimes	% change
Total recorded crimes as at 31 <sup>st</sup> March of each year	39,844	41,560	4.3%
Homicide	9	4	-55.6%
Violence with injury	4,483	4,714	5.2%
Violence without injury	11,706	10,697	-8.6%
Rape	603	493	-18.2%
Other sexual offences	1,005	1,128	12.2%
Robbery	362	366	1.1%
Burglary – residential	1,400	1,495	6.8%
Burglary – business	603	811	34.5%
Vehicle offences	3,421	4,711	37.7%
Theft from person	201	258	28.4%
Bicycle theft	407	437	7.4%
Shoplifting	2,130	2,472	16.1%

## Narrative Report

All other theft offences	3,515	3,851	9.6%
Criminal damage & Arson	3,958	3,965	0.2%
Drug offences	1,043	962	-7.8%
Possession of weapons	498	593	19.1%
Public order offences	3,648	3,630	-0.5%
Miscellaneous crimes against society	852	973	14.2%

\*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), with the number of deaths in 2021 remaining relatively static at 15. In 2022, there have been a further 19 deaths, and reducing this figure remains a key priority for the PCC. 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 2022/23 to the force, the Warwickshire Road safety Partnership and in the form of grants to external organisations to help educate and improve 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 most recent survey data (March 2023) from victims is shown below for different crime types. The figures for 2022/23 show some significant variances in satisfaction across differing 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.

During 2022/23 the PCC recommissioned a range of victim support services, following an independent review of victims needs, to ensure that services are fit for purpose and meet the expectations and needs of victims in the future. These services, including new contracts for dealing with the victims of modern slavery, and for enhancing the work on restorative justice will go live from April 2023 onwards. In 2022/23 there has been sustained and significant additional investment by the PCC, in victim services for those who have suffered domestic abuse and sexual violence, as hoped, it appears that this increased investment is contributing to the improved victim satisfaction rates for these crime types outlined below.

**Table 11 - Victims satisfaction survey results**

Crime type	2021/22 victim satisfaction rate	March 2023 victim satisfaction rate
Burglary	73%	73%
Vehicle	72%	64%
Violence	66%	60%
Hate crime	70%	75%



Narrative Report

Domestic abuse	75%	81%
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The force management statement provides a huge amount of further 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. His 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.

On 14 October 2022, HMICFRS published its 2021/22 inspection into Warwickshire Police.

The grading assessment were: -

Outstanding	Good	Adequate	Requires improvement	Inadequate
		Preventing crime	Investigating crime	
		Treatment of the public	Responding to the public	
		Protecting vulnerable people	Managing offenders	
		Developing a positive workplace		
		Good use of resources		

**HMICFRS assessment for Warwickshire Police 2021/22**

The HMICFRS's inspection and report provides an in-depth assessment of the strengths and weaknesses of Warwickshire Police and provides several recommendations as to areas of improvement for the force. As per his statutory duties the PCC has held the chief constable to account on these issues and will continue to do so. This process has provided assurances that the force's Empower change programmes, both planned and already under way, will improve its overall performance, and the HMICFRS inspectors have also highlighted this as a cause for optimism, although it will be vitally important to understand how effective these changes are once implemented.

## Narrative Report

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The HMICFRS inspection also highlighted that the force makes best use of its finances, with plans that are both ambitious and sustainable. This reflects the PCC's determination to deliver value for money for the taxpayer through a good and balanced budget and sound financial planning.

The new model of continuous assessment by HMICFRS is proving to be a more rigorous and labour-intensive process than the previous system, but it ensures that the force is inspected thoroughly.

Warwickshire Police works collaboratively with West Midlands Police for the delivery of forensics services which provides value of money, by delivering superior forensic capabilities, at lower cost compared to previous provision and with improvements in service. Significant investment in ICT has continued, new contracts and supplier contracts combined with the new modern devices and systems are providing for improved efficiency and productivity. Over £0.750m of savings have been generated in 2022/23 through this digital service transformation. The infrastructure is more robust, and systems have been upgraded providing improved capabilities, whilst other unused systems have been removed from networks, removing cost and improving the efficiency of them. Ongoing 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. The arrangements deliver value for money as they provide an opportunity for cost sharing, and advantages from greater economies of scale.

## **6. 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 JASC to provide independent oversight to ensure that risks are managed effectively. The key risks for the Warwickshire PCC in 2022/23 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:

- That the PCC does not fulfil his statutory duties, including holding the Chief Constable to account
- Failing to manage our finances effectively across the MTFP
- Risks arising from the embedding of new Warwickshire ICT services and not capitalising on opportunities for more efficient working practises following recent high investment in ICT
- Inadequate commissioning of services
- Managing our partnerships effectively, including their performance
- That the PCC fails to engage with the community

The PCC's risk strategy is in place, however, a more fundamental review of risks is being undertaken in 2023/24, and this will include a review of the strategy. Current practise is that

## Narrative Report

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the operational register is reviewed by the OPCC managerial team, and the strategic risk map is updated and reviewed quarterly and is reported to the Joint Audit and Standards Committee.

### **Horizon Scanning**

The future is inherently uncertain. Policing needs to find methodologies to firstly generate futures then secondly examine what might happen in those futures in structured, auditable and easily understood ways. The purpose of any futures generation technique is to create an environment in which to explore the implications for organisations should that environment come about, and how we might mitigate the unwanted or bad impacts, and enhance the desired impacts. It should be remembered that a scenario is specifically not a prediction of a particular future or environment occurring.

We assess that three main scenarios are highly likely to impact us in the short to medium term, the diversification of fraud and blackmail offences, technological improvements which will assist policing and increased industrial action in the region. Of these scenarios, diversification of fraud and blackmail offences presents the highest risk to policing, driven mostly by the financial and psychological impact on victims of these harmful offences.

We also assess that it is likely that we will see declining mental health. This is likely to have implications in the volume and type of work that we do, such as increased calls for service and greater vulnerability to crime for our victims. We also assess there could be adverse consequences for police officers and staff and continue to invest in our wellbeing programmes to mitigate this.

We assess it is highly likely we will see sustained challenges to public confidence in policing. This could result in under-reporting of crime, particularly from vulnerable victims who may lose confidence in the police to protect them from harm. As such, Warwickshire police will continue to prioritise public engagement so that we can retain the trust and confidence of our communities.

### **7. 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. By the end of 2022/23, Warwickshire Police had 1,113 police officers, the highest level ever recorded, made possible through the availability of PCC funding and the national uplift programme.

The PCC has set a clear direction of travel in his Police and Crime Plan through to 2025 in his five priority areas, notably to support victims, deliver improved visibility through investments in increased officers and PCSO's to tackle crime and reduce reoffending. He will continue to work with and hold the Chief Constable to account holding to account while also working in partnership with other stakeholders on shared priorities.

The financial affairs of the PCC and Chief Constable have been and continue to be prudently and effectively managed. Best practices, CIPFA guidance and codes of practice in financial management, governance and treasury management are being followed. The PCC, the Chief Constable and their CFO's have a strong focus on managing costs and achieving value for money whilst services are in the process of being transformed to provide improved efficiency and effectiveness. Looking ahead the ongoing challenges will be to manage the significant demand pressures on policing through well-resourced internal and commissioned services, maintaining officer uplift numbers to avoid the financial penalties associated with the central

## Narrative Report

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grant funding, delivery of the Empower programme works including the new geographically based policing model, along with innovative digital solutions that will generate improved efficiency and investment in our estate to ensure that it is fit for modern day policing. Working collaboratively with partners to address key priorities, will help to increase confidence in policing locally and address some of the legitimacy issues that have arisen more recently due to various well documented national issues. Work to realise the efficiencies and the productivity benefits made possible through our new ICT infrastructure and systems is a high priority, and the medium-term financial plan indicates that £3m of savings are required over the next three years, with the first £1m due to be delivered by April 2024. The PCC will continue to work with the Chief Constable and her team to realise the vision and deliver the outcomes our communities rightly expect from their police service.

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 like to thank them for their support and efforts 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, as amended by the Accounts and Audit (Amendment) Regulations 2022, 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.

## Narrative Report

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They comprise:

- The **Statement of Accounting Policies**, which sets out the accounting policies adopted by the Group and the PCC and explains the basis on which the financial transactions are presented;
- The **Statement of Responsibilities** for the Accounts, which sets out the responsibilities of both the PCC and the responsible Chief Finance Officer for the preparation of the Accounts;
- **Auditor's Report** gives the auditor's opinion of the financial statements and of the Group's arrangements for securing economy, efficiency and effectiveness in the use of resources;
- The **Comprehensive Income & Expenditure Statement (CIES)** is a summary of the income and expenditure received and used to provide services during the year and shows how the PCC has funded the cost of net expenditure incurred at the request of the Chief Constable by an intra-group transfer. The surplus or deficit on the provision of services line flows into the MIRS to be transferred into the balance sheet as explained below;
- The **Movement in Reserves Statement (MIRS)** shows the movement in the year on the different reserves held by the Group and the PCC. A further analysis and explanation of the purpose for which these unusable reserves are held can be found at Note 9. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Group's services, more details of which are shown in the CIES. This is different to the statutory amounts that can be charged against the police fund and taxation, whereas the net increase before transfers to earmarked reserves is the sum after adjustment for the entries required to comply with accounting standards, Note 7 provides detailed analysis of the adjustments contained in the MIRS;
- The **Balance Sheet**, which shows the value as at the 31 March 2023 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 Pension Fund Account** - This identifies the payments in and out of the **Police 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



## Narrative Report

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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 £29.245m. 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 2023 is £872.5m. However, in considering the impact that this has on the financial position of the Group it must be remembered that:

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

Further information about the IAS 19 liability can be found under Note 36 and information about the Police Pensions Fund Account can be found on page 115.

## 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 2022/23 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, as amended by the Accounts and Audit (Amendment) Regulations 2022, 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 2022/23 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 changes have been made to the Group and the PCC's accounting policies in 2022/23.

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

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

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

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

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

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

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

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

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

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

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

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

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

## Statement of Accounting Policies

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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 2023;
- the discount rates used by the actuaries and other principal assumptions are set out in Note 35;
- the assets of the LGPS fund attributable to the Group are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value

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

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



Statement of Accounting Policies

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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 115.

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 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.

The triennial valuation of the Local Government Pension Scheme took place as at 31 March 2022 and the results from this have been used as the starting point by the scheme's actuaries, Hymans Ltd, in preparing their report for 31 March 2023. Further information can be found in Note 35.

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

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

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

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

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

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

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

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

#### **ix. Financial Instruments**

##### **Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the Group becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value 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.

## Statement of Accounting Policies

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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.

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

Statement of Accounting Policies

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are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and all capital grants) in the CIES.

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

#### **xi. Intangible Assets**

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

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

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

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

#### **xii. Investment Property**

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

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

## Statement of Accounting Policies

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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



## Statement of Accounting Policies

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pattern of payments (e.g., there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

### **xv. Segmental Analysis**

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

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

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

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

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

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

#### **Recognition**

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

#### **Measurement**

Assets are initially measured at cost, comprising:

## Statement of Accounting Policies

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- 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; 87% 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 2023.

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.

## Statement of Accounting Policies

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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.

## Statement of Accounting Policies

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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

## Statement of Accounting Policies

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instance, the Group may be involved in a court case that could eventually result in the making of a settlement of the payment of compensation.

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

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

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

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

### **xix. Reserves**

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

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

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the CIES in the year. Where the PCC has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the MIRS from the General Fund Balance to the CAA then reverses out the amounts charged so that there is no impact on the level of council tax. Notes 21 and 24 explain the REFCUS incurred by the PCC during the year.

### **xxi. Value Added Tax**

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



## Statement of Responsibilities

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

The PCC is required to:

- make arrangements for the proper administration of the PCC's financial affairs and to ensure that one of 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 2022/23.

**Philip Seccombe**

**Police and Crime Commissioner for Warwickshire**

**Date: 29 September 2023**

### 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 2022/23 (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 were authorised for issue on 29 September 2023 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 2023.

**Sara Ansell**

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

**Date: 29 September 2023**

Independent Auditor's Report

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

**To follow after completion of audit**

**To follow after completion of audit**

**To follow after completion of audit**

**To follow after completion of audit**



**To follow after completion of audit**

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

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

2021/22 Gross Expenditure	2021/22 Gross Income	2021/22 Net Expenditure		Notes	2022/23 Gross Expenditure	2022/23 Gross Income	2022/23 Net Expenditure
£000	£000	£000			£000	£000	£000
152,642	(15,135)	137,507	Policing Services		151,092	(18,304)	132,788
4,414	(1,857)	2,557	Police and Crime Commissioner		4,440	(1,900)	2,540
<b>157,056</b>	<b>(16,992)</b>	<b>140,064</b>	<b>Net Cost of Policing Services</b>	<b>1</b>	<b>155,532</b>	<b>(20,204)</b>	<b>135,328</b>
		(8,604)	Other operating expenditure – Loss / (gain) on disposal of non-current assets ( <i>Note 23</i> )				192
		(13,467)	Other operating expenditure / (income) - Home Office grant receivable towards the cost of retirement benefits ( <i>Police Pension Fund Account, Page 115</i> )				(18,748)
		25,984	Financing and investment net expenditure ( <i>Note 11</i> )				34,397
		(115,766)	Taxation and non-specific grant income ( <i>Note 12</i> )				(121,924)
		<b>28,211</b>	<b>Deficit or (Surplus) on Provision of Services</b>				<b>29,245</b>
		(363)	(Surplus) or deficit on revaluation of Property, Plant & Equipment Assets ( <i>Note 9 (i)</i> )				(2,874)
		(34,982)	Re-measurement of the net defined benefit liability ( <i>Note 36</i> )				(438,236)
		<b>(35,345)</b>	<b>Other Comprehensive Income &amp; Expenditure</b>				<b>(441,110)</b>
		<b>(7,134)</b>	<b>Total Comprehensive Income &amp; Expenditure</b>				<b>(411,865)</b>

## 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.

2021/22 Gross Expenditure	2021/22 Gross Income	2021/22 Net Expenditure		Notes	2022/23 Gross Expenditure	2022/23 Gross Income	2022/23 Net Expenditure
£000	£000	£000			£000	£000	£000
8,059	(19,596)	(11,537)	Policing Services		8,733	(25,892)	(17,159)
4,414	(1,857)	2,557	Police and Crime Commissioner		4,440	(1,900)	2,540
<b>12,473</b>	<b>(21,453)</b>	<b>(8,980)</b>	<b>Cost of Policing Services</b>	<b>1</b>	<b>13,173</b>	<b>(27,792)</b>	<b>(14,619)</b>
126,944	0	126,944	Funding to the Chief Constable for financial resources consumed	10	134,473		134,473
<b>139,417</b>	<b>(21,453)</b>	<b>117,964</b>	<b>Net Cost of Policing Services</b>		<b>147,646</b>	<b>(27,792)</b>	<b>119,854</b>
		(8,604)	Other operating expenditure – Loss / (gain) on disposal of non-current assets ( <i>Note 23</i> )				192
		242	Financing and investment net expenditure ( <i>Note 11</i> )				476
		(115,766)	Taxation and non-specific grant income ( <i>Note 12</i> )				(121,924)
		<b>(6,164)</b>	<b>Deficit or (Surplus) on Provision of Services</b>				<b>(1,402)</b>
		(362)	(Surplus) or deficit on revaluation of Property, Plant & Equipment Assets ( <i>Note 9 (i)</i> )				(2,874)
		<b>(362)</b>	<b>Other Comprehensive Income &amp; Expenditure</b>				<b>(2,874)</b>
		<b>(6,526)</b>	<b>Total Comprehensive Income &amp; Expenditure</b>				<b>(4,276)</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 (i.e. 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 2021</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 2021/22</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>6,429</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>
<b>Movement in reserves during 2022/23</b>									
<b>Total Comprehensive Income and Expenditure</b>	<b>1</b>	<b>(29,245)</b>	<b>0</b>	<b>(29,245)</b>	<b>0</b>	<b>0</b>	<b>(29,245)</b>	<b>441,110</b>	<b>411,865</b>
Adjustments between accounting basis and funding basis under regulations	7	29,953	0	29,953	(1,844)	0	28,109	(28,109)	0
<b>Net Increase before transfers to Earmarked Reserves</b>		<b>708</b>	<b>0</b>	<b>708</b>	<b>(1,844)</b>	<b>0</b>	<b>(1,136)</b>	<b>413,001</b>	<b>411,865</b>
Transfers to/from Earmarked Reserves	8	(708)	708	0	0	0	0	0	0
<b>Increase/(Decrease) in Year</b>		<b>0</b>	<b>708</b>	<b>708</b>	<b>(1,844)</b>	<b>0</b>	<b>(1,136)</b>	<b>413,001</b>	<b>411,865</b>
<b>Balance at 31 March 2023 Carried Forward</b>		<b>6,000</b>	<b>9,013</b>	<b>15,013</b>	<b>2,968</b>	<b>0</b>	<b>17,981</b>	<b>(811,599)</b>	<b>(793,618)</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 (i.e. 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 2021</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 2021/22</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>
<b>Movement in reserves during 2022/23</b>									
<b>Total Comprehensive Income and Expenditure</b>	1	<b>1,402</b>	<b>0</b>	<b>1,402</b>	<b>0</b>	<b>0</b>	<b>1,402</b>	<b>2,874</b>	<b>4,276</b>
Adjustments between accounting basis and funding basis under regulations	7	(694)	0	(694)	(1,844)	0	(2,538)	2,538	0
<b>Net Increase before transfers to Earmarked Reserves</b>		<b>708</b>	<b>0</b>	<b>708</b>	<b>(1,844)</b>	<b>0</b>	<b>(1,136)</b>	<b>5,412</b>	<b>4,276</b>
Transfers to/from Earmarked Reserves	8	(708)	708	0	0	0	0	0	0
<b>Increase/(Decrease) in Year</b>		<b>0</b>	<b>708</b>	<b>708</b>	<b>(1,844)</b>	<b>0</b>	<b>(1,136)</b>	<b>5,412</b>	<b>4,276</b>
<b>Balance at 31 March 2023 Carried Forward</b>		<b>6,000</b>	<b>9,013</b>	<b>15,013</b>	<b>2,968</b>	<b>0</b>	<b>17,981</b>	<b>64,313</b>	<b>82,294</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 2022 £000	The Group as at 31 March 2022 £000		Notes	The PCC as at 31 March 2023 £000	The Group as at 31 March 2023 £000
95,556	95,556	Property, Plant & Equipment	22	98,710	98,710
505	505	Investment Property	24	455	455
1,079	1,079	Intangible Assets	25	1,025	1,025
13	13	Long Term Debtors	14	7	7
<b>97,153</b>	<b>97,153</b>	<b>Long Term Assets</b>		<b>100,197</b>	<b>100,197</b>
762	762	Assets Held for Sale	23	750	750
14,018	14,219	Short Term Debtors	26	8,608	19,174
5,275	5,275	Cash and Cash Equivalents	27	1,770	1,770
0	0	Intra-Group Debtor	10	4,160	0
<b>20,055</b>	<b>20,256</b>	<b>Current Assets</b>		<b>15,288</b>	<b>21,694</b>
(5,427)	(5,427)	Short Term Borrowing	31	(4,664)	(4,664)
(11,771)	(17,880)	Short Term Creditors	28	(11,985)	(21,670)
0	(195)	Provisions	29	0	(155)
(2,791)	0	Intra Group Creditor	10	0	0
<b>(19,989)</b>	<b>(23,502)</b>	<b>Current Liabilities</b>		<b>(16,649)</b>	<b>(26,489)</b>
(17,729)	(17,729)	Long Term Borrowing	31	(15,065)	(15,065)
0	(1,280,189)	Liability Relating to Defined Benefit Pension Schemes	36	0	(872,478)
(494)	(494)	Revenue Grants Receipts in Advance	13	(587)	(587)
(978)	(978)	Capital Grants Receipts in Advance	13	(890)	(890)
<b>(19,201)</b>	<b>(1,299,390)</b>	<b>Long Term Liabilities</b>		<b>(16,542)</b>	<b>(889,020)</b>
<b>78,018</b>	<b>(1,205,483)</b>	<b>Net Assets / (Liabilities)</b>		<b>82,294</b>	<b>(793,618)</b>
19,117	19,117	Usable Reserves	8	17,981	17,981
58,901	(1,224,600)	Unusable Reserves	9	64,313	(811,599)
<b>78,018</b>	<b>(1,205,483)</b>	<b>Total Reserves</b>		<b>82,294</b>	<b>(793,618)</b>

The Statement of Accounts were authorised for issue on **29 September 2023**.

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 2021/22 £000	The Group 2021/22 £000		Notes	The PCC 2022/23 £000	The Group 2022/23 £000
(6,164)	28,211	<b>Net deficit (surplus) on Provision of Services</b>	1	(1,402)	29,245
(8,477)	(42,852)	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	33	(2,940)	(33,587)
10,182	10,182	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	33	294	294
<b>(4,459)</b>	<b>(4,459)</b>	<b>Net cash flows from Operating Activities</b>		<b>(4,048)</b>	<b>(4,048)</b>
9,201	9,201	Investing Activities	34	5,126	5,126
(9,003)	(9,003)	Financing Activities	35	2,427	2,427
<b>(4,261)</b>	<b>(4,261)</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>3,505</b>	<b>3,505</b>
<b>(1,014)</b>	<b>(1,014)</b>	Cash and cash equivalents at the beginning of the reporting period	27	<b>(5,275)</b>	<b>(5,275)</b>
<b>(5,275)</b>	<b>(5,275)</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	27	<b>(1,770)</b>	<b>(1,770)</b>

## Notes to the Financial Statements

The following notes contain information which is in addition to that contained in the main financial statements and are 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

	2022/23 Net Expenditure Chargeable to the Police Fund Balances	2022/23 Adjustments between the Funding and Accounting Basis (Note 1 (a))	2022/23 Net Expenditure in the CIES
	£000	£000	£000
Policing Services	118,140	14,648	132,788
Police and Crime Commissioner	2,540	0	2,540
<b>Net Cost of Policing Services</b>	<b>120,680</b>	<b>14,648</b>	<b>135,328</b>
Other income and expenditure	(121,388)	15,305	(106,083)
<b>(Surplus) or deficit on provision of Services</b>	<b>(708)</b>	<b>29,953</b>	<b>29,245</b>

Opening Police Fund at 1 April 2022	(14,305)
Less Deficit on Police Fund in Year	(708)
<b>Closing Police Fund at 31 March 2023</b>	<b>(15,013)</b>

	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>

# Note to the Financial Statements

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

## The PCC

	2022/23 Net Expenditure Chargeable to the Police Fund Balances	2022/23 Adjustments between the Funding and Accounting Basis (Note 1 (a))	2022/23 Net Expenditure in the CIES
	£000	£000	£000
Policing Services	(17,870)	711	(17,159)
Police and Crime Commissioner	2,540	0	2,540
<b>Net Cost of Policing Services</b>	<b>(15,330)</b>	<b>711</b>	<b>(14,619)</b>
Funding to the Chief Constable for financial resources consumed	136,010	(1,537)	134,473
Other income and expenditure	(121,388)	132	(121,256)
<b>(Surplus) or deficit on provision of Services</b>	<b>(708)</b>	<b>(694)</b>	<b>(1,402)</b>

Opening Police Fund at 1 April 2022	(14,305)
Plus Surplus on Police Fund in Year	(708)
<b>Closing Police Fund at 31 March 2023</b>	<b>(15,013)</b>

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

## Note to the Financial Statements

## 1(a) Note to the EFA

## Adjustments between Funding and Accounting Basis

## The Group

2022/23					
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	(400)	15,352	(426)	122	14,648
Police and Crime Commissioner	0	0	0	0	0
<i>Net Cost of Services</i>	(400)	15,352	(426)	122	14,648
Other income and expenditure from the Funding Analysis	(152)	15,173	426	(142)	15,305
<b>Difference between Police Fund surplus or deficit and CIES surplus or deficit</b>	<b>(552)</b>	<b>30,525</b>	<b>0</b>	<b>(20)</b>	<b>29,953</b>

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>



Note to the Financial Statements**The PCC**

2022/23					
Adjustments from Police Fund to arrive at the CIES amounts	Adjustments for Capital Purposes (note i)	Net Change for the Pensions Adjustments (note ii)	Financing and Investment Adjustments (note iii)	Other Adjustments (note iv)	Total Adjustments
	£000	£000	£000	£000	£000
Policing Services	1,145	0	238	(672)	711
Police and Crime Commissioner	0	0	0	0	0
<i>Net Cost of Services</i>	1,145	0	238	(672)	711
Funding to the Chief Constable	(1,545)	0	(664)	672	(1,537)
Other income and expenditure from the Funding Analysis	(152)	0	426	(142)	132
<b>Difference between Police Fund surplus or deficit and CIES surplus or deficit</b>	<b>(552)</b>	<b>0</b>	<b>0</b>	<b>(142)</b>	<b>(694)</b>

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>

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**

2021/22		2022/23
£000		£000
60,018	Police officers pay	63,071
30,524	Police staff pay	30,711
1,548	Police pensions	1,826
1,709	Other Employee Expenses	1,624
38,775	Pensions current cost of service	32,136
(17,317)	Cost of pensions based on cash flows	(17,544)
175	Accumulated absences	122
33,097	Other service expenditure	34,093
467	Non distributed costs	760
8,059	Depreciation, Amortisation, Revaluation Loss and REFCUS	8,733
517	Interest payable	664
25,742	Net interest on the net defined benefit liability	33,921
(8,604)	Loss / (gain) on disposal of non-current assets	192
<b>174,710</b>	<b>Total Expenditure</b>	<b>190,309</b>

Note to the Financial Statements

(9,982)	Fees, charges and other service income	(11,707)
(259)	Investment property income and gain on change in fair value	4
(16)	Interest and investment income	(192)
(53,434)	Income from council tax	(57,276)
(82,808)	Government grants and contributions	(91,893)
<b>(146,499)</b>	<b>Total Income</b>	<b>(161,064)</b>
<b>28,211</b>	<b>Deficit on the Provision of services</b>	<b>29,245</b>

**The PCC**

2021/22		2022/23
£000		£000
662	Police staff pay	838
3	Other employee expenses	9
3,749	Other service expenditure	3,593
517	Interest payable	664
(8,604)	Loss / (gain) on disposal of non-current assets	192
3,597	Capital Charges – net of recharges to Chief Constable for use of assets	1,145
126,944	Funding to the Chief Constable for financial resources consumed	134,473
<b>126,868</b>	<b>Total Expenditure</b>	<b>140,914</b>
(9,982)	Fees, charges and other service income	(11,707)
(259)	Investment property income and loss on change in fair value	4
(16)	Interest and investment income	(192)
(53,434)	Income from council tax	(57,276)
(69,341)	Government grants and contributions	(73,145)
<b>(133,032)</b>	<b>Total Income</b>	<b>(142,316)</b>
<b>(6,164)</b>	<b>Deficit on the Provision of services</b>	<b>(1,402)</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 standards that have not yet been adopted that will be introduced in the 2023/24 Code are shown below:

- Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021;
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021;
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021;
- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020.

## Note to the Financial Statements

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It is likely that, though they lead to improved reporting, items 1, 2, and 4 will not have a significant impact on the amounts anticipated to be reported in the financial statements. Item 3 will only be applicable to local authorities with group accounts (not the CC/PCC).

The implementation of IFRS 16 – Leases for Public Sector Accounts was deferred for the final time until 1 April 2024 so there is no requirement to consider this in the 2022/23 SoAs. Both the 2022/23 and the 2023/24 Codes 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 Warwickshire have no plans to do this.

### 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 any 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 2023 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. The PCC's property valuers valued 89% of the property portfolio as at 31 March 2023 by either a full inspection or a desktop valuation, thus minimising the risk that the value of these assets could be materially misstated in the 2022/23 Accounts.

Property 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 estimation uncertainty is therefore assessed as not material. The Net Book Value of Property, Plant and Equipment as at 31 March 2023 is £98.7m (£95.6m as at 31 March 2022).

##### 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 35.

## Note to the Financial Statements

**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 £438.236m, compared to a gain of £34.982m in 2021/22. The gain is due to changes in the rates and assumptions used by the actuaries for calculating inflation, salary and pension increases, and discounting scheme liabilities. The latter has increased by two percentage points for both the LGPS and the PPS, due to changes in gilt yields, which accounts for around £321m of the total gain (and resulting reduction in the liability). Overall, the Pensions Liability held on the Balance Sheet, has reduced by £407.7m to £872.5m at 31 March 2023. Further information regarding the Pensions Liabilities can be found in Note 35.

**6. Events After the Reporting Period**

The Statement of Accounts were authorised for issue by the Treasurer to the PCC on 29 September 2023. Events taking place after this date are not reflected in the financial statements or notes.

In July 2023, the PCC has approved a decision to prepare for litigation against the company that constructed one of the PCC's buildings several years ago. Although this is in the name of the PCC this is on behalf of the established partners working at the building. As the outcome and impact of this litigation is as yet unknown, no adjustment has been made 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
2022/23	£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)	(30,525)		0
Council tax (transfers to or from Collection Fund)	142		0
Holiday pay (transferred to the Accumulated Absences Reserve)	(122)		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)	(8,875)		0
<b>Total Adjustments to Revenue Resources</b>	<b>(39,380)</b>		<b>0</b>
<b>Adjustments between Revenue and Capital Resources</b>			



# Note to the Financial Statements

Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(100)	100	0
Statutory provision for the repayment of debt (transfer from the CAA)	3,757		0
Capital expenditure financed from revenue balances (transfer to the CAA)	5,376		0
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>9,033</b>		<b>0</b>
<b>Adjustments to Capital Resources</b>			
Application of capital receipts to finance capital expenditure	0	1,769	0
Application of capital grants to finance capital expenditure	394	0	0
Cash payments re deferred capital receipts	0	(25)	0
<b>Total Adjustments to Capital Resources</b>	<b>394</b>	<b>1,744</b>	<b>0</b>
<b>Total Adjustments - Group</b>	<b>(29,953)</b>	<b>1,844</b>	<b>0</b>
<i>Less: Chief Constable only adjustments</i>			
Pensions Costs	30,525	0	0
Holiday pay	122	0	0
<b>Total Adjustments - PCC</b>	<b>694</b>	<b>1,844</b>	<b>0</b>

	Usable Reserves		
	Police Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied
	£000	£000	£000
<b>2021/22</b>			
<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>

## 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.

<b>Reserve</b>	<b>Balance at 1 April 2021 £000</b>	<b>Transfers out 2021/22 £000</b>	<b>Transfers in 2021/22 £000</b>	<b>Balance at 31 March 2022 £000</b>	<b>Transfers out 2022/23 £000</b>	<b>Transfers in 2022/23 £000</b>	<b>Balance at 31 March 2023 £000</b>
Budget & Transformation	(2,103)	735	(2,109)	(3,477)	0	(673)	(4,150)
Pay Award	(1,378)	1,378	0	0	0	(500)	(500)
Investment in Infrastructure	(1,051)	277	0	(774)	774	(979)	(979)
Pension & Redundancy	0	0	(900)	(900)	400	0	(500)
Insurance & Legal Claims	(253)	0	(247)	(500)	0	0	(500)
Income	(500)	250	0	(250)	0	0	(250)
Operational	(299)	0	(201)	(500)	0	(360)	(860)
Collection Fund	0	339	(339)	0	0	0	0
Sustainability	0	0	0	0	200	(200)	0
PCC Grants and Initiatives	(300)	0	0	(300)	0	(83)	(383)
Nat. Contractors Vetting Services	(573)	0	0	(573)	773	(200)	0
Safer Roads	(1,231)	305	(105)	(1,031)	264	(124)	(891)
<b>Earmarked Reserves</b>	<b>(7,688)</b>	<b>3,284</b>	<b>(3,901)</b>	<b>(8,305)</b>	<b>2,411</b>	<b>(3,119)</b>	<b>(9,013)</b>
<b>General Reserves</b>	<b>(5,000)</b>	<b>0</b>	<b>(1,000)</b>	<b>(6,000)</b>	<b>0</b>	<b>0</b>	<b>(6,000)</b>
<b>Total</b>	<b>(12,688)</b>	<b>3,284</b>	<b>(4,901)</b>	<b>(14,305)</b>	<b>2,411</b>	<b>(3,119)</b>	<b>(15,013)</b>
Capital Receipts Reserve	0	0	(4,812)	(4,812)	1,844	0	(2,968)

## Note to the Financial Statements

Capital Grants Reserve	0	0	0	0	0	0	0
<b>Total</b>	<b>(12,688)</b>	<b>3,284</b>	<b>(9,713)</b>	<b>(19,117)</b>	<b>4,255</b>	<b>(3,119)</b>	<b>(17,981)</b>

All capital grants received in 2022/23 have been used to fund capital expenditure during the year.

The purposes of the Earmarked Reserves are as follows:

- **Budget & Transformation Reserve** to support the budget where required and to support one-off revenue transformation costs e.g. arising from a change programme or other discrete one-off items;
- **Pay Reserve** to meet the in-year cost of the pay award in 2023/24 in the event it is higher than 3%;
- **Investment in Infrastructure Reserve** is held to support delivery of the Capital Programme and reduce the amount of new borrowing required;
- **Pension & Redundancy Reserve** to address specific risks identified;
- **Insurance & Legal Reserve** to address specific risks identified;
- **Income Reserve** to address specific risks identified;
- **Operational Reserve** provides the Chief Constable with the facility to meet unforeseen operational costs of incidents and special events below the threshold for applying for Home Office Special Grant;
- **PCC's Grants and Initiatives Reserve** to support specific PCC projects and initiatives;
- **National Contractors Vetting Service Reserve** has been transferred to the Budget & Transformation Reserve;
- **Safer Roads Reserve** is the reserve held for re-investment in road safety projects and initiatives.

## 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 2022 £000		31 March 2023 £000
	<b>The PCC</b>	
(12,971)	Revaluation Reserve	(15,587)
(45,991)	Capital Adjustment Account	(48,670)
(32)	Deferred Capital Receipts Reserve	(7)
93	Collection Fund Adjustment Account	(49)
<b>(58,901)</b>	<b>PCC Total:</b>	<b>(64,313)</b>
	<b>The Chief Constable Unusable Reserves</b>	
1,280,189	Pension Reserve	872,478
3,312	Accumulated Absences Account	3,434
<b>1,283,501</b>	<b>Total: Chief Constable Unusable Reserves</b>	<b>875,912</b>
<b>1,224,600</b>	<b>Total Group Unusable Reserves</b>	<b>811,599</b>

Note to the Financial Statements**(i) Revaluation Reserve**

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

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

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

2021/22			2022/23	
£000	£000		£000	£000
	(12,892)	<b>Group and PCC Balance as at 1 April</b>		<b>(12,971)</b>
(880)		Upward revaluation of assets	(2,886)	
517		Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	12	
	(13,225)	<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>		<b>(15,845)</b>
284		Difference between fair value depreciation and historical cost depreciation	258	
0		Accumulated gains on assets sold or scrapped	0	
	284	Amount written off to the Capital Adjustment Account		258
	(12,971)	<b>Group and PCC Balance as at 31 March</b>		<b>(15,587)</b>

**(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.

2021/22			2022/23	
£000	£000		£000	£000
	(46,200)	<b>Group and PCC Balance as at 1 April</b>		<b>(45,991)</b>
		Reversal of items relating to capital expenditure debited or credited to the CIES:		
3,969		Charges for depreciation and impairment of non-current assets	6,987	

Note to the Financial Statements

3,627		Revaluation losses (gains) on PPE	1,092	
(259)		(Gains)/losses on changes in fair value of investment property	50	
208		Amortisation of intangible assets	343	
1,354		Amounts of non-current assets written off on disposal as part of the gain/loss on disposal to the CIES	92	
(28)		Revenue expenditure funded from capital under statute	53	
	<b>(37,329)</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>		<b>(37,374)</b>
		Capital financing applied in the year:		
(5,191)		Use of the Capital Receipts Reserve to finance new capital expenditure	(1,769)	
(224)		Capital grants and contributions credited to the CIES that have been applied to capital financing	(394)	
0		Application of grants to capital financing from the Capital Grants Unapplied Account	0	
(2,421)		Statutory provision for the financing of capital investment charged against the General Fund	(3,757)	
0		Capital expenditure funded from Reserves	(988)	
(826)		Capital expenditure charged against the General Fund	(4,388)	
	<b>(8,662)</b>			<b>(11,296)</b>
	<b>(45,991)</b>	<b>Group and PCC Balance as at 31 March</b>		<b>(48,670)</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:

<b>2021/22 £000</b>		<b>2022/23 £000</b>
<b>1,280,971</b>	<b>Group and Chief Constable Balance as at 1 April</b>	<b>1,280,189</b>
(34,982)	Re-measurement of the net defined benefit liability	(438,236)
64,984	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	66,817
(30,784)	Employer's pensions contributions and direct payments to pensioners payable in the year	(36,292)
<b>1,280,189</b>	<b>Group and Chief Constable Balance as at 31 March</b>	<b>872,478</b>

Note to the Financial Statements**(iv) Collection Fund Adjustment Account**

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

2021/22 £000		2022/23 £000
366	<b>Group and PCC Balance as at 1 April</b>	93
(273)	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	(142)
93	<b>Group and PCC Balance as at 31 March</b>	(49)

**(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.

2021/22			2022/23	
£000	£000		£000	£000
	3,137	<b>Group and Chief Constable Balance as at 1 April</b>		3,312
(3,137)		Cancellation of accrual made at the end of the preceding year	(3,312)	
3,312		Amount accrued at the end of the current year	3,434	
	175	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		122
	3,312	<b>Group and PCC Balance as at 31 March</b>		3,434

**(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 £7k (£32k 2021/22).

**10. Intra-Group Funding Arrangements between the PCC and the Chief Constable**

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

The Intra-Group funding arrangement is eliminated on consolidation of the Group Accounts, a treatment adopted for any transactions between the PCC and Chief Constable. The guarantee from the PCC in respect of the resources consumed by the Chief Constable in 2022/23 amounts to £134.473m (£126.944m in 2021/22). 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 Debtor of £4.160m (Creditor of £2.791m in 2021/22) being the net balance of funding not settled between the PCC and Chief Constable as



Note to the Financial Statements

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:

2021/22 £000		2022/23 £000
149,044	Chief Constable's Cost of Services	149,947
25,742	Interest on the net defined benefit liability	33,921
(13,467)	Home Office grant towards the cost of retirement	(18,748)
(34,982)	Re-measurement of the net defined benefit liability	(438,236)
<b>126,337</b>	<b>Resources consumed</b>	<b>(273,116)</b>
	<b>Items removed through the MIRS:</b>	
782	Movement in pensions liability	407,711
(175)	Movement in accumulated absences liability	(122)
<b>126,944</b>	<b>Total resources consumed for the year by the Chief Constable and funded by the PCC</b>	<b>134,473</b>

## 11. Financing and Investment Income and Expenditure

2021/22 £000		2022/23 £000
517	Interest payable	664
(16)	Interest receivable	(192)
(259)	Income and expenditure in relation to investment properties and changes in their fair value	4
<b>242</b>	<b>Total for the PCC</b>	<b>476</b>
25,742	Net interest on the net defined benefit liability (Chief Constable)	33,921
<b>25,984</b>	<b>Total for the Group</b>	<b>34,397</b>

## 12. Taxation and Non-Specific Grant Income

2021/22 £000	2021/22 £000		2022/23 £000	2022/23 £000
	<b>(53,434)</b>	<b>Council tax precepts</b>		<b>(57,276)</b>
(36,032)		Police Grant	(38,220)	
(19,711)		Ex-DCLG Formula Funding	(20,880)	
(3,910)		Local Council Tax Support Grant	(3,910)	
(1,244)		Council Tax Freeze Grant	(1,244)	
(782)		Local Council Tax Support Grant	0	
(429)		Collection Fund Grant	0	
(114)		Capital Grants	(142)	
(110)		Capital Contributions	(252)	
	<b>(62,332)</b>	<b>Total Non-specific Grant Income</b>		<b>(64,648)</b>
	<b>(115,766)</b>	<b>Taxation and Non-Specific Grant Income</b>		<b>(121,924)</b>

## Note to the Financial Statements

**13. Grant Income**

The Group credited the following grants, contributions, and donations to the CIES in 2022/23:

2021/22 £000		2022/23 £000
(115,766)	<b>Credited to Taxation and Non-Specific Grant Income, as per Note 12</b>	(121,924)
	<b>Credited to Services</b>	
(1,693)	Speed Awareness Contributions	(2,625)
(1,405)	Victims Support Services	(1,501)
(686)	Operation Uplift	(1,242)
(899)	Police Pension Grant	(869)
(632)	Apprenticeship Levy	(672)
(307)	DBS Vetting	(497)
0	Home Office Funded Pay Award Grant	(480)
(186)	Domestic Abuse Perpetrator Scheme	(200)
(249)	Safer Streets	(141)
(56)	Counter Terrorism Grant	(63)
(57)	Young Apprenticeship Incentive	(48)
0	National Law Enforcement Data Service (NLEDS)	(46)
(124)	Proceeds of Crime Contributions	(39)
0	Serious Violence Duty	(30)
(18)	Audit Support Grant	(18)
0	Atom – ESafe	(10)
0	Kickstart	(6)
(5)	College Bursary Scheme	(6)
0	SEN Drug	(4)
(398)	COVID19 Grants	0
(150)	County Lines Surge Act Grant	0
(116)	Emergency Services Network (ESN)	0
(29)	Witness Care (CJ System) Grant	0
<b>(7,010)</b>	<b>Total Credited to Services – PCC and Group</b>	<b>(8,497)</b>

The Group received a revenue grant in 2016/17 related to the introduction of the Emergency Services Network (ESN), the replacement of the national airwave radio system, amounting to £0.720m, with the only condition being that it is **spent** on ESN-related activity. Although the project has been delayed, there has been some related spend and additional grant income since 2016/17, including £0.093m received in 2022/23; there was no related expenditure in 2022/23 (£0.130m in 2021/22). The balance of £0.587m is still being recognised as a receipt in advance (£0.494m 2021/22).

The Group has also received capital grants and contributions (mainly s106 agreements) 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. New grants of £192k were

Note to the Financial Statements

received in the year, £252k was used to finance capital expenditure, and £51k was used to finance specific revenue projects. The balances at the year end are as follows:

31 March 2022 restated £000		31 March 2023 £000
(46)	Warwickshire Safety Camera Unit Partnership	0
(220)	Warwick District Council (Section 106) – Warwick Rural West SNT rec'd 2018/19	(137)
(25)	Stratford District Council (Section 106) – Stratford Town SNT rec'd 2018/19	0
(32)	Stratford District Council (Section 106) – Alcester South SNT rec'd 2018/19	0
(27)	Stratford District Council (Section 106) – Shipston SNT rec'd 2020/21	(27)
(186)	Warwick District Council (Section 106) – Warwick Central SNT rec'd 2020/21	(164)
(24)	Warwick District Council (Section 106) – Warwick SNT rec'd 2020/21	(24)
(21)	Rugby Borough Council (Section 106) – rec'd 2021/22	(21)
(20)	Rugby Borough Council (Section 106) – rec'd 2021/22	(20)
(102)	Rugby Borough Council (Section 106) – Rugby North of Ashlawn Road rec'd 2021/22	(102)
(5)	Stratford District Council (Section 106) – rec'd 2021/22	0
(12)	Stratford District Council (Section 106) – rec'd 2021/22	(12)
(19)	Warwick District Council (Section 106) – rec'd 2021/22	(19)
(205)	Warwick District Council (Section 106) – rec'd 2021/22	(205)
(21)	Rugby Borough Council (Section 106) – rec'd 2022/23	(129)
(13)	Laser Scanning Grant – via PCC for Sussex 2019/20	(8)
0	National Law Enforcement Data Service (NLEDS) – capital grant	(22)
<b>(978)</b>	<b>Total</b>	<b>(890)</b>

The 2021/22 comparatives have been restated to reflect the correct allocations following a review during 2022/23 of all the s106 agreements.

#### 14. Pooled budgets and joint operations

##### Hosted and Shared Services with West Mercia Police during 2021/22 and 2022/23

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

Note to the Financial Statements

premises and other costs, charged as a percentage of pay. Where applicable direct overheads are also added, e.g. external costs from the payroll provider for running Warwickshire's payroll. Warwickshire Police directly incurred £0.3m of costs in respect of Forensics in 2021/22, mainly relating to pay costs for members of staff employed by Warwickshire, all costs have been recorded in Warwickshire Police's 2021/22 accounts, but the additional charges are not included in the table below.

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>

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).

During 2022/23 £0.570m was paid to West Mercia for ICT Phase 2 hosting charges from April 2022 to June 2022. This was for the continuation of services after the s22 agreement terminated. The only service that remained hosted by West Mercia throughout 2022/23 was for Records storage and £0.059m was paid to West Mercia for this service.

### 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 and Rescue Service that commenced business on 1 September 2015 and ceased trading 31<sup>st</sup> March 2021.

**Note to the Financial Statements**

Warwickshire Police's share of PPL's Local Government Pension Scheme assets and liabilities were previously incorporated into the Accounts. 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's termination the Actuary assessed that on extrapolation to the end of the term (careers) of staff who worked for PPL a deficit of £17.1m was forecast. The share of any surplus / deficit was divided amongst the partners on the basis of guarantee based on the level of fees. For Warwickshire Police that was a 4.3% share.

For those Partners in the Worcestershire Pension Fund they had 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 was 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 discharged the PCC's liability forever. This one off payment of £0.735m (4.3% of £17.1m) was 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.

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:

2021/22 £000		2022/23 £000
(14,500)	Contribution from West Midlands Police	(16,284)
(3,970)	Contribution from West Mercia Police	(4,683)
(3,857)	Contribution from Staffordshire Police	(4,549)
(1,928)	Contribution from Warwickshire Police	(2,274)
(2,399)	WMROCU Grant	(2,399)
(365)	National Cyber Security Programme funding	(280)
(224)	Regional Asset Recovery Team grant	(238)
(1,156)	ROCU Reserves	(26)
(1,096)	UCOL Funding	(1,096)
(122)	ROCTA funding	(122)
(155)	Disruption Team Funding	(72)
(250)	Dark Web Funding	(250)
(67)	OPSY Income	(129)
0	Fraud Investigation	(164)
0	Illicit Cash Team	(442)

Note to the Financial Statements

<b>(30,089)</b>	<b>Total funding provided to the WMROCU</b>	<b>(33,008)</b>
1,172	Regional Asset Recovery Team (RART)	1,415
237	RART – ACE team	244
827	Regional Cyber Crime Unit	696
389	Regional Fraud Team	292
1,211	Regional Prisons Intelligence Unit	1,301
71	Operational Security (OPSY)	91
62	Regional Government Agency Intelligence Network (GAIN)	45
1,400	Command Team	1,417
5,660	Regional Confidential Unit	6,596
93	Posts created from underspend	275
841	TIDU – Technical Intelligence	781
312	Enabling Services	417
4,780	SOCU	5,791
7,710	Regional Surveillance Unit (FSU)	8,421
3,808	Other Regional Operations	4,167
902	Additional Contribution to Reserves	0
195	Threat Assessment Team (ROCTA)	283
160	Disruption Team	72
259	Dark Web	262
0	Illicit Cash Team	442
0	Contribution to Collaboration	0
<b>30,089</b>	<b>Total Expenditure</b>	<b>33,008</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 £0.339m in 2022/23, (£0.281m in 2021/22) 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 short term debtor of £0.008m, representing the discounted value of future expected cash flows in 2023/24. 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;



Note to the Financial Statements

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 £5.392m (£4.767m as at 31 March 2022) relating to these reserves was invested by Warwickshire Police as at 31 March 2023 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

2021/22 £000		2022/23 £000
	<b>Income</b>	
(1,583)	Contribution from partners	(1,537)
(6)	Other income	(2)
<b>(1,589)</b>	<b>Total Income</b>	<b>(1,539)</b>
	<b>Expenditure</b>	
44	Pay and Allowances	5
1,409	Premises	1,451
57	Supplies & Services	31

## Note to the Financial Statements

1,510	<b>Total Expenditure</b>	1,487
(79)	<b>Net (Income) / Expenditure</b>	(52)

## Southern Justice Centre

2021/22 £000		2022/23 £000
	<b>Income</b>	
(3,225)	Contribution from partners	(3,219)
(9)	Other income	(4)
<b>(3,234)</b>	<b>Total Income</b>	<b>(3,223)</b>
	<b>Expenditure</b>	
67	Pay and Allowances	7
2,576	Premises	2,648
76	Supplies & Services	58
434	Capital Charges – loan repayment	434
<b>3,153</b>	<b>Total Expenditure</b>	<b>3,147</b>
<b>(81)</b>	<b>Net (Income) / Expenditure</b>	<b>(76)</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:

Reserve	Balance at 1 April 2021 £000	Transfers out 2021/22 £000	Transfers in 2021/22 £000	Balance at 31 March 2022 £000	Transfers out 2022/23 £000	Transfers in 2022/23 £000	Balance at 31 March 2023 £000
Sinking fund	(5,497)	336	(699)	(5,860)	420	(798)	(6,238)
General Reserve	(297)	0	(160)	(457)	0	(750)	(1,207)
<b>TOTAL</b>	<b>(5,794)</b>	<b>336</b>	<b>(859)</b>	<b>(6,317)</b>	<b>420</b>	<b>(1,548)</b>	<b>(7,445)</b>

## 15. Exit Packages

Following on from changes to the way we deliver some services there was one exit package approved during 2022/23.

Exit packages include charges by the LGPS in respect of benefits paid before normal retirement age. There were no compromise agreements covering the 2022/23 exit packages. 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	
	2021/22	2022/23	2021/22 £000	2022/23 £000
£0 - £20,000	2	1	7	14
£20,001 - £40,000	3	0	91	0

Note to the Financial Statements

£40,001 - £60,000	0	0	0	0
£60,001 - £80,000	0	0	0	0
<b>Total</b>	<b>5</b>	<b>1</b>	<b>98</b>	<b>14</b>

**16. Officers' Remuneration**

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

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

		Salary, Fees & Allowances	Bonuses	Expenses Allowances	Benefits in Kind (e.g. car allowance)	Other Payments (Police Officers only)	Exit Packages	Pension Contributions	Total
		£	£	£	£	£	£	£	£
Chief Constable 1 – Mrs D Tedds Note 1	2022/23	147,789	0	0	7,657	4,226	0	11,351	171,023
	2021/22	140,509	0	0	8,435	4,226	0	43,558	196,728
Chief Constable 2 – Mr M Jelley Note 2	2022/23	0	0	0	0	0	0	0	0
	2021/22	36,617	0	0	2,001	1,639	0	0	40,257
Deputy Chief Constable 1 - Note 3	2022/23	9,878	0	0	0	276	0	3,062	13,216
	2021/22	95,617	0	0	7,056	3,423	0	38,083	144,179
Deputy Chief Constable 2 – Note 4	2022/23	123,738	0	0	6,368	313	0	38,359	168,778
	2021/22	121,776	0	0	5,564	1,239	0	37,751	166,330
Asst Chief Constable 1 – Note 5	2022/23	97,806	0	0	6,013	19,645	0	30,320	153,784
	2021/22	91,634	0	0	7,236	18,508	0	28,407	145,785
Asst Chief Constable 2 – Note 6	2022/23	92,859	0	0	8,681	18,954	0	28,786	149,280
	2021/22	91,749	500	0	316	12,842	0	28,442	133,849
Director of Finance (S151 Officer)	2022/23	96,405	0	0	0	0	0	18,510	114,915
	2021/22	94,422	0	0	0	0	0	18,129	112,551
Director of Enabling Services	2022/23	94,332	0	0	0	0	0	18,112	112,444
	2021/22	90,405	0	0	0	0	0	17,358	107,763

# Note to the Financial Statements

Director of Data, Strategy & Technology – Note 7	2022/23	86,789	0	1,239	0	0	0	16,663	104,691
	2021/22	0	0	0	0	0	0	0	0
Police & Crime Commissioner – Note A	2022/23	68,042	0	0	0	0	0	13,064	81,106
	2021/22	66,300	0	213	0	0	0	12,730	79,243
Deputy PCC – Note B	2022/23	33,461	0	0	0	0	0	6,424	39,885
	2021/22	0	0	0	0	0	0	0	0
Chief Exec to the PCC – Note C	2022/23	72,657	0	0	0	0	0	13,950	86,607
	2021/22	69,260	0	0	0	0	0	13,298	82,558
Treasurer to the PCC	2022/23	74,256	0	0	0	0	0	14,257	88,513
	2021/22	71,163	0	0	0	0	0	13,663	84,826

Notes:

1	CC started in post 1 July 2021 after a period as Temporary DCC from 27 January 2021 to 30 June 2021
2	CC retired 30 June 2021
3	DCC 1 retired 29 April 2022
4	Appointed Temporary DCC on 1 July 2021 and substantive DCC on 30 April 2022
5	Temporary ACC from 27 Jan 2021 and substantive ACC from 26 January 2023
6	Temporary ACC from 1 July 2021
7	New role from 1 February 2023; temporary 12-month secondment into this role for the Head of Analysis and Service Improvement. Remuneration shown is the amount the postholder has received for the full year. The salary for the new post is £88,371 pa.
A	The PCC was re-elected on 7 May 2021, having commenced in office on 12 May 2016.
B	Deputy PCC commenced in post in this new role on 9 May 2022, initially for 22 hours per week and then 28 hours per week from 1 October 2022
C	Chief Executive to the PCC commenced in post on 1 January 2021
	Note: last year's comparatives have been updated to include the Benefits in Kind that were not shown in 2021/22's Accounts – see Prior Period Adjustment Note 17 below.

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
2021/22	2021/22		2022/23	2022/23
120	0	£50,000 - £54,999	137	0
66	0	£55,000 - £59,999	109	0
30	0	£60,000 - £64,999	49	0
12	2	£65,000 - £69,999	20	1
8	1	£70,000 - £74,999	10	2
4	0	£75,000 - £79,999	4	0
5	0	£80,000 - £84,999	5	0

## Note to the Financial Statements

2	0	£85,000 - £89,999	3	0
5	0	£90,000 - £94,999	4	0
1	0	£95,000 - £99,999	2	0
1	0	£120,000 - £124,999	1	0
1	0	£145,000 - £149,999	1	0
<b>255</b>	<b>3</b>	<b>Total</b>	<b>345</b>	<b>3</b>

The increase in numbers in the table above is due to the pay awards for officers and staff (including incremental progression) whilst the minimum salary for the table has remained at £50k.

### 17. Prior Period Adjustment – Officers’ Remuneration

The prior year comparative figures in the Senior Officer and Relevant Police Officer Emoluments section of the Officers’ Remuneration note have been revised to include the Benefits in Kind figures for 2021/22 for six senior police officers that were omitted in error from the published 2021/22 Statement of Accounts. The changes from the 2021/22 published Accounts are shown in the table below:

	2021/22 Published Accounts		Benefits in Kind Re-statement	2021/22 restated comparatives in 2022/23 Accounts	
	Benefits in Kind (e.g. car allowance)	Total		Benefits in Kind (e.g. car allowance)	Total
	£	£	£	£	£
Chief Constable – Mrs D Tedds	0	188,293	8,435	8,435	196,728
Chief Constable – Mr M Jelley	0	38,256	2,001	2,001	40,257
Deputy Chief Constable 1	0	137,123	7,056	7,056	144,179
Deputy Chief Constable 2	0	160,766	5,564	5,564	166,330
Asst Chief Constable 1	0	138,549	7,236	7,236	145,785
Asst Chief Constable 2	0	133,533	316	316	133,849

The Benefits in Kind figures are the P11D values in respect of the company cars provided to the senior police officers and are “non-cash” items that have no impact on the CIES, MIRS, or Balance Sheet.

### 18. External Audit Costs

	2021/22	2022/23
	£	£
Chief Constable	17,900	14,661
PCC	37,897	27,598
<b>Total for the Group</b>	<b>55,797</b>	<b>42,259</b>

Note to the Financial Statements

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In 2021/22 the agreed fees were £12,550 for the Chief Constable and £25,897 for the PCC and the fees above included an accrual for estimated fee variations relating to previous years. The agreed 2022/23 fees for the Chief Constable were £14,488 and for the PCC the agreed fees were £27,647; these both include elements of recurring approved fee variations that have been consolidated into the 2022/23 scale fees. The actual fees shown in the table above are slightly different due to small differences in the fee variation accruals for previous years compared to the actual invoices.

Audit support grant of £18,469 (CC: £6,351 and PCC: £12,118) was received in the year from the DLUHC to offset the increased scale fees; this grant is included in the table in Note 13.

Grant Thornton UK LLP provided no non-audit services during the year (nil in 2021/22).

## **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 certain Legal Services and Internal Audit services to the Group.

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.

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



Note to the Financial Statements

the letting of contracts, and / or awarding of grants to Warwickshire County Council will be delegated to either the Deputy PCC or the Chief Executive of the OPCC. Clause 3.4.5 of the Joint Corporate Governance framework 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. A new Deputy PCC was appointed in May 2022. The most recent review of the Corporate Governance framework details all delegation to the DPCC. However, her husband is also a Warwickshire County Councillor, so any decisions involving Warwickshire County Council are retained by the Chief Executive. 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 2022/23, the Group incurred spend of £1.676m with Warwickshire County Council (grants, legal services, internal audit services pensions' services, and other items of general expenditure) - £1.375m in 2021/22.

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

The Chair of the Joint Audit and Standards Committee (JASC) has declared that a family member is the MD of SCC, a subsidiary of Rigby Group plc. These are a significant supplier organisation to Warwickshire Police. Where any conflict is perceived on a particular matter, this is dealt with on an individual basis, but given JASC's role is not one of decision making, but instead to provide advice and scrutiny to the PCC and Chief Constable, the risks are considered minimal.

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

	Expenditure	Income
	£000	£000
Local Authorities in the Policing Area	2,887	(195)
Other Local Authorities	4	0
Seconded Police Officers	0	(468)
Other Police Forces	4,883	(2,745)
<b>Total</b>	<b>7,774</b>	<b>(3,408)</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 2022/23.

The following table shows the five suppliers with which the Group incurred the greatest expenditure in 2022/23 (excluding VAT) together with comparative figures for the 2021/22 top five:

	Expenditure	
	2021/22	2022/23
	£000	£000
Graham Asset Management	1,150	4,046
PCC for West Midlands	3,267	2,924
Specialist Computer Centres	3,892	2,257

Note to the Financial Statements

Bramble Hub Limited	1,727	1,966
Warwickshire County Council	1,375	1,676
Telefonica Tech UK Ltd	1,458	450

**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 11 premises on an operating lease basis. The lease payments due in future years are:

31 March 2022 £000		31 March 2023 £000
141	Not later than one year	94
527	Later than one year and not later than five years	165
154	Later than five years	52
<b>822</b>	<b>Total PCC and Group</b>	<b>311</b>

The amount paid in 2022/23 was £0.124m (£0.142m in 2021/22).

**The Group as Lessor**

The PCC acts as a lessor for 2 radio mast facilities where the arrangement is accounted for as an operating lease. The masts are located at Ilmington, which is owned by the PCC. The lease payments receivable in future years are:

31 March 2022 £000		31 March 2023 £000
22	Not later than one year	50
60	Later than one year and not later than five years	92
10	Later than five years	41
<b>92</b>	<b>Total PCC and Group</b>	<b>183</b>

The rent received in 2022/23 was £0.046m (£0.033m in 2021/22).

**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.

Note to the Financial Statements

2021/22		2022/23
£000		£000
32,915	<b>Opening Capital Financing Requirement – PCC and Group</b>	40,284
0	Adjustment to correct historic difference between the Balance Sheet calculation of the CFR and the CFR in this Note (relates to a previous capital financing regime pre-2008)	(1,344)
	<b>Capital investment:</b>	
15,435	Property, plant and equipment	8,697
623	Intangible assets	289
(28)	Revenue expenditure funded from capital under statute	53
	<b>Sources of finance:</b>	
(5,190)	Capital receipts	(1,769)
(224)	Government grants and other contributions	(394)
	<b>Sums set aside from revenue:</b>	
0	Direct revenue contributions	(4,388)
(826)	Contribution from Reserves	(988)
(2,421)	Minimum Revenue Provision	(3,757)
<b>40,284</b>	<b>Closing Capital Financing Requirement – PCC and Group</b>	<b>36,683</b>
	<b>Explanation of movements in the year</b>	
0	Adjustment set out above	(1,344)
9,790	Increase in underlying need to borrow in respect of capital expenditure not financed by other means (and unsupported by government financial assistance)	1,500
(2,421)	Decrease in underlying need to borrow in respect of Minimum Revenue Provision for the year	(3,757)
<b>7,369</b>	<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>(3,601)</b>

## Capital Commitments

As at 31 March 2023, the Group had capital commitments of £3.824m (£4.208m as at 31 March 2022).

## 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.

Note to the Financial Statements

PCC and Group Movements in 2022/23	Land & Buildings	Vehicles	Plant, Furniture & Equipment	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000
<b>Cost or valuation at 1 April 2022</b>	<b>72,061</b>	<b>6,070</b>	<b>49,471</b>	<b>0</b>	<b>0</b>	<b>127,602</b>
Additions	2,850	1,044	3,406	0	1,397	8,697
Transfer to / (from) Assets Under Construction	0	0	0	0	0	0
Transfer to / (from) Assets Held for Sale	0	0	0	0	0	0
Revaluation increases / (decreases) recognised in the Revaluation Reserve	1,193	0	0	0	0	1,193
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,092)	0	0	0	0	(1,092)
De-recognition – disposals	0	(453)	0	0	0	(453)
De-recognition – other *	0	0	(21,091)	0	0	(21,091)
<b>Movement in year:</b>	<b>2,951</b>	<b>591</b>	<b>(17,685)</b>	<b>0</b>	<b>1,397</b>	<b>(12,746)</b>
<b>At 31 March 2023</b>	<b>75,012</b>	<b>6,661</b>	<b>31,786</b>	<b>0</b>	<b>1,397</b>	<b>114,856</b>
<b>Less Accumulated Depreciation and Impairment</b>						
<b>Depreciation charge at 1 April 2022</b>	<b>(470)</b>	<b>(4,280)</b>	<b>(27,296)</b>	<b>0</b>	<b>0</b>	<b>(32,046)</b>
Depreciation written out to the Revaluation Reserve	(258)	0	0	0	0	(258)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(1,411)	(566)	(5,010)	0	0	(6,987)
Revaluation increases / (decreases) recognised in the Revaluation Reserve	1,693	0	0	0	0	1,693
De-recognition – disposals	0	361	0	0	0	361
De-recognition – other *	0	0	21,091	0	0	21,091
<b>Depreciation at 31 March 2023</b>	<b>(446)</b>	<b>(4,485)</b>	<b>(11,215)</b>	<b>0</b>	<b>0</b>	<b>(16,146)</b>
<b>Net book value at 31 March 2023</b>	<b>74,566</b>	<b>2,176</b>	<b>20,571</b>	<b>0</b>	<b>1,397</b>	<b>98,710</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>

- “De-recognition – other” of £21.091m shown above in both the Cost and Depreciation sections relates to historic Plant, Furniture and Equipment (PFE) Assets that have been fully depreciated dating from 1994/95 to 2016/17. These assets were never written out at the time that they were fully depreciated, despite having a net book value of zero. In future years fully depreciated PFE assets will be derecognised in the appropriate year (Accounting Policy xvii states that these assets will be depreciated over 5 years).

Note to the Financial Statements

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>

**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

Note to the Financial Statements

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:

2021/22 PCC and Group		Land and buildings	Vehicles, Plant, Furniture & Equipment	Assets Under Construction	Total 2022/23 PCC and Group
£000		£000	£000	£000	£000
23,965	Carried at historical cost	29	22,747	1,397	24,173
0	Carried at current value at 31 March 2023	64,705	0	0	64,705
65,625	Carried at current value at 31 March 2022	9,832	0	0	9,832
5,966	Carried at current value at 31 March 2021	0	0	0	0
<b>95,556</b>	<b>Total Valuations</b>	<b>74,566</b>	<b>22,747</b>	<b>1,397</b>	<b>98,710</b>

The Group held no surplus assets as at 31 March 2023 (31 March 2022 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 2023 (1 as at 31 March 2022).

2021/22 £000		2022/23 £000
<b>634</b>	<b>Balance outstanding at start of year</b>	<b>762</b>
0	Assets re-classified as held for sale	0
128	Revaluation gains / (losses) via Revaluation Reserve	(12)
0	Revaluation gains via CIES	0
0	Assets re-classified as operational	0
0	Assets sold	0
<b>762</b>	<b>Total</b>	<b>750</b>

The loss of £0.192m on disposal of non-current assets shown in the CIES includes £0.092m related to disposal of vehicles and £0.100m in respect of a minor over-accrual in 2021/22 of the capital receipt for the 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



Note to the Financial Statements

£0.046m from Ilmington Mast has been accounted for in 2022/23 (£0.035m in 2021/22) 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 2022/23 and measured using significant observable inputs (Level 2 of the fair value hierarchy):

2021/22 £000		2022/23 £000
247	Balance at start of the year – PCC and Group	505
0	Additions in year – Land & Buildings	0
258	Net gains/(losses) from fair value adjustments	(50)
<b>505</b>	<b>Balance at end of the year – PCC and Group</b>	<b>455</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:

2021/22		2022/23
Software		Software
£000		£000
	<b>Balance at start of year – PCC and Group</b>	
7,723	Gross carrying amounts	8,579
(7,292)	Accumulated amortisation	(7,500)
<b>431</b>	<b>Net carrying amount at start of year</b>	<b>1,079</b>
624	Additions - purchased	289
232	Additions – transfer from Assets Under Construction	0
0	De-recognition – other from Gross carrying amounts *	(6,375)
0	De-recognition - other from Accumulated amortisation *	6,375
(208)	Amortisation for the period	(343)
<b>1,079</b>	<b>Net carrying amount at end of year</b>	<b>1,025</b>
	Comprising:	
8,579	Gross carrying amount	2,493
(7,500)	Accumulated amortisation	(1,468)
<b>1,079</b>	<b>Balance at end of the year – PCC and Group</b>	<b>1,025</b>

Note to the Financial Statements

- “De-recognition – other” of £6.375m shown in the table above relates to historic Intangible Assets that have been fully depreciated dating from 2001/02 to 2017/18. These assets were never written out at the time that they were fully depreciated, despite having a net book value of zero. In future years fully depreciated Intangible assets will be derecognised in the appropriate year (Accounting Policy xvii states that these assets will be depreciated over 5 years).

**26. Debtors**

This note shows money owed to the Group and PCC for funding and services provided on or before the 31 March 2023 where the money has not been received by this date.

<b>31 March 2022 £000</b>		<b>31 March 2023 £000</b>
2,684	Trade Receivables	1,828
1,345	Prepayments	4,568
10,190	Other Receivables	12,778
<b>14,219</b>	<b>Group Debtors</b>	<b>19,174</b>
0	<b>Less</b> Chief Constable Debtors: Prepayments	(2,238)
(201)	<b>Less</b> Chief Constable Debtors: Other Receivables	(8,328)
<b>14,018</b>	<b>PCC Debtors</b>	<b>8,608</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 2022 £000</b>		<b>31 March 2023 £000</b>
2	Cash held by the Group	1
5,273	Bank current accounts	1,769
0	Short term deposits	0
<b>5,275</b>	<b>Total Group and PCC</b>	<b>1,770</b>

**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 2023 where the money has not been paid by this date. Further information regarding Creditors is shown in Note 29 – Financial Instruments.

## Note to the Financial Statements

31 March 2022 £000		31 March 2023 £000
(2,316)	Trade Payables	(5,637)
(15,564)	Other Payables	(16,033)
<b>(17,880)</b>	<b>Group Creditors</b>	<b>(21,670)</b>
0	<b>Less</b> Chief Constable Creditors: Trade Payables	0
6,109	<b>Less</b> Chief Constable Creditors: Other Payables	9,685
<b>(11,771)</b>	<b>PCC Creditors</b>	<b>(11,985)</b>

## 29. Provisions, Contingent Assets and Contingent Liabilities

A £0.195m provision was charged to the CIES in 2020/21 in respect of costs of a court case that will give rise to payments in the future. £0.040m of this was used during the year, leaving a balance as at 31 March 2023 of £0.155m.

## 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
	£000	£000	£000	£000
<b>As at 31 March 2023</b>				
Fair value through profit or loss	0	0	0	0
Amortised cost (previously loans and receivables)	0	0	1,770	11,823
Fair value through other comprehensive income	0	0	0	0
Debtors that are not financial instruments (taxes and payments in advance)	0	0	0	7,350

Financial Assets	Long Term		Current	
	Investments	Debtors	Investments/Cash	Debtors
	£000	£000	£000	£000
<b>As at 31 March 2022</b>				
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

Note to the Financial Statements

Financial Liabilities	Long Term		Current	
	Borrowings	Creditors	Borrowings	Creditors
	£000	£000	£000	£000
<b>As at 31 March 2023</b>				
Fair value through profit or loss	0	0	0	0
Amortised cost	15,065	0	4,664	11,959
Creditors that are not financial instruments (taxes, National Insurance and prepayments)	0	0	0	9,711

Financial Liabilities	Long Term		Current	
	Borrowings	Creditors	Borrowings	Creditors
	£000	£000	£000	£000
<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

**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>2022/23</b>		
Interest Revenue: financial assets measured at amortised cost	(192)	0
Interest Expense Payable and Similar Charges	664	0
<b>2021/22</b>		
Interest Revenue: financial assets measured at amortised cost	(16)	0
Interest Expense Payable and Similar Charges	517	0

The PCC received a £0.434m (£0.435m in 2021/22) contribution from the Southern Justice Centre partnership to meet the cost of the principal and interest on total outstanding loans of £3.7m (£4.0m as at 31 March 2022), relating to the cost of building the complex; the figures in the table above are gross of the contribution.

**Fair Value of Assets and Liabilities**

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

- estimated interest rates at 31 March 2023 of 3.44% for loans from the Public Works Loans Board (PWLb);

Note to the Financial Statements

- discount rates of between 4.6% and 5.3% 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 2022		31 March 2023	
	Carrying amount	Fair Value	Carrying amount	Fair Value
	£000	£000	£000	£000
Financial Liabilities	20,156	18,112	17,729	16,777

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 2023) 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 £17.912m as at 31 March 2023 (31 March 2022: £22.253m).

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

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

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

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

## Credit Risk

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

The principal risks are minimised by the Annual Investment Strategy, which forms part of the overall Treasury Management Strategy. It is a requirement that cash balances are invested with banks and building societies with strong short-term credit rating, other local authorities and the UK Government Debt Management Office. However, in continuance of the caution, which was adopted following turbulent financial markets in 2008/09, the Group limited its list of borrowers to the Bank of England and other local authorities in 2022/23.

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 2023 the short- term investment balances were as follows:

2021/22 £000		2022/23 £000
0	- On call (available immediately) (variable rate)	0
0	- Repayable in 1 month (fixed rates)	0
0	- Repayable in 2 months (fixed rates)	0
0	- Repayable in 3 months (fixed rates)	0
<b>0</b>	<b>Total PCC and Group</b>	<b>0</b>

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



Note to the Financial Statements

future. Counter party lists from the Force's Treasury advisors Arlingclose are updated regularly and adhered to rigorously.

During 2022/23 Warwickshire Police returned to paying its supplier invoices when they were due rather than as soon as they were processed for payment. The Force's capital programme gained momentum during the year, which increased supplier payments as planned, but surplus cash was at a level whereby no new long-term borrowing was required.

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 £1.262m of the £1.911m balance outstanding from customers as at 31 March 2023 (£1.550m of £2.327m as at 31 March 2022) was past the point of 30 days from the date of invoice. This was mainly due to delays in receiving payments from some customers for the National Contractors Vetting Service. However, targeted debt collections processes were put in place from January 2023 onwards, resulting in not just a reduction in the level of outstanding debt from that as at 31 March 2022, but a further reduction in the two months following 31 March 2023 to a point where total debt outstanding over 30 days has now fallen to around £1.0m as at 31 May 2023.

The past due amount as at the respective year ends can be analysed as follows:

31 March 2022 £000		31 March 2023 £000
766	Less than 3 months	499
356	3 to 6 months	247
266	6 to 12 months	255
162	Over 12 months	261
<b>1,550</b>		<b>1,262</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 2023		1,911
Historical experience of default	0.5	
Historical experience adjusted for market conditions at 31 March 2023	0.5	
Estimated maximum exposure to default at 31 March 2023		208
Estimated maximum exposure to default at 31 March 2022		208

Although the provision for bad debts has remained at £0.208m throughout the year, no invoices have been written off and work is ongoing to recover the aged debt, particularly that over 90 days old: (this has reduced from £0.763m at year end to £0.451m as at 31 May 2023).

Note to the Financial Statements**Liquidity Risk**

The Group has a cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen the Group has ready access to borrowings from the PWLB. There is no significant risk that it will be unable to raise any further requirement for finance to meet its commitments under financial instruments, although this is not anticipated.

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 2022/23 were set at £35m. The Group maturity analysis of its financial liabilities is:

31 March 2022 restated £000		31 March 2023 £000
5,427	Less than one year – Short-term Borrowing (includes no accrued interest at 31 March 2023 (nil at 31 March 2022))	4,664
2,664	Between one and two years	2,342
7,015	Between two and five years	6,970
8,050	Between five and twenty years	5,753
<b>23,156</b>		<b>19,729</b>

31 March 2022 comparative figures have been restated to include the £3m short-term loan (less than one year) from a Local Authority.

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. During 2022/23 the Bank of England, in an attempt to control high levels of inflation, have increased Bank Rate 8 times, from 0.75% at the start of the financial year to 4.25% by year end. As a result of this investment income earned during the year has increased sharply from £0.016m in 2021/22 to £0.192m in 2022/23. An increase 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 increase;
- Investments at fixed rates – the fair value of assets will rise.

An reduction 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.

Note to the Financial Statements

The approach to borrowing for capital projects is to delay borrowing where possible and to temporarily use working capital balances. The current, increased rates of interest for borrowing and lending mean that it is advantageous to delay long-term borrowing whilst the overall cash flow is positive. Capital expenditure temporarily funded from working capital up to 31 March 2023 was £17.0m (£17.1m as at 31 March 2022). 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 average interest rates had been 1% higher during 2022/23 with all other variables held constant, the financial effect would be:

	£000
Increase in interest payable on fixed rate borrowings	177
Increase in interest receivable on fixed rate short term investments	(93)
<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 £0.776m (31 March 2022: £0.309m).

### 33. Cash Flow Statement – Operating Activities

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

2021/22 £000		2022/23 £000
(16)	Interest received	(192)
517	Interest paid	664
<b>501</b>	<b>Total – Group and PCC</b>	<b>472</b>

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

PCC 2021/22 £000	Group 2021/22 £000		PCC 2022/23 £000	Group 2022/23 £000
(4,253)	(4,253)	Depreciation	(7,245)	(7,245)
(3,627)	(3,627)	Downward / (Upward) valuations	(1,092)	(1,092)
(208)	(208)	Amortisation of intangible assets	(343)	(343)
4,032	2,797	(Increase)/decrease in revenue creditors	(1,494)	(5,070)

# Note to the Financial Statements

(2,135)	(3,295)	Increase/(decrease) in revenue debtors	(575)	9,790
1,000	1,000	Increase / Reduction in Short-term Borrowing	1,000	1,000
(2,191)	0	Movement in Intra-Group Funding	6,951	0
0	(34,200)	Movement in pension liability	0	(30,525)
0	29	Movement in provisions	0	40
259	259	Changes in fair value of investment property	(50)	(50)
(1,354)	(1,354)	Carrying amount of non-current assets sold	(92)	(92)
<b>(8,477)</b>	<b>(42,852)</b>	<b>Total – PCC and Group</b>	<b>(2,940)</b>	<b>(33,587)</b>

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

<b>2021/22 £000</b>		<b>2022/23 £000</b>
9,958	Proceeds from the sale of property, plant and equipment	(100)
224	Capital Grants	394
<b>10,182</b>	<b>Total – Group and PCC</b>	<b>294</b>

## 34. Cash Flow Statement – Investing Activities

<b>2021/22 £000</b>		<b>2022/23 £000</b>
14,592	Purchase of property, plant and equipment and intangible assets	10,261
(5,165)	Proceeds from the sale of property, plant and equipment (adjusted for Debtors)	(4,749)
(226)	Other receipts from investing activities	(386)
<b>9,201</b>	<b>Total – Group and PCC</b>	<b>5,126</b>

## 35. Cash Flow Statement – Financing Activities

<b>2021/22 £000</b>		<b>2022/23 £000</b>
(9,003)	Repayment / (receipt) of long-term borrowing	2,427
<b>(9,003)</b>	<b>Total – Group and PCC</b>	<b>2,427</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 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. 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. With effect from 1 April 2022, all remaining current members of the 1987 and 2015 schemes were transferred to the 2015 scheme.

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 Claims**

Claimants have lodged claims for compensation under two active sets of litigation, Aarons and Penningtons:

- **Aarons & Ors**

Government Legal Department settled the injury to feelings claims for Aarons on behalf of Chief Officers without seeking any financial contributions. Pecuniary loss claims have been stayed until the remedy is brought into force from 1 October 2023. The settlement of the injury to feelings claims for Aarons sets a helpful precedent. Therefore no liability in respect of compensation claims is recognised in these Accounts.

- **Penningtons**

As at **31 March 2023**, it is not possible to reliably estimate the extent or likelihood of these claims being successful, and therefore no liability in respect of compensation claims is recognised in these accounts.

### **Remedy**

The Public Service Pensions and Judicial Offices Act 2022 (PSPJOA 2022) legislates for how the government will remove the discrimination identified by the courts in the way that the 2015 reforms were introduced for some members.

The main elements of the Act are:

- Changes implemented across all the main public service pension schemes in response to the Court of Appeal judgment in the McCloud and Sargeant cases:
- Eligible members of the main unfunded pension schemes have a choice of the benefits they wish to take for the “remedy period” of April 2015 to 31 March 2022.
- From 1 April 2022, when the remedy period ends, all those in service in main unfunded schemes will be members of the reformed pension schemes, ensuring equal treatment from that point on.
- Ensures there are no reductions to member benefits as a result of the 2016 cost control valuations.

### **Impact on pension liability**

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 McCloud/Sargeant judgement will be measured through the pension valuation process, which determines employer and



## Note to the Financial Statements

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employee contribution rates. The next Police Pension valuation is due to be reported in 2023/24, although this timetable is subject to change.

The allowance for McCloud remedy that was first included in the 2018/19 disclosures as a past service cost was attributed proportionally to the 1987 and 2006 schemes. For subsequent years to 2021/22 an allowance was made in the 2015 service costs for the annual accrual of additional remedy service.

Now that the remedy window is closed, GAD have moved all McCloud related liabilities for eligible members for the period 2019 to 2022 to the associated legacy schemes during 2022/23. This means all McCloud liabilities are held within the legacy scheme GAD expect benefits to be paid from. This has led to a past service cost of £15m added to the 1987 Scheme and a past service cost of £1m in the 2006 Scheme. As these liabilities are no longer held within the 2015 Scheme there is a past service gain of £16m in this Scheme: a net nil effect in the consolidated position shown in the tables below.

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 pension fund into which officer and employer contributions are paid and out of which pension payments to retired officers are made. If the police pension fund does not have sufficient funds to meet the cost of pensions in year the amount required to meet the deficit is then paid by the Secretary of State to the police authority in the form of a central government top-up grant.

### 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 of COVID-19

The current population mortality projections make a short-term allowance for the impact of the Covid-19 pandemic. When deriving the ONS 2020-based mortality improvement projections, a panel of mortality experts gave their views on the impact of Covid-19 pandemic on mortality rates in the short term. Based on this, short term adjustments were made to the 2019 to 2024 period to allow for estimated deaths in 2021 and an averaging of the experts' views on estimated improvements by age group over this period. Long term rates of future mortality improvement are not projected to change as a result of Covid-19. A death rate from Covid-19 in excess of that already allowed for in the mortality assumptions would emerge as an experience gain in future accounting periods. GAD expect that the projection of the long-term impact of the Covid-19 pandemic on life expectancy will continue to evolve as experience and evidence emerges into the future.

Note to the Financial Statements**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:

<b>2022/23</b>	<b>LGPS £000</b>	<b>Police Pension Schemes £000</b>	<b>Total £000</b>
<b>CIES</b>			
<b>Cost of Services:</b>			
– current service costs	9,886	22,250	32,136
– past service costs and gain/loss from settlements	0	760	760
<b>Financing and Investment Income and Expenditure</b>			
– net interest expense	1,881	32,040	33,921
<b>Total Post Employment Benefit charged to the surplus or deficit on the Provision of Services</b>	<b>11,767</b>	<b>55,050</b>	<b>66,817</b>
<b>Other Post-Employment Benefits charged to the CIES</b>			
Re-measurement of the net defined benefit liability and return on plan assets	(73,629)	(364,607)	(438,236)
<b>Total Post Employment Benefit charged to the CIES</b>	<b>(61,862)</b>	<b>(309,557)</b>	<b>(371,419)</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.	(11,767)	(55,050)	(66,817)
<b>Actual amount charged against the Police Fund Balance for pensions in the year</b>			
– employers' contributions payable to the scheme	(4,479)	(30,603)	(35,082)
– benefits paid direct to beneficiaries	0	(1,210)	(1,210)

<b>2021/22</b>	<b>LGPS £000</b>	<b>Police Pension Schemes £000</b>	<b>Total £000</b>
<b>CIES</b>			
<b>Cost of Services:</b>			
– current service costs	10,825	27,950	38,775
– past service costs and gain/loss from settlements	167	300	467

Note to the Financial Statements

<b>Financing and Investment Income and Expenditure</b>			
– net interest expense	1,782	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>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)	(8,653)	(34,982)
<b>Total Post Employment Benefit charged to the CIES</b>	<b>(13,555)</b>	<b>43,557</b>	<b>30,002</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.	(12,774)	(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	25,157	29,554
– benefits paid direct to beneficiaries		1,230	1,230

### 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>LGPS £000</b>	<b>Police Pension Schemes £000</b>	<b>Total £000</b>
<b>2022/23</b>			
Present value of the defined benefit obligation	(144,000)	(873,070)	(1,017,070)
Fair value of plan assets	144,592	0	144,592
<b>Net liabilities arising from the defined benefit obligation</b>	<b>592</b>	<b>(873,070)</b>	<b>(872,478)</b>

	<b>LGPS £000</b>	<b>Police Pension Schemes £000</b>	<b>Total £000</b>
<b>2021/22</b>			
Present value of the defined benefit obligation	(208,052)	(1,214,440)	(1,422,492)
Fair value of plan assets	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>

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

<b>2022/23</b>	<b>LGPS £000</b>	<b>Police Pension Schemes £000</b>	<b>Total £000</b>
<b>Opening balance at 1 April 2022</b>	<b>(208,052)</b>	<b>(1,214,440)</b>	<b>(1,422,492)</b>
Current service cost	(9,886)	(22,250)	(32,136)
Interest cost	(5,830)	(32,040)	(37,870)
Contributions by scheme participants	(1,466)	(5,100)	(6,566)
Re-measurement of liabilities	78,123	363,260	441,383
Benefits paid	3,111	38,260	41,371
Past service costs	0	(760)	(760)
Curtailments	0	0	0
<b>Closing balance 31 March 2023</b>	<b>(144,000)</b>	<b>(873,070)</b>	<b>(1,017,070)</b>

<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**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)	2021/22 £000	PPL element 2021/22 £000	Total 2021/22 £000	Total 2022/23 £000
<b>Opening balance at 1 April</b>	<b>128,924</b>	<b>1,612</b>	<b>130,536</b>	<b>142,303</b>
Interest income	2,670	0	2,670	3,949
Re-measurement gain/loss: The return on plan assets, excluding the amount included in the net interest expense	7,899	0	7,899	(4,494)
Contributions by employer	4,397	0	4,397	4,479
Contributions from employees into the scheme	1,421	0	1,421	1,466
Removal of PPL Assets as a result of cessation of PPL and the associated final settlement payment (see Note 14)	0	(1,612)	(1,612)	0
Benefits paid	(3,008)	0	(3,008)	(3,111)
<b>Closing balance 31 March</b>	<b>142,303</b>	<b>0</b>	<b>142,303</b>	<b>144,592</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.

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 2024 is £5.511m. Expected contributions for the Police Pension Schemes by the Chief Constable in the year to 31 March 2024 are £12.837m.

**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 2022/23 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.

Note to the Financial Statements

	LGPS £000	Police Pension Schemes £000	Total £000
<b>2022/23</b>			
Changes in financial assumptions	(89,574)	(414,267)	(503,841)
Changes in demographic assumptions	(2,521)	(19,260)	(21,781)
Return on plan assets	4,494	0	4,494
Experience gains and losses	13,972	68,920	82,892
<b>Total re-measurement</b>	<b>(73,629)</b>	<b>(364,607)</b>	<b>(438,236)</b>

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

**LGPS Assets**

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

	Total 31 March 2022 £000	Split of Assets between Investment categories %	Total 31 March 2023 £000	Split of Assets between Investment categories %
Cash & Cash Equivalents	2,984	2	3,032	2
Equities	61	0	62	0
Bonds	22,629	9	22,993	16
Investment Funds & Unit Trusts	92,500	72	93,989	65
Private Equity	10,114	7	10,276	7
Property	14,015	10	14,240	10
<b>Total Assets</b>	<b>142,303</b>	<b>100</b>	<b>144,592</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



## Note to the Financial Statements

scheme as at **31 March 2022**, projected forward to **31 March 2023**. The liabilities for the Police Pension Schemes have been assessed by the Government Actuary's Department based on the latest full valuation of the scheme as **at 31 March 2020**, projected forward to **31 March 2023**.

The principal assumptions used by the actuaries have been:

2021/22			2022/23	
LGPS	Police Pension Schemes		LGPS	Police Pension Schemes
		Mortality assumptions		
		Longevity at 65 for current pensioners:		
21.6 years	22.1 years	Men	21.0 years	21.9 years
24.1 years	23.8 years	Women	24.2 years	23.5 years
		Longevity at 65 for future pensioners:		
22.7 years	23.8 years	Men	22.3 years	23.5 years
25.9 years	25.4 years	Women	25.9 years	25.0 years
-	3 %	Rate of CPI inflation	-	2.60 %
3.95%	4.75%	Rate of increase in salaries (long-term)	3.95%	3.85 %
3.15 %	3.00 %	Rate of increase in pensions	2.95 %	2.60 %
2.75 %	2.65 %	Rate for discounting scheme liabilities	4.75 %	4.65 %
-	4.25%	CARE Revaluation Rate	-	3.85%
2021/22			2022/23	
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.

Note to the Financial Statements

	Impact on the Defined Benefit Obligation in the Scheme	
	Increase in assumption	Decrease in assumption
	£000	£000
Longevity (increase or decrease in 1 year)	26,760	(26,760)
Rate of increase in salaries (increase or decrease by 1%)	18,640	(18,640)
Rate of increase in pensions (increase or decrease by 1%)	160,510	(160,510)
Rate for discounting scheme liabilities (increase or decrease by 1%)	(160,690)	160,690

## 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.

2021/22			2022/23	
£000	£000		£000	£000
		<b>Contributions Receivable</b>		
		From employer		
(11,693)		- Normal at 31% of pensionable pay	(11,860)	
(327)		- Ill Health Capital Sum Income	(554)	
(54)		- Other – Pre 1974 Contributions (West Midlands)	(44)	
(5,020)		From members (serving police officers)	(5,091)	
	<b>(17,094)</b>			<b>(17,549)</b>
	<b>(300)</b>	<b>Individual Transfers In from other schemes</b>		<b>(752)</b>
		<b>Benefits Payable</b>		
27,240		Pensions	28,865	
3,591		Commutations and Lump Sum retirement benefits	7,969	
0		Lump sum death benefits	0	
	<b>30,831</b>			<b>36,834</b>
		<b>Payments to and on account of leavers</b>		
30		Refunds of contributions	50	
0		Individual transfers out to other schemes	165	
	<b>30</b>			<b>215</b>
	<b>13,467</b>	<b>Sub-total for the year before transfer from the Group of amount equal to the deficit</b>		<b>18,748</b>
	<b>(13,467)</b>	<b>Additional funding payable by the Group to meet deficit for the year</b>		<b>(18,748)</b>
	<b>0</b>	<b>Net Amount Payable / Receivable for the year</b>		<b>0</b>
	<b>(13,467)</b>	<b>Actual Home Office Top Up funding</b>		<b>(18,748)</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 36**;
6. Employers' contributions, which are set by the Home Office subject to the Government Actuary's Department triennial valuation, are calculated at 31% of police officer pensionable pay;
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, as amended by the Accounts and Audit (Amendment) Regulations 2022.

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

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

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

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

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

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

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

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

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

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

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

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

## Glossary of Terms

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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 King'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.

**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



## Glossary of Terms

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asset involved. With an operating lease, the ownership of the asset remains with the leasing company and an annual rent is charged to the revenue account.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**International Financial Reporting Standards (IFRS) & International Accounting Standards (IAS)** – The accounting rules and principles, adopted by the International Accounting Standards

## Glossary of Terms

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Board, on which the Statement of Accounts is based. The Code is prepared in accordance with the IFRS.

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

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

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

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

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

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

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

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

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

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

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

**Outturn** – The actual amount spent in the financial year.

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

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

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

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

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

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

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

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

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

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

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

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

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

## Glossary of Terms

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

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

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

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

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

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

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

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

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

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

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

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

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

**Scheme of Delegation and Consent, Financial and Contract Regulations 2012/13** – The Scheme of Delegation and Consent details the key roles of the PCC and those functions that they designate to the Chief Executive, Treasurer, the Chief Constable and, if appointed, the Deputy PCC. The scheme also provides a framework to ensure that business is carried out efficiently, ensuring that decisions are not unnecessarily delayed. The Financial and Contract

## Glossary of Terms

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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 2022/23**