



# **Chief Constable of West Midlands Police: Statement of Accounts**

## **2013-14**



## STATEMENT OF ACCOUNTS 2013-14

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## EXPLANATORY FOREWORD

This Statement of Accounts sets out the overall financial position of the Chief Constable of West Midlands Police (CCWMP). The accounts have been prepared following the International Financial Reporting Standards on which the accounts of the Chief Constable are required to be based.

Following the Police Reform and Social Responsibility Act 2011 (The Act) The West Midlands Police Authority (WMPA) was replaced on 22nd November 2012 with two 'corporation sole' bodies – The Police and Crime Commissioner for the West Midlands (PCCWM) and the Chief Constable of West Midlands Police (CCWMP). It is the Government's intention that the reforms under the Act will be phased over a period of several years. These financial statements for 2013/14 will be the first to show the financial position of the CCWMP with comparative information for the previous financial year following the abolition of the WMPA on 22 November 2012.

The Statement of Accounts for the CCWMP consists of:

### 1. Chief Constable's Approval following Joint Audit Committee

The date and signature of the Chief Constable of West Midlands Police on the approval of the Statement of Accounts.

### 2. Annual Governance Statement

This statement describes how the Chief Constable of West Midlands Police conducts its business in accordance with proper standards. The Annual Governance Statement does not form part of the Statement of Accounts but is shown here for reporting purposes.

### 3. Statement of responsibilities for the Statement of Accounts

This details the financial responsibilities of the CCWMP and his Chief Finance Officer in relation to the Statement of Accounts

### 4. Auditors report

This is the External Auditors report and opinion on the accounts and conclusion on the arrangements in place for securing economy, efficiency and effectiveness in the use of resources.

### 5. The Statement of Accounts

This brings together the key financial statements of the Chief Constable of West Midlands Police. The financial statements consist of:

- **Movement in Reserves Statement for the Chief Constable of West Midlands Police** – This statement shows the movement in the year on the reserves held by the Chief Constable.
- **Comprehensive Income and Expenditure Statement for the Chief Constable of West Midlands Police** – This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices. It summarises the resources that have been generated and consumed in providing policing services during the year. The statement has been prepared in accordance



with the accounting principles set out in the CIPFA Accounting Code of Practice. The headings used are from CIPFA's Service Reporting Code of Practice (SeRCOP) and highlight the financial consequences of the different policing activities in the West Midlands in 2013-14 under the direction and control of the Chief Constable.

- **Balance Sheet as at 31 March 2014**

The Balance Sheet shows the value, as at the Balance Sheet date of the assets and liabilities recognised by the Chief Constable. The Chief Constable recognises the Pension Liabilities of all Police Officers and staff who are deemed to be under his direction and control and those staff working in the Office for the Police and Crime Commissioner. The statement also recognises the cost of short term accumulated absences for police officers and police staff. The statement shows a reserve to match these liabilities.

- **Cash Flow Statement as at 31 March 2014**

The Cash Flow statement aims to show the effect of the cash based transactions between the PCCWM and the CCWMP. This demonstrates the effect of the income received from the PCCWM to enable the CCWMP to deliver a policing service for the force area.

- **Police Pension Fund, Net Asset Statement and notes to the police pension fund scheme.**

The Police Pension Fund Account contains the contributions from the CCWMP at a rate of 24.2% of police officers' pay which are used to pay police pensions during the year. The deficit on this account is met by a top-up grant from the Home Office which is credited to the Chief Constables Comprehensive Income and Expenditure Statement.

### **Changes to accounting policies**

The accounting recognition of the Group's assets, liabilities and reserves during the first period of transition, reflected the powers and responsibilities of the PCCWM and CCWMP as designated by the Police Reform and Social Responsibility Act 2011 and the Home Office Financial Management Code of Practice for the Police Service England and Wales 2012. This accounting treatment was also underpinned by the relationships as defined by local regulations, local agreement and practice. On 22 November 2012 the assets liabilities and reserves of the WMPA were transferred to the PCCWM where they remained under the first phase of transition.

Since then, some significant changes have been made to the Chief Constables Accounting Policies in the 2013-14 Statement of Accounts as a result of changes to the legislation underpinning the creation of separate entities for Police and Crime Commissioners and Chief Constables.

The Police Reform and Social Responsibility Act 2011 did not permit Chief Constables to apply sections 21 and 22 of the Local Government Act 2003 (accounts) which would have allowed them to account for transactions in the same way as a Local Authority.

As a result, at the time of preparing the 2012-13 financial statements Chief Constables lacked the statutory powers to remove the notional debit and credit transactions for retirement benefits through an unusable reserve 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. This resulted in the Chief Constable having a financial guarantee which would be met with the transfer of funds from the Police and Crime Commissioner as – at this time the Chief Constable was not able to hold reserves.



Similarly, statutory provisions required the police fund to be charged with employee compensated absences which had been earned but not taken during the year. This included the value of annual leave entitlement and time owing carried forward as at 31<sup>st</sup> March 2013.

This charge is then reversed out through an unusable reserve in the Movement in Reserves Statement so that the accounting entries do not impact on the requirement to raise council tax. As the Chief Constable did not have Local Authority status at the time of producing the 2012-13 financial statements – the Chief Constable's Accumulated Absences Account was included in the accounts as a short term creditor and matched by a financial guarantee from the PCC.

Since the publication of the 2012/13 financial statements the status of the Chief Constable as an entity has changed. The Police Reform and Social Responsibility Act 2011 (Transitional Provision) Order 2013 was laid before Parliament on 17 September 2013 and is effective from 31 March 2014. This order permits Chief Constables to apply Sections 21 and 22 of the Local Government Act 2003 (accounts) to their transactions which allows the entity to transact in the same way as a Local Authority.

As a result, the Chief Constables Pension Reserve and Accumulated Absences Account have been restated from a financial guarantee from the Police and Crime Commissioner to an unusable reserve. The establishment of an unusable reserve has resulted in the presentation of a Movement in Reserves Statement for the Chief Constable for the first time.

## **CHIEF CONSTABLE REVENUE OUTTURN 2013-14**

The revenue outturn as reported to the Force and the PCC shows an underspend of £7m for the Police Force against a revised net budget of £530.1m. This is broadly in line with outturn forecasts made during the financial year. The Group which comprises 2 entities which are the Police and Crime Commissioner for the West Midlands and the Chief Constable of West Midlands Police had a total underspend of £7.2m of which £7m represented an underspend for the Police Force and £0.2m represented an underspend for the Office for the Police and Crime Commissioner.

The revenue outturn is based on the management view of the accounts, but the accounts are prepared from an accounting view. Given the changes in Governance arrangements brought about by the creation of 2 separate entities of the PCCWM and the CCWMP the management view focuses mainly on the group position. Variances in expenditure on the Chief Constable's accounts have been calculated from the group position.

In total, pay related expenditure was overspent by £1.0m against the budget with Police pay and PCSO budgets being underspent by £0.7m and staff pay and other employee expenses being overspent by £1.7m. The reasons for this are: Firstly, a number of equal pay claims are currently being settled which accounts for £0.9m of the overspend on police staff pay. Secondly, the overspend on other employee expenses mainly relates to redundancy and pension fund strain payments arising from 52 staff leaving the force (£0.4m).

Within transport related expenditure an underspend of £1.3m arose from savings on vehicle fuel and hired vehicles. Additional savings also arose as a result of the budget review process which was undertaken on Transport budgets in 2013.

The table below shows the costs of the entity of the Chief Constable of West Midlands Police in 2013-14 with comparative costs for 2012-13. This represents the actual costs of running the police force in 2013-14



on the basis of the accounting policies that have been adopted and the costs which are attributable to the Chief Constable before the stage 2 transfer of resources which is referred to in the future outlook. These costs are deemed to be all employee costs excluding those relating to the staff of the Office of the PCC, a portion of support costs which relate directly to pay and allowances for police officers and other costs directly attributable to the Chief Constable.

The cost of police pay and allowances has increased in accounting terms by £14m in 2013-14. However, this is due to increases in current service pension costs of some £34m so if the pension costs are removed then police and police staff pay and allowances expenditure has reduced by £20m in 2013-14.

The reduction in income for the CCWMP is due to 2 factors. Firstly, the CCWMP no longer receives a grant to support the cost of over 600 Community Support Officers. This grant was worth some £15m. Secondly, the PCCWM now receives £7m income in relation to community safety funding which was provided in different forms of grant to the CCWMP in previous years.

2012-13 (re-stated) £'000		2013-14 £'000
	Financial Resources of the PCCWM consumed at the request of the Chief Constable	
442,076	Police Pay and Allowances	458,031
120,935	Police Staff and PCSO Pay and Allowances	123,155
2,966	Other Employee Expenses	2,371
<b>565,977</b>	<b>Sub Total Employee Costs</b>	<b>583,557</b>
2,747	Premises Related Costs	5,084
2,901	Transport/Travel Costs	2,530
19,782	Supplies and Services	22,213
3,548	Agency Expenses	2,139
(76,165)	Income	(51,713)
743	Non distributed costs	718
<b>519,533</b>	<b>Total Financial Resources of the PCCWM consumed at the request of the Chief Constable</b>	<b>564,528</b>
<b>519,533</b>	<b>Net cost of Policing Services</b>	<b>564,528</b>
191,743	Financing and Investment income and expenditure	201,294
(469,749)	PCC funding for financial resources consumed	(476,586)
<b>241,527</b>	<b>Deficit on policing services</b>	<b>289,235</b>

## MATERIAL ASSETS ACQUIRED, LIABILITIES INCURRED AND FINANCING OF CAPITAL EXPENDITURE

Prior to the transfer of resources which will take place on 1 April 2014 the Chief Constable does not own any assets or liabilities (with the exception of pension liabilities) and therefore has no capital expenditure.

The Chief Constable is charged for a portion of the revenue costs of buildings, transport and equipment where such expenditure is incurred in the CIPFA Service Reporting Code of Practice for police expenditure. However this excludes costs associated with support functions



The Group is involved in an on-going employment tribunal case regarding Police Officer retirements under the A19 police regulations. This regulation allowed the Chief Constable to retire officers once they reached 30 years service. The courts recently found in favour of Police Officers whose A19 retirement was deemed to be unlawful. The Group has sought legal advice in relation to this case. The outcome of any future legal challenges is not yet clear and no value can be put on any potential future liability at the Balance Sheet date.

## **PENSIONS**

Pension liabilities in respect of Police Officers and police staff whose costs have been recognised in the Chief Constable's Comprehensive Income and Expenditure Statement have been recognised in the Balance Sheet of the Chief Constable. As at 31 March 2014 the Chief Constable recognised net pension liabilities of £5,962m, which is matched by a reserve for the same amount. Overall statutory arrangements for funding the deficit mean that the financial position of the Group remains healthy.

## **CHANGES TO ACCOUNTING POLICIES**

All accounting policies have been reviewed in compliance with International Financial Reporting Standards (IFRS) and the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2013-14. As a result there has been a change in accounting policy in relation to IAS 19 which deals with Police and Police Staff pensions and other post-employment benefits. This produces a change on the face of the Comprehensive Income and Expenditure Statement and some presentational changes in the main pension note. As a result of the changes to IAS 19 the prior year pensions note has been restated. This has also changed the Statement of Comprehensive Income and Expenditure in the prior year. It should be noted however, that the changes in values are not material to the accounts.

## **FUTURE OUTLOOK**

Although the actual levels of future Government funding for the Police Service remain uncertain, it is clear from announcements by the Chancellor of the Exchequer and others that all public services, including the Police Service, will continue to be faced with further funding reductions in the medium term.

The application of crude across the board reductions in Government funding for PCCs, which do not take account of local circumstances, have had a far greater impact in the West Midlands than elsewhere, because of the policy in previous years of minimising calls on local council taxpayers and hence increased reliance on Government grant.

Despite this the Force, in conjunction with and supported by, firstly the former Police Authority and latterly the Commissioner, has delivered savings of over £120m since 2010/11. Systems are now well established to ensure that the challenges of future funding reductions will be met, whilst at the same time building on the key values of serving our communities and protecting them from harm.

Nevertheless the current funding arrangements are inequitable and unfair. The Commissioner's campaign for a fairer funding model assumes even greater importance as the Government moves towards a further review of the national funding formula.

In formulating budget proposals for 2014/15 and the medium term the Commissioner has concerns that a 'tipping point' between reduced policing resources (as a result of reductions in Government Grant) and the levels of crime and anti-social behaviour are in danger of being reached and for action needed to be taken to redress the balance.

Mindful also of the demographic and age profile of the current workforce, and the need to continue to ensure the workforce appropriately reflects the community it serves, provision has been made for the recruitment of 250 additional police officers in 2014/15 (replacing broadly the number of officers who are likely to retire or





otherwise leave the force in 2014/15), and subject to review a further 200 additional police officers in 2015/16 and the establishment of 100 new police staff posts to release police officers for more operational duties.

The cost of these posts will be funded by a mixture of savings, a precept increase in line with Government guidelines and the prudent use of the Budget Reserve over the medium term.

The Police Reform and Social Responsibility Act 2011 sets out a stage 2 transfer which refers to the subsequent movement of staff, property rights and liabilities from the PCC to the Chief Constable. The stage 2 transfer is designed to allow the PCC the freedom to make local arrangements about how their functions and those of the police force will be discharged in future. In establishing these arrangements the PCC will clarify with the Chief Constable who will employ which staff, hold which properties and be responsible for assets and liabilities. This work has now been finalised and the arrangements under stage 2 took effect from 1 April 2014.

## **EVENTS AFTER THE REPORTING PERIOD**

As at 1 April 2014, the PCCWM and CCWMP commenced a transfer of people from the PCCWM to the Chief Constable. This was part of the stage 2 transfer under the Police Reform and Social Responsibility Act 2011.

The 2 entities now operate a joint scheme of corporate governance which provides a framework which ensures business is carried out lawfully and efficiently, ensuring that decisions are not unnecessarily delayed and are taken at the appropriate level. This scheme is designed to:

- Set out in detail the terms on which the respective functions of the PCC and CC will be exercised, in order to comply with the Police Reform and Social Responsibility Act 2011('the Act'), the Policing Protocol Order 2011 and all other legislation and achieve the objectives set out in the PCC's Police and Crime Plan;
- Set out the extent and any associated conditions attaching to the PCC's consent to the Chief Constable's exercise of the powers to enter into contracts and acquire or dispose of assets, excluding land and property.
- Set out the extent and details attaching to the delegations to their staff and officers which the PCC and CC can exercise.

All Police officers, PCSO's and staff with the exception of those staff within the Office for Policing and Crime moved to the CCWMP and reside under his direction and control. A number of provisions in relation to the use and ownership of assets have also been agreed as part of the stage 2 transfer. This will impact on the Comprehensive Income and Expenditure Statement and Balance Sheet of both the PCCWM and the CCWMP when their accounts are produced at the end of the 2014-15 financial year.

The transfer of resources to the Chief Constable as part of the stage 2 transfer discussed above is deemed to be a non-adjusting post balance sheet event.





## **West Midlands Police Annual Governance Statement**

Position as at 31<sup>st</sup> March 2014 including plans for the financial year 2014/15

### **1. Introduction**

On 22 November 2012, the Chief Constable became a new and separate corporation sole, with specific, and in some cases new, statutory responsibilities. At the same time, the Police and Crime Commissioner for the West Midlands (the Commissioner) became the successor corporate body to the former West Midlands Police Authority.

Since then, with effect from the 1<sup>st</sup> April 2014, the Commissioner and the Chief Constable have implemented the Stage 2 Transfer process, agreed with the Home Secretary, whereby the bulk of police staff transfer from the employ of the Commissioner to the employ of the Chief Constable.

Further, this transfer requires a change in the scheme of governance, which was formerly based upon a system of consents and delegations. To address this, a joint scheme of governance is presently being developed by a joint senior officer group.

This Annual Governance Statement covers the first full year where a separate statement is required for Chief Constable.

After the sad and sudden death of Commissioner Bob Jones on 1 July 2014, an election took place on 21 August 2014 and David Jamieson was duly elected as the new Police and Crime Commissioner for the West Midlands.

### **2. Scope of Responsibilities**

West Midlands Police is responsible for ensuring its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. West Midlands Police also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, West Midlands Police is also responsible for putting in place proper arrangements for the governance of its 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.

West Midlands Police has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework: *Delivering Good Governance in Local Government*, a copy is on our website at [www.west-midlands.police.uk](http://www.west-midlands.police.uk) or can be obtained by contacting us, details at [www.west-midlands-police.uk/contactus.asp](http://www.west-midlands-police.uk/contactus.asp) This statement explains how West Midlands Police has complied with the code and also meets the requirements of Accounts and Audit Regulations 2011, regulation 4(3), which requires all relevant bodies to prepare an annual governance statement.

### **3. The Purpose of the Governance Framework**

The governance framework comprises the systems and processes, and culture and values by which West Midlands Police is directed and controlled and its activities through which it accounts to and engages with the community. It enables West Midlands Police to monitor the achievement of its strategic objectives and to



consider whether those objectives have led to the delivery of appropriate, cost effective services, including achieving value for money.

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

The governance framework has been in place at West Midlands Police for the year ended 31<sup>st</sup> March 2014 and up to the date of approval of the annual report and statement of accounts.

#### **4. The Governance Framework**

The Chief Constable is responsible for operational policing matters, the direction and control of police personnel, and for putting in place proper arrangements for the governance of the Force. The Chief Constable is held to account for the exercise of those functions and those of the persons under his direction and control, by the Police and Crime Commissioner (Commissioner)

It therefore follows that the Commissioner must satisfy himself that the Force has appropriate mechanisms in place for the maintenance of good governance. For these to operate in practice, the Commissioner and the Chief Constable, as separate corporations sole have separate but complementary governance structures. These facilitate the achievement of effective governance arrangements, including the monitoring and assessment of performance in line with statutory responsibilities.

The Chief Constable has adopted a number of systems and processes which together with the phased review and revision of the new working relationships with the Commissioner comprise the Chief Constable's governance arrangements, the key elements of which are detailed below:

- Consistently demonstrating our integrity and values;
- identifying and communicating West Midlands Police's vision of its purpose and intended outcomes for citizens and service users;
- reviewing West Midlands Police's vision and strategy and its implications for governance arrangements;
- translating the vision into objectives for West Midlands Police and its partnerships;
- measuring the quality of services for users, to ensure they are delivered in accordance with the West Midlands Police's objectives and represent the best use of resources and value for money;
- developing, communicating and embedding codes of conduct, defining the standards of behaviour for officers and staff;
  
- reviewing the effectiveness of West Midlands Police's decision-making framework, including delegation arrangements, decision making in partnerships and robustness of data quality;
- reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability;
- ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained;
- ensuring effective management of change and transformation;
- ensuring West Midlands Police's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) and, where they do not, explain why and how they deliver the same impact;
- ensuring West Midlands Police's assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010) and, where they do not, explain why they deliver the same impact;



- undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committee – Practical Guidance for Local Authorities;
- ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful;
- whistle blowing and for receiving and investigating complaints from the public;
- identifying the development needs of senior officers in relation to their strategic roles, supported by appropriate training;
- establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation;
- enhancing the accountability for service delivery and effectiveness of other public service providers;
- complying with requirements in relation to transparency and Freedom of Information;
- incorporating good governance arrangements in respect of partnerships and other joint working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in West Midlands Police's overall governance arrangements.

## 5. Review of Effectiveness

West Midlands Police has responsibility for conducting, at least annually, a review of the effectiveness of the governance framework, including, the system of internal audit.

The review of effectiveness is informed by the work of the executive managers within West Midlands Police, who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's Annual report, and also by comments made by the External auditors and other review agencies and inspectorates.

In maintaining and reviewing the effectiveness of the governance arrangements, the following roles are undertaken:

- The Force

West Midlands Police operates a system of strongly controlled arrangements for the delivery of operational policing in its communities, together with management and monitoring arrangements for:

- Performance management and associated reporting;
- Financial management;
- Standards of data quality that underpin key reporting requirements;
- The professional standards of police officers and staff in the Force;
- Programme and project management.

These functions are organised within clear reporting structures in the Force, designed to provide the Chief Constable and the Command Team with assurances as to the effective delivery of operational policing and the Commissioner's Policing and Crime plan.

The force has continued with significant organisational changes during 2013/14 that have been necessary to release further savings required to meet the reduced funding allocations. Throughout these changes the framework of controls has been maintained and they will continue to be reviewed as part of the on-going change process of the force.

- The Joint Audit Committee

The Commissioner and Chief Constable have established a Joint Audit Committee to be responsible, on behalf of both Corporations Sole, to:



- Advise the Commissioner and the Chief Constable according to good governance principles;
  - Provide independent assurance on the adequacy and effectiveness of the Commissioner's and Chief Constable's internal control environment and risk management framework;
  - Oversee the effectiveness of the framework in place for ensuring compliance with statutory requirements and in particular those in respect of health and safety and equalities and diversity;
  - Independently scrutinise financial and non-financial performance to the extent that it affects the Commissioner's and Chief Constable's exposure to risks and weakens the internal control environment;
  - Oversee the financial reporting process.
- Internal Audit

The system of Internal Audit is a primary tenet of corporate governance and is the responsibility of the Commissioner. The provision and maintenance of an effective shared Internal Audit service for the PCC and CC has been delegated to the PCC's Chief Finance Officer. The Audit Committee oversees the provision of this service, reviewing associated plans and work outputs. The effectiveness of the system of Internal Audit is reviewed on an annual basis and forms part of the assurance protocols in relation to corporate governance. The standards of Internal Audit are assessed against national guidelines of best practice, including the Public Sector Internal Audit Standards and the current arrangements are fully compliant with these guidelines. The External Auditor also reviews the effectiveness of these arrangements and reports on an exception basis to the Audit Committee on the performance of Internal Audit.

## 6. Significant Governance Issues

The introduction of Police and Crime Commissioners and the abolition of Police Authorities created major changes in the governance arrangements required for the Police Service. The Commissioner and the Chief Constable are now separate corporation soles with specific, and in some cases new, statutory responsibilities. Developing and embedding new governance arrangements and working relationships continue to be a priority as discussed earlier in this statement.

The Commissioner has set up new governance and scrutiny arrangements for holding the Chief Constable to account, implemented through the roles of Deputy PCC, Assistant PCCs and Non Executive Directors, who together form the Strategic Policing and Crime Board. This arrangement will need to be kept under review to ensure it continues to provide effective scrutiny and challenge for the Force.

The Force previously operated under a Scheme of Consents and Delegations which was introduced in November 2012. This governance mechanism has been recognised as requiring change to reflect the separate nature now of the two corporations sole. Work has been completed to develop a draft scheme of governance via a senior officer governance board during the year.

Work will continue into 2014/15 to further develop this draft scheme into an effective and more matured scheme of governance as necessary, providing the required levels of transparency for both the Commissioner and the Chief Constable relating to the operational and financial control of the two corporations, the decision making processes and compliance with the necessary publication requirements of this governance structure to meet the provisions of the Statutory Information Order.

Having developed the scheme, the board will continue to keep arrangements under review, including risk management arrangements of the two corporations, and this work will culminate each year with the production of this statement.

During 2013/14 the Force has successfully met the challenges of:



- Continued to maintain and improve service levels despite experiencing the biggest reduction in Government funding levels for any Police Service in the Country during the period of the current Comprehensive Spending Review:
- Continuing to implement the Organisational Change Programme, including making preparations to deliver and implement some of the most fundamental changes in the way services are delivered to the public.
- Continuing with the development and implementation of new Governance arrangements.

The Commissioner is undertaking a procurement exercise to appoint an Innovation and Integration Partner (IIP) under a five year contract. This partner will be responsible for designing and delivering a programme of change for the Force that will address financial and service delivery challenges over the medium term. Whilst the operational governance of the Force will remain unchanged and exercised through the Command Team, the commercial construct of the proposed partnership will include elements linked to Force performance and hence this will create a new governance tension within the change programme that will need to be robustly managed and worked through over the contract period. The contract award is due to take place in July 2014.

Significant changes to the corporate estate are also planned in the next few years.

The scale of change facing the Chief Constable remains extremely challenging, at a time when the demand and need for sustained and improved service to the public continues to increase. This will require firm leadership, careful management, innovation and robust scrutiny. We will continue to monitor and update plans, policies and risk documentation as more information becomes available.

**Signed**

A handwritten signature in black ink, appearing to read 'Chris Sims'.

Chris Sims  
Chief Constable of West Midlands Police

A handwritten signature in black ink, appearing to read 'David Wilkin'.

Mr David Wilkin CFPA  
Director of Resources West Midlands Police



# STATEMENT OF ACCOUNTING POLICIES

## General Principles

The Statement of Accounts summarises the Force's transactions for the 2013-14 financial year and its position at the year end of 31 March 2014. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013-14: Based on International Financial reporting Standards published by the Chartered Institute of Public Finance and Accountancy (CIPFA). Guidance notes issued by CIPFA on the application of accounting standards to local authorities have in general been followed, and any exceptions to this are disclosed below. The accounting policies below also reflect the powers and responsibilities of the Chief Constable of West Midlands Police as designated by the Police Reform and Social Responsibility Act 2011 and the Home Office Financial Management Code of Practice for the Police Service, England and Wales 2012. The accounting policies defined here are consistent with local regulations, local agreement and practice as well as the PCCWM group policies.

### 1. Operating Costs

Costs are recognised within the Chief Constable's accounts to reflect the resources consumed by activities under his direction and control. This has been completed on the basis of CIPFA's Service reporting Code of Practice. Costs for Police services as indicated in the SeRCOP analysis sections 1-9 (for core police services) have been allocated to the Chief Constable. This recognises the costs of Police Officers and Police staff under the Chief Constable's direction and control. Supporting functions such as building utilisation have been linked to the assets themselves and remain under the direction of the PCC and hence are not charged to the Chief Constable. These support costs include buildings, ICT and vehicles, and other support functions which are not directly related to the objective analysis of policing costs.

All expenditure within the group accounts is paid for by the PCCWM as the Office for the PCC holds all the funds and controls the bank accounts for the Group. Hence an intra-group adjustment is made to account for the resources consumed by the Chief Constable so that the net cost of police services for the Chief Constable are fully transferred to the PCC/Group.

### 2. Treatment of Grants

The Chief Constable recognises specific revenue grants which relate to particular aspects of the Force's functions and have been shown as income in determining net expenditure. These include the Counter Terrorism Grant and other non-material Home Office grants. The Chief Constable also recognises the Police pensions top-up grant in financing and investment income in the Comprehensive Income and Expenditure account.

### 3. Employee Benefits

#### Benefits payable during employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and these benefits are recognised as an expense in the year in which the employee renders service to the CCWMP.

IAS 19 Employee Benefits requires the CCWMP to account for short term compensating absences which include time owing and annual leave accrued by accruing for the benefits which have accumulated but are untaken by the Balance Sheet date. The amount will be recognised in the Comprehensive Income and Expenditure Statement in the period in which officers gain entitlement to the benefit. The cost of annual leave entitlement and time off in lieu earned but not taken at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry forward leave into the next period. The full cost





of short term compensated absences will be recognised in the accounts of the Chief Constable as the vast majority of staffing costs are recognised in the Chief Constables accounts and any charge to the PCC would not be material.

### **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Organisation to terminate a member of staff's employment before their normal retirement date or their decision to accept voluntary redundancy. These are charged as an expense in the Comprehensive Income and Expenditure Statement when the Chief Constable is demonstrably committed to the termination of the employment of an individual or group of employees or making an offer to encourage voluntary redundancy.

### **Post employment benefits**

The Police Pensions Scheme is unfunded and therefore net pension payments are charged against the year in which they are made, rather than being provided for by means of a pension fund. All receipts and payments relating to the 1987 and 2006 Police Pensions Regulations are generally receivable into and payable out of the pensions fund and specific provision is made for officers' contributions and inward transfer values to be paid into the fund and for awards payable and outward transfer values to be paid out of the fund. Transfers into and out of the fund are recognised as income to (or expenditure from) the Police Pension fund account in the year in which the transfer occurs.

The Police Pension Scheme note includes a separate disclosure of the 1987 Police Pension Scheme liabilities, the 1987 Police Pension Scheme injury awards liabilities and the 2006 Police Pension Scheme liabilities. This disclosure reflects the material nature of all 3 schemes in operation. Scheme liabilities are shown on the Balance Sheet following the requirements of the code and IAS 19.

Pension payments to former civilians are funded through an employer's contribution to the West Midlands Metropolitan Authorities Superannuation Fund (the LGPS), administered by Wolverhampton City Council. This is accounted for as a defined benefit scheme:

- a. The rate of contribution in 2013-14 was 10.3%.
- b. The liabilities of the scheme 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 future earnings for current employees.
- c. Liabilities are discounted to their value at current prices, using a discount rate of 4.6% (based on the indicative rate of return on AA rated corporate bonds of appropriate duration).
- d. The assets of the fund attributable to the Group are included in the Balance Sheet at their fair value:
  - i. Quoted securities – current bid price
  - ii. Unquoted securities – professional estimate
  - iii. Unitised securities – current bid price
  - iv. Property – market value
- e. The change in the net pensions liability is analysed into the following components:
  - i. *Current service cost* – the increase in liabilities as a result to years of service earned this year
  - ii. *Past service cost* – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – this is debited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs





- iii. *Net Interest on the net defined benefit liability (asset)* – the net interest expenses for the organisation. This is debited to the financing and investing income and expenditure line in the Comprehensive Income and Expenditure Statement
- iv. *Gains or losses on settlements and curtailments* – the result of actions to relieve the Group of liabilities or events that reduce the expected future service or accrual of benefits of employees. This is debited or credited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- v. *Remeasurements* – this comprises of (1) the return on plan assets excluding the amount included in net interest on the net defined benefit liability (asset) charged to the Pensions Reserve as Other Comprehensive Income and Expenditure and (2) actuarial gains and losses changes – 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. These are charged to the Pensions Reserve as other Comprehensive Income and Expenditure.
- vi. *Contributions paid to the pension fund* – cash paid as employers' contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Chief Constable to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement 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 any amounts payable to the fund but unpaid at the year-end.

The Chief Constable recognises pension costs for all police officers and police staff in these accounts. This includes the staff of the Office for the Police and Crime Commissioner who, whilst not under the direction and control of the Chief Constable do not form a material part of this pension cost in the accounts and are not supported by a separable actuarial valuation.

#### **4. Intra-Group funding arrangements and cost recognition**

The Chief Constable recognises the costs of salaries of police officers, police community support officers and police staff with the exception of those staff working in the Office for Policing and Crime. There is no transfer of real cash between the PCC and Chief Constable and the latter does not have a bank account into which monies can be received or paid from. Costs are recognised in the Chief Constable's Accounts to reflect the PCC's resources consumed in the direction and control of day-to-day policing at the request of the Chief Constable. The Accounts reflect the ownership of the assets by the Police and Crime Commissioner and as such the cost of maintaining these assets is borne by the PCC. The Chief Constable recognises the employment and post-employment costs and liabilities in his Accounts. To fund these costs and liabilities the Chief Constable's Accounts show as income a transfer of resources from the PCC to the Chief Constable for the cost of policing services. As the Chief Constable is now able to exercise sections 21 and 22 of the Local Government Act 2003 the Chief Constable will disclose the full pension's liability and a corresponding pensions reserve in his Balance Sheet. The Chief Constable will also disclose the pensions top-up grant in his accounts to reflect income received to offset the cost of pensions paid in year.

#### **5. Value Added Tax**

The Chief Constable is not registered for VAT as an entity. The PCCWM submits a single VAT return to HM Revenue and Customs on behalf of the Group. Income and Expenditure excludes any amounts related to VAT as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from them.



## 6. Events after the end of the Reporting Period

Events which occur between the end of the reporting period (31 March) and the date when the Statement of Accounts are authorised for issue are known as post-Balance Sheet events. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – these are known as adjusting events and the Statement of Accounts is adjusted to reflect these events. The Operating cost statement of the Chief Constable will reflect any adjustments where appropriate.
- Those that are indicative of conditions that arose after the reporting period – these are known as non adjusting events and the Statement of Accounts is not adjusted to reflect such events. However, where the event would have a material effect on the accounts, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events which appear after the date of authorisation for issue are not reflected in the Statement of Accounts.

## 7. 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 the sale of goods is recognised when the CCWMP transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the CCWMP
- Revenue from the provision of services is recognised when the CCWMP can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the CCWMP.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

## 8. Prior period adjustments, changes in accounting policies and estimates and errors

Prior period adjustments may arise as a result of a change in accounting policy or to correct a material error. Changes in accounting estimates are accounted for in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Chief Constable of West Midlands Police's financial position or financial performance.

Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparable amounts for the prior period.



## STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

### THE RESPONSIBILITIES OF THE CHIEF FINANCE OFFICER TO THE CHIEF CONSTABLE

The Chief Finance Officer is responsible for the preparation of the Chief Constable of West Midlands Police Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code of Practice"), is required to give a true and fair view of the financial position of the Force at the accounting date and its income and expenditure for the year ended 31 March 2014.

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

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the CIPFA IFRS Code of Practice on Local Government Accounting.

The Chief Finance Officer has also:

- ensured that proper accounting records were kept and are up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

### CHIEF FINANCE OFFICER TO THE CHIEF CONSTABLE OF WEST MIDLANDS POLICE CERTIFICATE

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Chief Constable of West Midlands Police as at 31 March 2014 and his income and expenditure for the year then ended.

A handwritten signature in black ink, appearing to be 'D Wilkin', written over a horizontal line.

D Wilkin CPFA

Chief Finance Officer to the Chief Constable of West Midlands Police

Date: 30 September 2014

### THE RESPONSIBILITIES OF THE CHIEF CONSTABLE OF WEST MIDLANDS POLICE

The Chief Constable of West Midlands Police is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this entity that officer is the Chief Constable's Chief Finance Officer.
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- to approve the Statement of Accounts.



## CHIEF CONSTABLE OF WEST MIDLANDS POLICE CERTIFICATE

I certify that the Statement of Accounts presented to the Audit Committee, at a meeting on 25 July 2014 have been certified by the responsible financial officer and approved by the Chief Constable of West Midlands Police on 22 September 2014, in accordance with regulations 8 and 13 of the Accounts and Audit (England) Regulations 2011.

A handwritten signature in black ink, appearing to read 'Chris Sims'.

Chris Sims QPM  
Chief Constable of West Midlands Police  
Date: 30 September 2014



## **INDEPENDENT AUDITOR'S REPORT TO THE CHIEF CONSTABLE FOR THE WEST MIDLANDS**

### **Opinion on the financial statements**

We have audited the financial statements of the Chief Constable for the West Midlands for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the related notes and the Appendix – restatement of 2012-13 comparatives and include the police pension fund financial statements comprising the Police Pension Fund Account and the Notes to the Pension Fund Account. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

This report is made solely to the Chief Constable for the West Midlands in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Chief Constable for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Chief Finance Officer and auditor**

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Chief Constable's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



## **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of the Chief Constable for the West Midlands as at 31 March 2014 and of his expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and applicable law.

## **Opinion on other matters**

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Matters on which we report by exception**

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Chief Constable to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

## **Conclusion on the Chief Constable's arrangements for securing economy, efficiency and effectiveness in the use of resources Respective responsibilities of the Chief Constable and the auditor**

The Chief Constable is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in his use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Chief Constable has made proper arrangements for securing economy, efficiency and effectiveness in his use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Chief Constable has put in place proper arrangements for securing economy, efficiency and effectiveness in his use of resources. We are not required to consider, nor have we considered, whether all aspects of the Chief Constable's arrangements for securing economy, efficiency and effectiveness in his use of resources are operating effectively.



## **Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Chief Constable has proper arrangements for:

- securing financial resilience; and
- challenging how he secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Chief Constable put in place proper arrangements for securing economy, efficiency and effectiveness in his use of resources for the year ended 31 March 2014. We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Chief Constable had put in place proper arrangements to secure economy, efficiency and effectiveness in his use of resources.

## **Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, the Chief Constable for the West Midlands put in place proper arrangements to secure economy, efficiency and effectiveness in his use of resources for the year ended 31 March 2014.

## **Certificate**

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Police and Crime Commissioner's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

John Gregory  
Director

for and on behalf of Grant Thornton UK LLP, Appointed Auditor  
Colmore Plaza  
20 Colmore Circus  
Birmingham  
B4 6AT

30 September 2014





## CHIEF CONSTABLES MOVEMENT IN RESERVES STATEMENT 2013-14

This statement shows the movement in the 2012-13 and 2013-14 financial years on the different reserves held by the Chief Constable. This is analysed into usable reserves (i.e. those that can be used to fund expenditure or reduce local taxation) and unusable reserves. At present, the only transactions shown in this statement relate to the pensions reserve and the accumulated absences account reflecting movements relating to police officers and staff under the direction and control of the Chief Constable. All other reserves are managed by the PCC. The financial consequences of the operational activities undertaken by the Chief Constable can be seen in the Comprehensive Income and Expenditure Statement. The comparative figures for 2012-13 have been restated. The full restatement is shown in Appendix 1 at the end of these statements.

	Usable Reserves	Unusable Reserves			Total Reserves
	General Fund Balance	Pensions Reserve	Accumulated Absences Account	Total	
	£'000	£'000	£'000	£'000	£'000
<b>Balance as at 1 April 2012</b>	<b>0</b>	<b>4,999,497</b>	<b>3,346</b>	<b>5,002,843</b>	<b>5,002,843</b>
Deficit on the provision of services on an accounting basis	241,527	0	0	0	241,527
Remeasurements of the net defined benefit liability	0	819,134	0	819,134	819,134
<b>Total Comprehensive Income and Expenditure</b>	<b>241,527</b>	<b>819,134</b>	<b>0</b>	<b>819,134</b>	<b>1,060,661</b>
Actual Amounts charged against the pensions fund for the year	81,078	(81,078)	0	(81,078)	0
Difference in pension costs between accounting basis and funding basis	(323,238)	323,238	0	323,238	0
Difference in employee remuneration costs (between accounting and funding basis)	633	0	(633)	(633)	0
<b>Adjustments between accounting basis and funding basis under regulations</b>	<b>(241,527)</b>	<b>242,160</b>	<b>(633)</b>	<b>241,527</b>	<b>0</b>
Net increase or (decrease)	0	1,061,294	(633)	1,060,661	1,060,661
<b>Balance as at 31 March 2013</b>	<b>0</b>	<b>6,060,791</b>	<b>2,713</b>	<b>6,063,504</b>	<b>6,063,504</b>
<b>Balance as at 01 April 2013</b>	<b>0</b>	<b>6,060,791</b>	<b>2,713</b>	<b>6,063,504</b>	<b>6,063,504</b>
Deficit on the provision of services on an accounting basis	289,235	0	0	0	289,235
Remeasurements of the net defined benefit liability	0	(385,559)	0	(385,559)	(385,559)
<b>Total Comprehensive Income and Expenditure</b>	<b>289,235</b>	<b>(385,559)</b>	<b>0</b>	<b>(385,559)</b>	<b>(96,324)</b>
Actual Amounts charged against the pensions fund for the year	78,946	(78,946)	0	(78,946)	0
Difference in pension costs between accounting basis and funding basis	(367,745)	367,745	0	367,745	0
Difference in employee remuneration costs (between accounting and funding basis)	(436)	0	436	436	0
<b>Adjustments between accounting basis and funding basis under regulations</b>	<b>(289,235)</b>	<b>288,799</b>	<b>436</b>	<b>289,235</b>	<b>0</b>
Net increase or (decrease)	0	(96,760)	436	(96,324)	(96,324)
<b>Balance as at 31 March 2014</b>	<b>0</b>	<b>5,964,031</b>	<b>3,149</b>	<b>5,967,180</b>	<b>5,967,180</b>



## CHIEF CONSTABLE'S COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT 2013-14

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. It summarises the resources that have been generated and consumed in providing policing and crime reduction services during the year.

2012-13 Gross Exp £'000 restated	2012-13 Gross Income £'000 restated	2012-13 Net Exp £'000 restated	Note	2013-14 Gross Exp £'000	2013-14 Gross Income £'000	2013-14 Net Exp £'000
237,828	(19,036)	218,792		238,184	(2,797)	235,387
50,029	0	50,029		50,127	(12)	50,115
34,124	(5,574)	28,550		36,702	(3,257)	33,445
20,151	(4,746)	15,405		21,105	(4,307)	16,798
29,297	(5,069)	24,228		32,838	(5,812)	27,026
34,720	(1,268)	33,452		37,748	(2,034)	35,714
134,854	(3,634)	131,220		143,208	(1,520)	141,688
13,884	(1)	13,883		13,380	(2)	13,378
38,870	(35,639)	3,231		40,812	(30,554)	10,258
<b>593,755</b>	<b>(74,967)</b>	<b>518,790</b>		<b>614,104</b>	<b>(50,295)</b>	<b>563,809</b>
1,198	(1,198)	0		1,418	(1,418)	0
743	0	743	16	718	0	718
<b>595,696</b>	<b>(76,165)</b>	<b>519,533</b>		<b>616,240</b>	<b>(51,713)</b>	<b>564,527</b>
<b>595,696</b>	<b>(76,165)</b>	<b>519,533</b>		<b>616,240</b>	<b>(51,713)</b>	<b>564,527</b>
245,073	0	245,073	16	261,241	0	261,241
0	(53,330)	(53,330)		0	(59,947)	(59,947)
<b>245,073</b>	<b>(53,330)</b>	<b>191,743</b>	16	<b>261,241</b>	<b>(59,947)</b>	<b>201,294</b>
<b>0</b>	<b>(469,749)</b>	<b>(469,749)</b>		<b>0</b>	<b>(476,586)</b>	<b>(476,586)</b>
<b>840,771</b>	<b>(599,244)</b>	<b>241,527</b>		<b>877,481</b>	<b>(588,246)</b>	<b>289,235</b>
819,134	0	819,134			(385,559)	(385,559)
<b>819,134</b>	<b>0</b>	<b>819,134</b>		<b>0</b>	<b>(385,559)</b>	<b>(385,559)</b>
<b>1,659,905</b>	<b>(599,244)</b>	<b>1,060,661</b>		<b>877,481</b>	<b>(973,805)</b>	<b>(96,324)</b>

The 2012-13 values have been re-stated to reflect changes in IAS 19 requirements and changes to the way in which the PCC funds the resources of the Chief Constable. This Comprehensive Income and Expenditure Statement should be compared with the objective analysis within the PCC and Group accounts to compare the costs over which the Chief Constable has direction and control to the total costs of the PCC and the Group.



## CHIEF CONSTABLE'S BALANCE SHEET 2013-14

The Balance Sheet for the Chief Constable of West Midlands Police shows the value as at 31 March 2014 (the Balance Sheet date) of the assets and liabilities recognised by the CCWMP. The assets and liabilities recognised relate to the Police Officers and Police Staff under the direction and control of the Chief Constable. The net liabilities of the CCWMP are met by the reserves held by the entity.

	As at 31 March 2013 (re-stated)		As at 31 March 2014		Notes
	£'000s	£'000s	£'000s	£'000s	
	0		0		
<b>Long Term Assets</b>					
<b>Total Long term Assets</b>		<u>0</u>		<u>0</u>	
<b>Current Assets</b>	0		0		
<b>Total Current Assets</b>		<u>0</u>		<u>0</u>	
<b>Current Liabilities</b>					
Short Term Creditors	(2,713)		(3,149)		
<b>Total Current Liabilities</b>		<u>(2,713)</u>		<u>(3,149)</u>	15
<b>Long term Liabilities</b>					
Liability relating to defined benefit pension scheme	(6,060,791)		(5,964,031)		16
<b>Total Long term Liabilities</b>		<u>(6,060,791)</u>		<u>(5,964,031)</u>	
<b>Net Assets/(Liabilities)</b>		<u>(6,063,504)</u>		<u>(5,967,180)</u>	
<b>Reserves</b>					
Usable Reserves		<u>0</u>		<u>0</u>	
Unusable Reserves		<u>6,063,504</u>		<u>5,967,180</u>	15
<b>Total reserves</b>		<u>6,063,504</u>		<u>5,967,180</u>	

The net liabilities of the pension fund are matched by a negative reserve of £5,967m. However this will be met by future employee contributions to the pension scheme and receipt of Home Office grant monies covering annual pension fund deficits. Ultimately – finance is only required to be raised to cover police pensions when the pensions are actually paid.



## CHIEF CONSTABLE CASH FLOW STATEMENT 2013-14

The Cash Flow Statement shows the changes in cash and cash equivalents of the CCWMP during the reporting period. However, all the payments were made from the Police Fund which is held by the PCC. Similarly, all income and funding is received by the PCC so the Chief Constable does not have any real cash flows from operating activities.

As at 31 March 2013		Notes	As at 31 March 2014	
£'000	£'000		£'000	£'000
	<b>241,527</b>	Net deficit on the provision of services		<b>289,235</b>
		Adjust the net deficit on provision of services for non-cash movements		
(242,160)		Pensions Movements	(288,799)	
0		Increase/(decrease) in debtors	0	
633		(Increase)/decrease in creditors	(436)	
	<b>0</b>	<b>Net cash flows from operating activities</b>		<b>0</b>
	<b>0</b>	<b>Cash and cash equivalents</b>		<b>0</b>



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## 1. RESTATEMENT OF COMPARATIVE FIGURES

### (a) The status of the Chief Constable

Following the Police Reform and Social Responsibility Act 2011 West Midlands Police Authority was replaced on 22 November 2012 by 2 'corporation sole' bodies – The Police and Crime Commissioner for West Midlands (PCC) and the Chief Constable of West Midlands Police (CC).

The Police Reform and Social Responsibility Act 2011 did not permit Chief Constables to apply sections 21 and 22 of the Local Government Act 2003 (accounts) which would have allowed them to account for transactions in the same way as a Local Authority.

As a result, at the time of preparing the 2012-13 financial statement Chief Constables lacked the statutory powers to remove the notional debit and credit transactions for retirement benefits through an unusable reserve 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. This resulted in the Chief Constable having a financial guarantee which would be met with the transfer of funds from the Police and Crime Commissioner as – at this time the Chief Constable was not able to hold reserves.

Similarly, statutory provisions required the police fund to be charged with employee compensated absences which had been earned but not taken during the year. This included the value of annual leave entitlement and time owing carried forward as at 31<sup>st</sup> March 2013.

This charge is then reversed out through an unusable reserve in the Movement in Reserves Statement so that the accounting entries do not impact on the requirement to raise council tax. As the Chief Constable did not have Local Authority status at the time of producing the 2012-13 financial statements – the Chief Constable's Accumulated Absences Account was included in the accounts as a usable reserve.

Since the publication of the 2012/13 financial statements the status of the Chief Constable as an entity has changed. The Police Reform and Social Responsibility Act 2011 (Transitional Provision) Order 2013 was laid before Parliament on 17 September 2013 and is effective from 31 March 2014. This order permits Chief Constables to apply Sections 21 and 22 of the Local Government Act 2003 (accounts) to their transactions which allows the entity to transact in the same way as a Local Authority.

As a result, the Chief Constables Pension Reserve and Accumulated Absences Account have been restated from a financial guarantee from the Police and Crime Commissioner to an unusable reserve. The establishment of an unusable reserve has resulted in the presentation of a Movement in Reserves Statement for the Chief Constable and a separate Movement in Reserves Statement for the PCC.

The change in status of the Chief Constable has required a restatement of the 2012-13 Movement in Reserves Statement and the Balance Sheet. The restatements are presented as an appendix to these accounting statements starting on page 51.

### (b) IAS 19 Pensions changes

The International Accounting Standards Board (IASB) has amended International Accounting Standard (IAS) 19 'Employee Benefits'. The changes were introduced on 1 January 2013. This revised standard affects the 2013-14 financial statements as follows:

- Actuarial gains and losses have been renamed as 're-measurements on the defined benefit liability/asset' and are recognised immediately in the Balance Sheet with a corresponding charge (or



credit) to the Comprehensive Income and Expenditure Statement in the period in which they occur. Re-measurements are made up of actuarial gains and losses on the defined benefit obligation, the difference between actual investment returns and the return implied by the net interest cost and the effect on the asset ceiling.

- Pension's interest costs are now calculated by applying the discount rate on the net defined benefit liability/asset, rather than on the expected return on the scheme assets. The reduction in this charge will be offset within re-measurements and there will be no impact on the Balance Sheet. A new net interest line is also required to be disclosed. This replaces the disclosure of the pension interest cost and expected return on assets.
- Past service costs are now recognised in the Comprehensive Income and Expenditure Statement in the period when an entity amends a benefit plan for services in prior periods, rather than allowing the entity to spread the cost over multiple periods.
- Liabilities for termination benefits incurred will now be recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises and related restructuring costs.
- Interest charges on current service costs are now charged with current service costs to the net cost of services, with a corresponding offset within the net pensions interest cost (within financing and investment income and expenditure).

Some additional disclosures have been added within the pension note to explain the characteristics of the defined benefit plans. These include a fuller analysis of assets held in the Local Government Pension Scheme and a sensitivity analysis to changes in the actuarial assumptions.

These changes have no overall impact on the General Fund Balance. These changes have resulted in some restatements to the CC and Group accounts. These restatements are shown in an appendix to these accounting statements starting on page 54.





## 2. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

The Code of Practice on Local Authority Accounting in the United Kingdom 2013-14 (the Code) and IAS 8 requires the CCWMP 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.

In May 2011 the International Accounting Standards Board (IASB) published a package of 5 new standards which set out new standards for consolidation, accounting for joint arrangements and disclosure of interests in other entities. These will be adopted within the CIPFA Code in 2014-15. The new standards are:

IFRS 10 Consolidated financial statements

IFRS 11 Joint arrangements

IFRS 12 Disclosure of interests in other entities

In addition, the following standards were revised and renamed:

IAS 27 (2011) Separate financial statements (previously consolidated and separate financial statements), and; IAS 28 (2011) Investments in Joint Ventures and Associates (previously Investments in Associates).

The consolidation requirements that were previously included in IAS 27 (2008) and SIC-12 have been replaced and set out in a single standard IFRS 10. It is this standard which will impact on the Police and Crime Commissioners consolidated financial statements in 2014-15.

IFRS 10 states that control is the single basis for consolidation for all types of entities. The effect of adopting IFRS 10 will be limited because the PCC will continue to control the majority of the Chief Constable entities voting rights and wholly owns the Chief Constable entity for the benefit of itself and the group. The accounting requirements for IFRS 10 are the same as IAS 27 (2008) therefore the adoption of IFRS 10 is unlikely to have any impact on the financial statements in 2014-15 and the relationship between the parent (the PCCWM) and the subsidiary (the CCWMP) will remain the same.

IFRS 11 Joint arrangements and IFRS 12 Disclosure of interests in other entities are fully adopted by the CIPFA Code for accounting periods commencing on or after 01 April 2014. The CCWMP engages in a joint arrangement for the provision of motorway policing with Staffordshire and West Mercia Police forces and the provision of Legal Services with Staffordshire Police force. Both of these arrangements will be accounted for as joint operations in the same way as they are treated presently. Therefore these accounting standards will have no impact on the PCC or Chief Constable Accounts in 2014-15.

## 3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in pages 14 to 16 the CCWMP has had to make certain judgements about complex transactions involving uncertainty about future events. The critical judgements made in the statement of accounts are:

- A fundamental judgement has been made in relation to the production of the Statement of Accounts for the Chief Constable, PCCWM and the Group. It has been determined that the PCCWM has effective control over the physical assets of the Group. All liabilities with the exception of pension liabilities and liabilities to pay accumulated compensated absences are also deemed to sit with the PCC. The income and expenditure of the Group have been split between the CCWMP and the PCCWM based on judgements about the nature of transactions, principally based on decisions about which entity has the



ability to direct and control resources, the substance of transactions and in some cases their materiality. The accounting policies of the Group and the Chief Constable reflect the judgements that have been made in determining the accounting treatment for these assets, liabilities, income and expenditure.

- A judgement has been made about where the costs of policing should be presented in the accounts for the Chief Constable and the PCC/Group. It has been decided that all police officers and police staff and PCSO's whose role sits in the Service Reporting Code of Practice within policing services will be presented in the Chief Constables' accounts as the Chief Constable has day to day direction and control over these resources. Support costs are excluded from the analysis of costs within the Chief Constable's accounts. The pensions costs of all staff including those staff within the Office for the Police and Crime Commissioner are included in the accounts of the Chief Constable as these costs are not material and are not supported by a formal actuarial valuation.

#### 4. EVENTS AFTER THE BALANCE SHEET DATE

The transfer of resources to the Chief Constable as part of the stage 2 transfer discussed in the foreword is deemed to be a non-adjusting post balance sheet event. From 1 April 2014 all police officers, police community support officers (PCSO's) and the majority of police staff will transfer to the direction and control of the Chief Constable. The Commissioner has retained staff under his direction and control as required to manage the Office for Policing and Crime.

A number of provisions in relation to the use and ownership of assets have also been agreed as part of the stage 2 transfer. This will impact on the Comprehensive Income and Expenditure Statement and Balance Sheet of both the PCCWM and the CCWMP when their accounts are produced at the end of the 2014-15 financial year.

#### 5. MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimated figures that are based on assumptions made by the CCWMP about the future, or that are otherwise uncertain. Estimates are made, taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Chief Constables Balance Sheet as at 31 March 2014 for which there are significant risks of material adjustment in the next financial year are detailed in the table below.

Item	Uncertainties	Effect if actual results differ from assumptions
Pensions liability	Estimation of the net liability to pay pensions depends on a number of complex actuarial judgements related to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and the expected rate of return on the assets invested in the pension scheme. The CC uses 2 firms of actuaries to provide expert advice about the assumptions to be applied to the Police Pension Schemes and the Local Government Pension Scheme.	The effect on the net pension liability of changes in individual assumptions can be measured but they interact in complex ways. The liability as at 31 March 2014 is £5,964m (£6,061m in 2012-13) so a small percentage change in the overall liability can have a material impact on the accounts



## NOTES TO THE CHIEF CONSTABLE'S COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

### 6. SUBJECTIVE EXPENDITURE ANALYSIS OF THE NET COST OF POLICE SERVICES

2012-13 (re-stated) £'000		2013-14 £'000
	Financial Resources of the PCCWM consumed at the request of the Chief Constable	
442,076	Police Pay and Allowances	458,031
120,935	Police Staff and PCSO Pay and Allowances	123,154
2,966	Other Employee Expenses	2,371
<b>565,977</b>	<b>Sub Total Employee Costs</b>	<b>583,556</b>
2,747	Premises Related Costs	3,257
2,901	Transport/Travel Costs	2,530
19,782	Supplies and Services	22,213
3,548	Agency Expenses	3,965
(76,165)	Income	(51,713)
743	Non distributed costs	718
<b>519,533</b>	<b>Total Financial Resources of the PCCWM consumed at the request of the Chief Constable</b>	<b>564,527</b>
<b>519,533</b>	<b>Net Cost of Policing Services</b>	<b>564,527</b>
<b>191,743</b>	<b>Financing and investment income and expenditure</b>	<b>201,294</b>
<b>(469,749)</b>	<b>PCC funding for financial resources consumed</b>	<b>(476,586)</b>
<b>241,527</b>	<b>Deficit on the provision of services</b>	<b>289,235</b>
<b>819,134</b>	<b>Other Comprehensive Income and Expenditure</b>	<b>(385,559)</b>
<b>1,060,661</b>	<b>Net Comprehensive Income and Expenditure</b>	<b>(96,324)</b>

The increase in employee costs of £18m between 2012-13 and 2013-14 is due to a £34m increase in current service costs of police and police staff pensions (offset by a £16m real decrease in costs due to reduction in the size of the workforce). The current service pension costs replace the actual cash costs of pensions paid by the Chief Constable in the Statement of Accounts.

### 7. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The objective analysis of income and expenditure by police service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Command Team and PCC on the basis of budget reports analysed across police services and portfolios. These reports are based on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made in relation to capital expenditure. (depreciation, revaluation and impairment losses in excess of the balance in the Revaluation Reserve are charged to police services in the Comprehensive Income and Expenditure Statement)
- The cost of retirement benefits is based on cash flows (payments of employer's pension contributions) rather than current service costs of benefits accrued in the year.



The following table shows the PCC's resources which have been consumed at the request of the Chief Constable for the principal portfolios as recorded in reports to the Command Team of the police force for the year 2013-14. The second table shows the reconciliation of these management accounts to the Comprehensive Income and Expenditure statement.

Analysis of operating segments for 2013-14 by portfolio holders:

Chief Constable – Service information for year ended 31 March 2014

	ACC crime portfolio £000's	ACC local policing portfolio £000's	ACC operations portfolio £000's	ACC security portfolio £000's	Chief Information officer portfolio £000's	DCC portfolio £000's	Director of Resources portfolio £000's	Other £000's	Total £000's
Fees, Charges and Other Income	(5,499)	(498)	(12,712)	(692)	(1,309)	(36)	0	(95,167)	(115,913)
Government Grant	0	0	(1,473)	(27,989)	0	0	0	0	(29,462)
<b>Total Income</b>	<b>(5,499)</b>	<b>(498)</b>	<b>(14,185)</b>	<b>(28,681)</b>	<b>(1,309)</b>	<b>(36)</b>	<b>0</b>	<b>(95,167)</b>	<b>(145,375)</b>
Employee Expenses	129,297	137,900	102,999	72,536	7,544	7,569	25,019	107,630	590,494
Other Operating Expenses	5,793	663	13,193	10,039	127	62	164	633	30,674
<b>Total Operating Expenses</b>	<b>135,090</b>	<b>138,563</b>	<b>116,192</b>	<b>82,575</b>	<b>7,671</b>	<b>7,631</b>	<b>25,183</b>	<b>108,263</b>	<b>621,168</b>
<b>Net Expenditure</b>	<b>129,591</b>	<b>138,065</b>	<b>102,007</b>	<b>53,894</b>	<b>6,362</b>	<b>7,595</b>	<b>25,183</b>	<b>13,096</b>	<b>475,793</b>

Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement		2013-14 £000's
<b>Cost of Services in Service Analysis (as above)</b>		<b>475,793</b>
Add treated as PCC		0
Add services not included in main analysis		59,947
Add amounts not reported to management		166,809
Comprehensive Income and Expenditure Statement		(138,022)
Add corporate amounts		(184,265)
Less PCC funding for financial resources consumed		(476,586)
<b>Total Comprehensive Income in the Comprehensive Income and Expenditure Statement</b>		<b>(96,324)</b>

	Service Analysis £000's	Treated as Corporate Amount £000's	Treated as PCC £000's	Not reported to mgt £000's	Not Included in CIES £000's	Net Cost of Services £000's	Corporate Amounts £000's	Total £000's
Fees charges and other income	(115,913)	59,947	0	0	33,715	(22,251)	0	(22,251)
Top Up Grant	0	0	0	0	0	0	(59,947)	(59,947)
Government Grants and Contributions	(29,462)	0	0	0	0	(29,462)	0	(29,462)
<b>Total Income</b>	<b>(145,375)</b>	<b>59,947</b>	<b>0</b>	<b>0</b>	<b>33,715</b>	<b>(51,713)</b>	<b>(59,947)</b>	<b>(111,660)</b>
Employee Expenses	590,494	0	0	165,084	(171,737)	583,841	0	583,841
Other Operating Expenses	30,674	0	0	1,725	0	32,399	0	32,399
Pension and Interest Costs	0	0	0	0	0	0	261,241	261,241
Total Operating Expenses	621,168	0	0	166,809	(171,737)	616,240	261,241	877,481
<b>Net Operating Expenditure</b>	<b>475,793</b>	<b>59,947</b>	<b>0</b>	<b>166,809</b>	<b>(138,022)</b>	<b>564,527</b>	<b>201,294</b>	<b>765,821</b>
(Surplus)/Deficit for the year	475,793	59,947	0	166,809	(138,022)	564,527	201,294	765,821
Actuarial (gains)/losses on pension fund assets and liabilities	0	0	0	0	0	0	(385,559)	(385,559)
PCC funding for Financial Resources Consumed	0	0	0	0	0	0	(476,586)	(476,586)
<b>Total Comprehensive Income and Expenditure</b>	<b>475,793</b>	<b>59,947</b>	<b>0</b>	<b>166,809</b>	<b>(138,022)</b>	<b>564,527</b>	<b>(660,851)</b>	<b>(96,324)</b>



Chief Constable – Service information for year ended 31 March 2013

	ACC crime portfolio	ACC local policing portfolio	ACC operations portfolio	ACC security portfolio	Chief Information officer portfolio	DCC portfolio	Director of Resources portfolio	Force Solicitor portfolio	Other	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Fees, Charges and Other Income	(4,892)	(841)	(20,734)	(878)	(1,573)	(365)	(1,875)	(183)	(91,141)	(122,481)
Government Grant	0	0	(1,428)	(27,093)	0	0	0	0	(15,904)	(44,425)
<b>Total Income</b>	<b>(4,892)</b>	<b>(841)</b>	<b>(22,161)</b>	<b>(27,971)</b>	<b>(1,573)</b>	<b>(365)</b>	<b>(1,875)</b>	<b>(183)</b>	<b>(107,045)</b>	<b>(166,906)</b>
Employee Expenses	146,687	135,733	112,419	74,752	8,135	11,401	14,665	718	99,083	603,594
Other Operating Expenses	9,563	1,022	11,761	7,660	13,062	2,281	30,884	958	6,932	82,124
<b>Total Operating Expenses</b>	<b>156,250</b>	<b>136,755</b>	<b>124,180</b>	<b>82,413</b>	<b>21,197</b>	<b>13,682</b>	<b>45,549</b>	<b>1,676</b>	<b>106,014</b>	<b>687,717</b>
<b>Net Expenditure</b>	<b>151,358</b>	<b>135,915</b>	<b>102,109</b>	<b>54,442</b>	<b>19,624</b>	<b>13,317</b>	<b>43,674</b>	<b>1,494</b>	<b>(1,030)</b>	<b>520,811</b>

Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement		2012-13
		£000's
<b>Cost of Services in Service Analysis (as above)</b>		<b>520,811</b>
Add treated as PCC		(50,331)
Add services not included in main analysis		53,330
Add amounts not reported to management		129,543
Comprehensive Income and Expenditure Statement		(133,819)
Add corporate amounts		1,010,877
Less PCC funding for financial resources consumed		(469,749)
<b>Net cost of Services in the Comprehensive Income and Expenditure Statement</b>		<b>1,060,661</b>

	Service Analysis	Treated as Corporate Amount	Treated as PCC	Not reported to management	Not Included in CIES	Net Cost of Services	Corporate Amounts	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Fees charges and other income	(122,481)	53,330	5,584	(373)	32,200	(31,741)	0	(31,741)
Top Up Grant	0	0	0	0	0	0	(53,330)	(53,330)
Government Grants and Contributions	(44,425)	0	0	0	0	(44,425)	0	(44,425)
<b>Total Income</b>	<b>(166,906)</b>	<b>53,330</b>	<b>5,584</b>	<b>(373)</b>	<b>32,200</b>	<b>(76,165)</b>	<b>(53,330)</b>	<b>(129,495)</b>
Employee Expenses	603,594	0	(1,079)	129,199	(165,709)	566,004	0	566,004
Other Operating Expenses	84,124	0	(54,836)	717	(310)	29,694	0	29,694
Pension and Interest Costs	0	0	0	0	0	0	245,073	245,073
<b>Total Operating Expenses</b>	<b>687,717</b>	<b>0</b>	<b>(55,915)</b>	<b>129,916</b>	<b>(166,019)</b>	<b>595,376</b>	<b>245,073</b>	<b>840,771</b>
<b>Net Operating Expenditure</b>	<b>520,811</b>	<b>53,330</b>	<b>(50,331)</b>	<b>129,543</b>	<b>(133,819)</b>	<b>519,533</b>	<b>191,743</b>	<b>711,276</b>
(Surplus)/Deficit for the year	520,811	53,330	(50,331)	129,543	(133,819)	519,533	191,743	711,276
Actuarial (gains)/losses on pension fund assets and liabilities	0	0	0	0	0	0	819,134	819,134
PCC funding for Financial Resources Consumed	0	0	0	0	0	0	(469,749)	(469,749)
<b>Total Comprehensive Income and Expenditure</b>	<b>520,811</b>	<b>53,330</b>	<b>(50,331)</b>	<b>129,543</b>	<b>(133,819)</b>	<b>519,533</b>	<b>541,128</b>	<b>1,060,661</b>



## 8. EMPLOYEE REMUNERATION

The following table shows the remuneration of employees under the direction and control of the Chief Constable of West Midlands Police whose remuneration is more than £50,000 per year. The values in this table therefore exclude the staff of the Office for the Police and Crime Commissioner.

2012-13 Police officers	2012-13 Police staff	2012-13 Total	Earnings Band	2013-14 Police Officers	2013-14 Police Staff	2013-14 Total
7,415	4,416	11,831	Less than £49,999	6,814	4,022	10,836
263	10	273	£50,000 - £54,999	260	14	274
198	10	208	£55,000 - £59,999	153	6	159
33	7	40	£60,000 - £64,999	31	6	37
11	3	14	£65,000 - £69,999	11	0	11
12	1	13	£70,000 - £74,999	9	3	12
13	0	13	£75,000 - £79,999	15	0	15
4	2	6	£80,000 - £84,999	4	2	6
12	0	12	£85,000 - £89,999	8	2	10
1	1	2	£90,000 - £94,999	0	1	1
1	1	2	£95,000 - £99,999	1	0	1
0	0	0	£100,000 - £104,999	0	0	0
1	1	2	£105,000 - £109,999	0	0	0
2	0	2	£110,000 - £114,999	2	1	3
0	0	0	£115,000 - £119,999	0	0	0
0	0	0	£120,000 - £124,999	1	0	1
0	0	0	£125,000 - £129,999	0	0	0
0	0	0	£130,000 - £134,999	0	0	0
0	0	0	£135,000 - £139,999	0	0	0
1	0	1	£140,000 - £144,999	1	0	1
0	0	0	£145,000 - £149,999	0	0	0
0	0	0	£150,000 - £154,999	0	0	0
0	0	0	£155,000 - £159,999	0	0	0
0	0	0	£160,000 - £164,999	0	0	0
0	0	0	£165,000 - £169,999	0	0	0
0	0	0	£170,000 - £174,999	0	0	0
0	0	0	£175,000 - £179,999	0	0	0
0	0	0	£180,000 - £184,999	0	0	0
0	0	0	£185,000 - £189,999	0	0	0
1	0	1	£190,000 - £194,999	1	0	1
<b>7,968</b>	<b>4,452</b>	<b>12,420</b>	<b>Totals</b>	<b>7,311</b>	<b>4,057</b>	<b>11,368</b>





## 9. SENIOR OFFICERS REMUNERATION

This note has been prepared in accordance with statutory instrument 3322 (2009) as an amendment to the Account and Audit (Amendment no. 2) (England) Regulations 2009. This aims to provide greater transparency and accountability to local taxpayers in respect of the total remuneration package for the senior team charged with stewardship of the organisation. In respect of the CCWMP the information is reported for the senior command team of the police force. The regulations require that persons whose annual salary is more than £150,000 are identified by their job title and their name, and that senior employees and relevant police officers earning more than £50,000 (but less than £150,000) are identified by the job title.

### Senior Officers' remuneration in 2013-14

Post holder information	Note	Salary (inc fees and allowances) (£000's)	Benefit in Kind (£000's)	Total remuneration (Exc employer pension contributions) (£000's)	Employers pension contributions (£000's)	Total Remuneration (Inc. employers pension contributions) (£000's)
Chief Constable C Sims		194.0	6.4	200.4	0	200.4
Deputy Chief Constable		143.1	6.0	149.1	33.9	183.0
Assistant Chief Constable (1)		111.2	6.2	117.4	25.8	143.2
Assistant Chief Constable (2)	Note 1	122.3	8.2	130.5	28.5	159.0
Assistant Chief Constable (3)		97.9	6.4	104.3	23.6	127.9
Assistant Chief Constable (4)		114.9	4.8	119.7	25.8	145.5
Temp Assistant Chief Constable (5)	Note 2	32.6	1.0	33.6	7.3	40.9
Temp Assistant Chief Constable (6)	Note 3	8.3	0.7	9.0	1.9	10.9
Director of Resources		111.4	6.8	118.2	11.5	129.7
Temp Assistant Director of Resources	Note 4	30.1	1.6	31.7	3.1	34.8
Chief Information Officer		99.6	0	99.6	6.8	106.4
		<b>1065.4</b>	<b>48.1</b>	<b>1113.5</b>	<b>168.2</b>	<b>1281.7</b>

It is noted that the Temporary Director of Resources, Force Solicitor and Chief Information Officer are employed by the Police and Crime Commissioner but are included in the table above as they operate as an integral part of the senior command team of the police force. In the audited accounts the benefit in kind figures above are taken from returns completed in July 2014.

Note 1: This Assistant Chief Constable Acted into the role of Deputy Chief Constable from December 2013 to March 2014.

Note 2: This temporary Assistant Chief Constable was appointed between December 2013 and March 2014. The post holders annualised salary in this post is £94,700

Note 3: This temporary Assistant Chief Constable was appointed in March 2014. The post holders annualised salary in this post is £94,700

Note 4: The Force employed a temporary Assistant Director of Resources from December 2013. The post holders annualised salary is £90,200.





### Senior Officers' remuneration 2012-13

Post holder information	Notes	Salary (inc fees and allowances) (£000's)	Benefits in Kind (£000's)	Total remuneration (excl employer pension contributions) (£000's)	Employers pension contributions (£000's)	Total Remuneration (Inc. employers pension contributions) (£000's)
Chief Constable C Sims		192.7	2.9	195.6	0	195.6
Deputy Chief Constable		142.3	5.3	147.6	33.3	180.9
Assistant Chief Constable (1)		110.6	5.2	115.8	25.6	141.4
Assistant Chief Constable (2)		107.4	6.1	113.5	24.9	138.4
Assistant Chief Constable (3)		97.4	5.3	102.7	23.4	126.1
Assistant Chief Constable (4)		111.5	3.9	115.4	25.6	141.0
Temporary Director of Resources		106.4	6.4	112.8	11.0	123.8
Force Solicitor		99.8	0	99.8	10.0	109.8
Chief Information Officer		93.5	0	93.5	9.6	103.1
		<b>1,061.6</b>	<b>35.1</b>	<b>1,096.7</b>	<b>163.4</b>	<b>1,260.1</b>

It is noted that the Temporary Director of Resources, Force Solicitor and Chief Information Officer are employed by the Police and Crime Commissioner but are included in the table above as they operate as an integral part of the Senior Command Team of the police force.



## 10. TERMINATION BENEFITS

The 2013-14 Code of Practice on Local Authority Accounting requires the disclosure of the number and cost of agreed exit packages. This note splits exit packages between those which relate to a compulsory redundancy and those which relate to other redundancy and departure costs.

Cost band	No. of compulsory redundancies		No. of other agreed departures		Total No. of exit packages by cost band		Total cost of exit packages in each band	
	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13 £'000	2013-14 £'000
£0 - £19,999	3	0	121	47	124	47	750	346
£20,000 - £39,999	0	0	13	7	13	7	354	174
£40,000 - £59,999	0	0	5	6	5	6	242	270
£60,000 - £79,999	0	0	2	1	2	1	145	67
£80,000 - £99,999	0	0	1	0	1	0	93	0
£100,000 - £149,999	0	0	1	0	1	0	106	0
<b>Total</b>	<b>3</b>	<b>0</b>	<b>143</b>	<b>61</b>	<b>146</b>	<b>61</b>	<b>1,690</b>	<b>857</b>

The costs shown in the table above relate only to the payments made to individuals who have been made redundant or whose redundancy has been agreed as at 31 March 2014 but who have not left the organisation at the Balance Sheet date.

## 11. EXTERNAL AUDIT COSTS

In 2013-14 the Chief Constable incurred the following fees relating to external audit:

	2012-13 £'000	2013-14 £'000
Fees payable to Grant Thornton UK LLP with regard to audit services carried out by the appointed auditor	30	30
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	(2)	0
Fees payable to the Audit Commission in respect of statutory inspection	0	0
Fees payable to the Audit Commission for the certification of grant claims and returns (estimate)	0	0
Fees payable in respect of other services provided by the appointed auditor	0	0

The appointed auditor in 2013-14 was Grant Thornton UK LLP. The Chief Constable of West Midlands Police received a rebate of £2,160 for audit fees from the Audit Commission due to further cost reductions within their business in 2012-13.



## 12. GRANT INCOME

The Chief Constable credited the following grants to the Comprehensive Income and Expenditure Statement in 2013-14.

	2012-13	2013-14
	£'000	£'000
<i>Credited to Taxation and Non Specific Grant Income</i>		
Pensions top up grant receivable	53,330	59,947
<b>Total</b>	<b>53,330</b>	<b>59,947</b>
<i>Credited to Police Services</i>		
Community Support Officer Grant	15,904	0
DIP Grant	2,066	0
Counter Terrorism Grant	28,520	29,462
Other Grants	8,126	4,085

## 13. RELATED PARTY TRANSACTIONS

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

### Central Government

The UK Government exerts significant influence over the operations of the Chief Constable – it is responsible for providing the statutory operating framework and provides the majority of funding in the form of grants which are paid to the PCCWM. It also prescribes the terms of many of the transactions that the PCCWM Group has with other parties. The grants received from Central Government to the PCCWM are set out in the PCCWM and Group Statement of Accounts.

### Pension schemes

The Local Government Pension Scheme is administered by Wolverhampton City Council and payments of £17.58m were made to them in 2013-14 (17.99m in 2012-13)

### Officers

No Chief Officers of the Force have declared any related party transactions in 2013-14.

## 14. AGENCY EXPENDITURE

	31 March 2013	31 March 2014
	£'000	£'000
Forensic Provision	2,098	2,056
National Ballistics Intelligence Service	550	502
Other agency expenditure	900	1,408
<b>Total agency expenditure</b>	<b>3,548</b>	<b>3,966</b>



## NOTES TO THE CHIEF CONSTABLE'S BALANCE SHEET

### 15. UNUSABLE RESERVES

The Chief Constable recognises 2 unusable reserves in his Balance Sheet. These relate to Police and Police staff pensions and accumulated compensated absences.

#### Pensions Reserve

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 CCWMP accounts for post employment benefits in the Comprehensive Income and Expenditure Statement 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 CCWMP makes employer's contributions to pension funds, or eventually pay any pensions for which it 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 CCWMP has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	31 March 2013 £'000	31 March 2014 £'000
Balance at 1 April	4,999,497	6,060,791
Remeasurements of the net defined benefit liability or asset	819,134	(385,559)
Reversal of items related to retirement benefits debited or credited to the Surplus or Deficit on the provision of service in the Comprehensive Income and Expenditure Statement	323,238	367,745
Employers' pensions contributions and direct payments to pensioners payable in the year	(81,078)	(78,946)
<b>Balance as at 31 March</b>	<b>6,060,791</b>	<b>5,964,031</b>

#### Accumulating Compensated Absences Adjustment Account

The Accumulating Compensated Absences Adjustment Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement and time owing balances carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the account. The Balances in the table below represent the liability of the CCWMP to pay outstanding compensating absences.

	2012-13 £'000	2013-14 £'000
<b>Balance at 1 April</b>	<b>3,347</b>	<b>2,713</b>
Settlement or cancellation of accrual made at the end of the previous year	0	0
Amounts accrued at the end of the current year	3,347	2,713
Amounts by which officers remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory provisions	(634)	436
<b>Balance at 31 March</b>	<b>2,713</b>	<b>3,149</b>



## 16. DEFINED BENEFIT PENSION SCHEMES

As part of the terms and conditions of employment of its officers and other employees, the Chief Constable offers retirement benefits. Although these will not actually be payable until employees retire, the Chief Constable, through the Group accounts has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Group participates in two post employment schemes:

- The Local Government Pension Scheme for civilian employees, administered by West Midlands Pension Fund. This is a funded defined benefit final salary scheme, meaning that the PCCWM and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets.
- The Police Pension Scheme (defined benefit) for police officers - this is an unfunded defined benefit final salary scheme, meaning that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

Police pensions operate under two schemes: The 1987 scheme which no new members can now join and the 2006 Police pension scheme which all officers joining a pension scheme since 1 April 2006 become a member of. Under the Police Pension Fund Regulations 2007, if the amounts receivable by the pensions fund for the year is less than the amounts payable, the Group must annually transfer an amount required to meet the deficit to the pension fund. Subject to parliamentary scrutiny and approval, up to 100% of this cost is met by Central Government pension top-up grant. If however the pension fund is in surplus for the year, the surplus is required to be transferred from the pension fund to the Group which then must repay the amount to Central Government.

The costs of retirement benefits are recognised in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund in the Group Movement in Reserves Statement.

The tables which follow show pension transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year. The Chief Constable is responsible for the pension payments for all Police Officers and Police staff with the exception of the staff of the Office for Policing and Crime. However, the statements which follow show transactions for the group as a whole because it has been determined that the value of pension transactions relating only to the PCC are not material so they are not separately disclosed.

The following tables show the transactions have been recognised in the Comprehensive Income and Expenditure Statement, Movement in Reserves and Balance Sheet during the year. Changes to IAS 19 which have been adopted by the CIPFA Code of Practice in 2014 are shown in the tables for the current year. The comparative year has been restated to show the effect of the changes to IAS 19 retrospectively.



## Comprehensive Income and Expenditure Statement

2013-2014	Local Government Pension Scheme £'000	1987 Police Pension Scheme £'000	Police Injury Awards £'000	2006 Police Pension Scheme £'000	Total £'000
<b>Net cost of services:</b>					
Current service cost	(18,023)	(123,500)	(4,670)	(19,540)	<b>(165,733)</b>
Past service (cost)/ gain	(1)	0	0	0	<b>(1)</b>
Curtailments	(717)	0	0	0	<b>(717)</b>
<b>Financing and Investing Income &amp; Expenditure:</b>					
Net Interest cost	(8,169)	(235,230)	(9,120)	(8,470)	<b>(260,989)</b>
Administration cost	(252)	0	0	0	<b>(252)</b>
<b>Total post employment benefits charged to the surplus or deficit on the provision of Services</b>	<b>(27,162)</b>	<b>(358,730)</b>	<b>(13,790)</b>	<b>(28,010)</b>	<b>(427,692)</b>
Other post employment benefits charged to the Comprehensive Income and Expenditure Statement	0	0	0	0	<b>0</b>
Re-measurement of the net defined benefit liability/asset comprising:					
Return on plan assets (excluding the amount included in the net interest cost)	9,237	0	0	0	<b>9,237</b>
Actuarial gains and losses arising on changes in demographic assumptions	(3,601)	94,390	28,620	5,950	<b>125,359</b>
Actuarial gains and losses arising on changes in financial assumptions	43,793	184,140	6,090	16,940	<b>250,963</b>
<b>Net charge to I and E account</b>	<b>22,267</b>	<b>(80,200)</b>	<b>20,920</b>	<b>(5,120)</b>	<b>(42,133)</b>



2012-2013	Local Government Pension Scheme £'000	1987 Police Pension Scheme £'000	Police Injury Awards £'000	2006 Police Pension Scheme £'000	Total £'000
<u>Net cost of services:</u>					
Current service cost	(14,302)	(95,770)	(2,480)	(18,200)	<b>(130,752)</b>
Past service (cost)/ gain	(26)	0	0	0	<b>(26)</b>
Curtailments	(717)	0	0	0	<b>(717)</b>
<u>Financing and Investing Income &amp; Expenditure:</u>					
Net Interest cost	(7,408)	(222,570)	(8,840)	(6,360)	<b>(244,818)</b>
Administration Costs	(255)	0	0	0	<b>(255)</b>
<b>Total post employment benefits charged to the surplus or deficit on the provision of Services</b>	<b>(22,348)</b>	<b>(318,340)</b>	<b>(11,320)</b>	<b>(24,560)</b>	<b>(376,568)</b>
Other post employment benefits charged to the Comprehensive Income and Expenditure Statement	0	0	0	0	<b>0</b>
Re-measurement of the defined benefit liability/asset comprising:					
Return on plan assets (excluding the amount included in the net interest cost)	24,337	0	0	0	<b>24,337</b>
Actuarial gains and losses arising on changes in demographic assumptions	(5,970)	107,130	4,950	(2,150)	<b>103,960</b>
Actuarial gains and losses arising on changes in financial assumptions	(55,791)	(830,120)	(26,290)	(35,230)	<b>(947,431)</b>
<b>Net charge to I and E account</b>	<b>(59,398)</b>	<b>(1,041,330)</b>	<b>(32,660)</b>	<b>(61,940)</b>	<b>(1,195,702)</b>

### Movement in Reserves Statement

2013-2014	Local Government Pension Scheme £'000	1987 Police Pension Scheme £'000	Police Injury Awards £'000	2006 Police Pension Scheme £'000	Total £'000
Reversal of Net Charges for retirement benefits in accordance with IAS 19	27,162	358,730	13,790	28,010	<b>427,692</b>
<b>Actual amount charged against the General Fund balance for pensions in the year:</b>					
Employer's contributions payable to the scheme	(12,173)	0	0	0	<b>(12,173)</b>
Retirement benefits payable to pensioners (net of employee contributions)	0	(128,920)	(2,260)	4,030	<b>(127,150)</b>





2012-2013	Local Government Pension Scheme £'000	1987 Police Pension Scheme £'000	Police Injury Awards £'000	2006 Police Pension Scheme £'000	Total £'000
Reversal of Net Charges for retirement benefits in accordance with IAS	22,348	318,340	11,320	24,560	<b>376,568</b>
Actual amount charged against the General Fund balance for pensions in the year:					
Employer's contributions payable to the scheme	(12,468)	0	0	0	<b>(12,468)</b>
Retirement benefits payable to pensioners (net of employee contributions)	0	(125,020)	(2,060)	4,910	<b>(122,170)</b>

In the above table the reversal of net charges for retirement benefits in accordance with International Financial Accounting Standards includes the pension top up grant payable to the Chief Constable from the Home Office. This grant is excluded in the Movement in Reserves Statement on page 23 which shows the adjustments within the pensions reserve affecting the overall movement in reserves.

### Assets and Liabilities in relation to Post-employment benefits

The amount included in the Balance Sheet arising from the Group's obligation in respect of its defined benefit plans is as follows:

2013-2014	Funded liabilities: Local Govt Pension Scheme £'000	Unfunded liabilities: 1987 Police Pension Scheme £'000	Unfunded liabilities: Injury Awards Pensions £'000	Unfunded liabilities: 2006 Police Pension Scheme £'000	Total £'000
Present value of the defined benefit obligation	(561,470)	(5,424,560)	(187,630)	(194,530)	(6,368,190)
Fair value of plan assets	404,159	0	0	0	404,159
Sub-total	<b>(157,311)</b>	<b>(5,424,560)</b>	<b>(187,630)</b>	<b>(194,530)</b>	<b>(5,964,031)</b>
Other movements in the liability	0	0	0	0	0
Net liability arising from the defined benefit obligation	<b>(157,311)</b>	<b>(5,424,560)</b>	<b>(187,630)</b>	<b>(194,530)</b>	<b>(5,964,031)</b>

2012-2013	Funded liabilities: Local Govt Pension Scheme £'000	Unfunded liabilities: 1987 Police Pension Scheme £'000	Unfunded liabilities: Injury Awards Pensions £'000	Unfunded liabilities: 2006 Police Pension Scheme £'000	Total £'000
Present value of the defined benefit obligation	(570,623)	(5,473,010)	(210,810)	(185,220)	(6,439,663)
Fair value of plan assets	378,872	0	0	0	378,872
Sub-total	<b>(191,751)</b>	<b>(5,473,010)</b>	<b>(210,810)</b>	<b>(185,220)</b>	<b>(6,060,791)</b>
Other movements in the liability	0	0	0	0	0
Net liability arising from the defined benefit obligation	<b>(191,751)</b>	<b>(5,473,010)</b>	<b>(210,810)</b>	<b>(185,220)</b>	<b>(6,060,791)</b>



## Reconciliation of present value of the scheme liabilities (defined benefit obligation):

2013-2014	Funded liabilities: Local Govt Pension Scheme £'000	Unfunded liabilities: 1987 Police Pension Scheme £'000	Unfunded liabilities: Injury Awards Pensions £'000	Unfunded liabilities: 2006 Police Pension Scheme £'000	Total £'000
1 April -13	(570,623)	(5,473,010)	(210,810)	(185,220)	(6,439,663)
Current service cost	(18,023)	(123,500)	(4,670)	(19,540)	(165,733)
Interest cost	(24,918)	(235,230)	(9,120)	(8,470)	(277,738)
Contributions by scheme participants	(5,406)	(28,950)	0	(4,320)	(38,676)
Transfers into the scheme	0	(270)	0	(160)	(430)
Re-measurement of the defined benefit obligation	44,235	278,530	34,710	22,890	380,365
Benefits paid	13,983	157,870	2,260	290	174,403
Curtailments	(717)	0	0	0	(717)
Past service costs	(1)	0	0	0	(1)
31 March-14	(561,470)	(5,424,560)	(187,630)	(194,530)	(6,368,190)

2012-2013	Funded liabilities: Local Govt Pension Scheme £'000	Unfunded liabilities: 1987 Police Pension Scheme £'000	Unfunded liabilities: Injury Awards Pensions £'000	Unfunded liabilities: 2006 Police Pension Scheme £'000	Total £'000
1 April -12	(476,067)	(4,556,570)	(180,210)	(118,270)	(5,331,117)
Current service cost	(14,302)	(95,770)	(2,480)	(18,200)	(130,396)
Interest cost	(24,116)	(222,570)	(8,840)	(6,360)	(262,242)
Contributions by scheme participants	(5,531)	(26,950)	0	(5,020)	(37,501)
Transfers into the scheme	0	(130)	0	(100)	(230)
Re-measurement of the defined benefit obligation	(61,761)	(722,990)	(21,340)	(37,380)	(843,471)
Benefits paid	11,897	151,970	2,060	110	166,037
Curtailments	(717)	0	0	0	(717)
Past service costs	(26)	0	0	0	(26)
31 March-13	(570,623)	(5,473,010)	(210,810)	(185,220)	(6,439,663)

## Reconciliation of fair value of the scheme assets:

	Local Government Pension Scheme £'000	
	2012-13	2013-14
1 April	331,620	378,872
Interest on plan assets	17,068	16,749
Return on plan assets excluding the amount included in the net interest expense	24,337	5,194
Employer contributions	12,468	12,173
Member contributions	5,531	5,406
Benefits paid	(11,897)	(13,983)
Administration expenses	(255)	(252)
31 March	<b>378,872</b>	<b>404,159</b>



## History of the Scheme

	2013-14	2012-13	2011-12	2010-11	2009-10
	£'000	£'000	£'000	£'000	£'000
<b>Present value of liabilities:</b>					
Local Government Pension Scheme	(561,470)	(570,623)	(476,067)	(445,343)	(447,565)
1987 Police Pension Scheme	(5,424,560)	(5,473,010)	(4,556,570)	(4,289,440)	(4,669,380)
Police Injury award Pensions	(187,630)	(210,810)	(180,210)	(149,260)	(177,840)
2006 Police Pension Scheme	(194,530)	(185,220)	(118,270)	(87,410)	(66,300)
Fair value of assets in the Local Government Pension Scheme	404,159	378,872	331,620	325,588	291,448
<b>Subtotal</b>	<b>(5,964,031)</b>	<b>(6,060,791)</b>	<b>(4,999,497)</b>	<b>(4,645,845)**</b>	<b>(5,069,637)*</b>
<b>Surplus/(deficit) in the scheme:</b>					
Local Government Pension Scheme	(157,311)	(191,751)	(144,447)	(119,755)	(156,117)
1987 Police Pension Scheme	(5,424,560)	(5,473,010)	(4,556,570)	(4,289,420)*	(4,669,380)
Police Injury award Pensions	(187,630)	(210,810)	(180,210)	(149,260)	(177,840)
2006 Police Pension Scheme	(194,530)	(185,220)	(118,270)	(87,410)	(66,300)
<b>Total</b>	<b>(5,964,031)</b>	<b>(6,060,791)</b>	<b>(4,999,497)</b>	<b>(4,645,845)**</b>	<b>(5,069,637)*</b>

\*restated due to changes in the calculation of injury awards for active pension scheme members

\*\* restated following the change in accounting policy to show the police pension schemes separately

The liabilities show the underlying commitments that the CCWMP has in the long run to pay post-employment (retirement) benefits. The total liability of £5,964m has a substantial impact on the net worth of the Group recorded in the Balance Sheet, resulting in a negative overall balance of £5,712m. However, statutory arrangements for funding the deficit mean that the financial position of the Group remains healthy:

- The deficit on the local government scheme 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.

### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, and estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Police Scheme liabilities have been assessed by the Government Actuary's Department.

Under the projected unit method of estimating liabilities the current service cost will increase as the members of that scheme approach retirement. This is more evident in schemes such as the 1987 Police pension scheme where the age profile of the active membership is significantly rising.

The principal assumptions in the calculations made are:-



	Local Government Pension Scheme £'000		Police Pension Scheme £'000	
	2012-13	2013-14	2012-13	2013-14
	Years	Years	Years	Years
Mortality Assumptions:				
Longevity at 65 for current pensioners:				
Men	22.1	22.9	23.4	23.4
Women	24.8	25.5	25.8	25.9
Longevity at 65 for future pensioners:				
Men	23.9	25.1	25.7	25.6
Women	26.7	27.8	27.9	28.0
	%	%	%	%
Rate of CPI inflation	2.40	2.4	2.50	2.50
Rate of increase in salaries	4.15	4.15	4.75	4.50
Rate of increase in pensions	2.40	2.40	2.50	2.50
Rate for discounting scheme liabilities	4.40	4.60	4.30	4.40
Proportion of employees opting to take a commuted lump sum	50	50	n/a*	n/a*

\*Information regarding the proportion of police officers opting to take a commuted lump sum is not provided by the actuary.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the above table. The sensitivity analyses below have been determined based on reasonably possible changes in the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while other assumptions remain constant. It is noted that some assumptions are interrelated.

The estimations in this analysis are completed on an actuarial basis using the projected unit credit method.

	Impact on the defined benefit obligation in the scheme	
	Increase in assumption £000's	Decrease in assumption £000's
Longevity (increase or decrease of 1 year)	10,410	(10,410)
Rate of inflation (increase or decrease by 0.1%)	12,080	(12,080)
Rate of increase in salaries (increase or decrease by 0.1%)	3,920	(3,920)
Rate of discounting scheme liability (increase or decrease by 0.1%)	(11,826)	11,826

The actuarial gains and losses disclosed in the Local Government Pension Scheme of £49.4m are subject to an allowance for short-term pay increases at a lower rate than the long term figure of 4.15% per year.



Police Pension Scheme	Impact on the defined benefit obligation in the scheme	
	Increase in assumption £000's	Decrease in assumption £000's
Longevity (increase or decrease of 1 year)	99,000	(99,000)
Rate of increase in pensions / deferred revaluation (increase or decrease by 0.5%)	485,000	(485,000)
Rate of increase in salaries (increase or decrease by 0.5%)	131,000	(131,000)
Rate of discounting scheme liability (increase or decrease by 0.5%)	(616,000)	616,000

The police pension scheme has no assets to cover its liabilities. Assets in the West Midlands Metropolitan Authorities Pension Fund are valued at fair value, (the bid price of investments held), totalling £404.2m for the fund as a whole at 31 March 2014 (£378.9m at 31 March 2013). The Fund assets consist of the following categories by proportion of the total assets of the Fund:

Asset category	Sub category	Quoted Y or N	Fair value of assets held	
			31 March 2013 £'000s	31 March 2014 £'000s
Cash and cash equivalents	Cash instruments	Y	9,244	8,043
	Cash accounts	Y	3,296	2,870
<b>Total Cash</b>			<b>12,540</b>	<b>10,913</b>
Equity Instruments	UK quoted	Y	37,434	42,032
	UK unquoted	N	720	7,719
	Global quoted	Y	19,057	21,259
	Global unquoted	N	46,866	41,871
	Europe	Y	22,240	27,119
	Japan	Y	7,274	7,477
	Pacific Basin	Y	16,405	16,247
	North America	Y	36,410	38,880
	Emerging Markets	Y	23,566	32,696
<b>Total equity</b>			<b>209,972</b>	<b>235,300</b>
Bonds	UK Government fixed	Y	7,577	7,800
	UK Government indexed	Y	25,612	25,462
	UK other	Y	18,262	19,440
	Overseas other	Y	12,579	10,508
	Other	Y	12,427	13,418
<b>Total Bonds</b>			<b>76,457</b>	<b>76,628</b>
Property	UK	Y	23,376	23,967
	Overseas	Y	1,250	889
	Property funds	Y	7,729	11,559
<b>Total property</b>			<b>32,355</b>	<b>36,415</b>
Alternatives	Commodities	Y	7,994	7,639
	Infrastructure	Y	12,616	11,519
	Absolute Return	Y	26,938	25,745
<b>Total Alternatives</b>			<b>47,548</b>	<b>44,903</b>
<b>Total Assets held</b>			<b>378,872</b>	<b>404,159</b>



## 17. DISCRETIONARY PENSION PAYMENTS

The table below shows the capitalised value of payments made during the year to former employees under the conditions of the Local Government Superannuation Scheme.

	<b>2012-13 Capitalised Value £'000</b>	<b>2013-14 Actual Payments £'000</b>	<b>2013-14 Capitalised Value £'000</b>
Payments made in respect of decisions made in the year	0	0	0
Payments made in respect of decisions made in previous years	2,177	118	2,131
	<b>2,177</b>	<b>118</b>	<b>2,131</b>



## 18. JOINTLY CONTROLLED OPERATIONS – CENTRAL MOTORWAY POLICE GROUP

The PCCWM is engaged in a jointly controlled operation with his opposite numbers in Staffordshire and West Mercia for the Policing of the Motorway network in the West Midlands area known as the Central Motorway Police Group. The PCCWM provides the financial administration service for this joint unit.

The assets of the unit in respect of police vehicles, equipment and land and buildings are held individually by each police PCC and are shown on each PCC's Balance Sheet.

The 3 PCCs have an agreement in place for funding this unit with contributions to the agreed budget of 50.7% from West Midlands Police, 25.4% from West Mercia Police and 23.9% from Staffordshire. The same proportions are used to meet any deficit or share any surplus arising on the pooled budget at the end of each financial year.

The revenue account for the Unit covers all operating costs. The details for 2013-14 are as follows:

2012-13 £'000s		2013-14 £'000s
<b>Funding provided to the pooled budget</b>		
(4,261)	Contribution from West Midlands Police	(4,016)
(2,137)	Contribution from West Mercia Police	(2,015)
(2,013)	Contribution from Staffordshire Police	(1,897)
<b>(8,411)</b>	<b>Total funding provided to the pooled Budget</b>	<b>(7,928)</b>
<b>Expenditure met from the pooled budget</b>		
7,486	Pay and allowances	7,193
56	Premises costs	62
627	Transport costs	593
286	Supplies and Services	212
0	SPP grant	0
<b>8,455</b>	<b>Total expenditure</b>	<b>8,060</b>
<b>Income received to the Pooled budget</b>		
(44)	External funding	(132)
<b>(44)</b>	<b>Total income received</b>	<b>(132)</b>
<b>8,411</b>	<b>Total Net Expenditure</b>	<b>7,928</b>
0	Net surplus/(deficit) arising during the year	0
0	West Midlands Police share of 50.7% of the net surplus/(deficit) arising during the year	0

The costs met by West Midlands Police in funding the Central Motorway Police Group are shown in the Comprehensive Income and Expenditure Statement as part of the costs of Roads Policing.





## POLICE PENSION FUND ACCOUNT

From 1 April 2006 the funding arrangements for the Police Pension Scheme were changed. This is an unfunded scheme, meaning that there are no investment assets built up to meet the pensions liabilities and that cash has to be generated to meet actual pensions payments as they eventually fall due. Each year the pension fund is balanced to nil by the transfer of top up grant to/from the Police Fund.

2012-13 £'000	Police Pension Fund Account	2013-14 £'000	£'000
	<b>Fund Account</b>		
	Contributions receivable:		
	From employer:		
(64,747)	Normal	(61,199)	
(1,992)	Early retirements	(3,297)	
(8)	30+ contributions	(0)	
(66,747)		(64,496)	
(31,968)	From members	(33,279)	
(31,968)		(33,279)	
(232)	Transfers in	(436)	
(232)		(436)	
<b>(98,946)</b>	<b>Total income into the Pension Fund</b>		<b>(98,211)</b>
	Benefits payable:		
120,225	Pensions	126,188	
30,592	Lump sums	30,252	
202	Lump sum death benefits	160	
8	30+ benefits payable	0	
240	Benefits payable to other regional forces re earlier reorganisations	205	
151,267		156,805	
	Payments to and on account of leavers:		
16	Refunds of contributions	3	
988	Individual transfers out to other schemes	1,349	
5	Other	1	
1,009		1,353	
<b>152,276</b>	<b>Total payments from the pension fund</b>		<b>158,158</b>
<b>53,330</b>	<b>Net amount payable for the year</b>		<b>59,947</b>
(53,330)	Additional contribution received from the Police and Crime Commissioner		(59,947)
<b>0</b>			<b>0</b>



## Notes to the Police Pension Fund Account

1. The police pension fund account has been prepared in accordance with the Police Pension Regulations 2007 and the accounting policies detailed on page 15 of this Statement of Accounts.
2. The police pension fund is administered by the Chief Constable of West Midlands Police.
3. All benefits payable during 2013-14 have been accounted for within the pension fund account; however, liabilities that are due after the 31 March 2014 are not included. These liabilities are recognised within the Comprehensive Income and Expenditure Statement and are detailed in note 14.
4. The police pension fund scheme is an unfunded scheme. This means that there are no assets to the scheme and that all benefits payable are funded by contributions from employers and employees. Any difference that arises in the year between the benefits payable and the contributions received is met by a top up grant received from the Home Office.
5. Employee and employer contributions into the scheme are based on percentages of pensionable pay set nationally by the Home Office and subject to a triennial revaluation by the Government Actuaries Department. During 2013-14 the contribution rates were as follows :-
  6.
    - Employers Contribution – 24.2% for both the 1987 & 2006 Police pension schemes

For tier 1 officers (salaries under £27,000 a year)

  - Employees Contribution – 11% for 1987 police pension scheme
  - Employees Contribution – 10.7% for 2006 new police pension scheme

For tier 2 officers (salaries between £27,000 and £60,000 a year)

  - Employee Contribution – 13.50% for 1987 police pension scheme
  - Employers Contribution – 11.50% for 2006 new police pension scheme

For tier 3 officers (salaries over £60,000 a year)

  - Employee Contribution – 14.00% for 1987 police pension scheme
  - Employers Contribution – 12.00% for 2006 new police pension scheme



## APPENDIX 1: RESTATEMENT OF 2012-13 COMPARATIVES

### Restatement of the 2012-13 Movement in Reserves Statement

The opening Balance as at 01 April 2012 has been adjusted to reflect all pension costs in the accounts of the Chief Constable. Previously a charge was made to the PCC accounts for 1% of the net pensions liability and 1% of the actuarial gains and losses in the pensions scheme. As this value is not material to the accounts of the PCC and the Group all pensions costs are now recognised in the accounts of the Chief Constable.

	Reserves per 2012/13 Statement of Accounts		Establishment of Pensions and Accumulated Absences Reserves		Restated Reserves	
	Total Usable Reserves	Total Unusable Reserves	Adjustment to Usable Reserves	Adjustment to Unusable Reserves	Total Usable Reserves	Total Unusable Reserves
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
<b>Balance as at 01 April 2012</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-5,002,843</b>	<b>0</b>	<b>-5,002,843</b>
Deficit on Provision of Services 2012/13	0	0	0	0	241,527	0
Remeasurement of the net defined pension liability	0	0	0	-819,134	0	-819,134
<b>Total Comprehensive Income and Expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-819,134</b>	<b>241,527</b>	<b>-819,134</b>
Actual amounts charged against the pension fund for the year	0	0	0	81,078	-81,078	81,078
Difference in pension costs between accounting basis and funding basis	0	0	0	-323,238	323,238	-323,238
Difference in employee remuneration costs (between accounting and funding basis)	0	0	0	633	-633	633
<b>Adjustments between accounting basis and funding basis under regulations:</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-241,527</b>	<b>241,527</b>	<b>-241,527</b>
Net increase or (decrease)	0	0	0	-1,060,661	0	-1,060,661
<b>Balance as at 31 March 2013</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-6,063,504</b>	<b>0</b>	<b>-6,063,504</b>



## Restatement of the 2012-13 Balance Sheet

	As at 31 March 2013 per 2012/13 Statement of Accounts	Reclassification of Pensions Reserve and Accumulated Absences Account to unusable reserve	As at 31 March 2013 Restated
	£'000s	£'000s	£'000s
Long-term Assets	6,060,791	-6,060,791	0
<b>Total Long-term Assets</b>	<b>6,060,791</b>	<b>-6,060,791</b>	<b>0</b>
Current Assets			
Short-term Debtors (from the PCC)	2,713	-2,713	0
<b>Total Current Assets</b>	<b>2,713</b>	<b>-2,713</b>	<b>0</b>
Current liabilities			
Short-term Creditors	-2,713	0	-2,713
<b>Total Current Liabilities</b>	<b>-2,713</b>	<b>0</b>	<b>-2,713</b>
Long-term Liabilities			
Liability relating to defined benefit pension scheme	-6,060,791	0	-6,060,791
<b>Total Long-term liabilities</b>	<b>-6,060,791</b>	<b>0</b>	<b>-6,060,791</b>
<b>Net Liabilities</b>	<b>0</b>	<b>-6,063,504</b>	<b>-6,063,504</b>
Reserves			
Usable Reserves	0	0	0
Unusable Reserves	0	6,063,504	6,063,504
<b>Total Reserves</b>	<b>0</b>	<b>6,063,504</b>	<b>6,063,504</b>



## Restatement of the 2012-13 Comprehensive Income and Expenditure Statement

per the original 2012-13 Statement of Accounts			accounting changes			restated 2012-13 Statement of Accounts			
Gross expenditure	Gross income	Net expenditure		IAS 19 changes	IAS 19 held by the PCC	presentation changes	Gross expenditure	Gross income	Net expenditure
£'000s	£'000s	£'000s		£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
237,505	(19,036)	218,469	Local policing	323	33		237,828	(19,036)	218,792
50,029	0	50,029	Dealing with the public				50,029	0	50,029
34,124	(5,574)	28,550	Criminal Justice Arrangements				34,124	(5,574)	28,550
20,151	(4,746)	15,405	Roads Policing				20,151	(4,746)	15,405
29,297	(5,069)	24,228	Specialist Operations				29,297	(5,069)	24,228
34,720	(1,268)	33,452	Intelligence				34,720	(1,268)	33,452
134,854	(3,634)	131,220	Investigation				134,854	(3,634)	131,220
13,884	(1)	13,883	Investigative Support				13,884	(1)	13,883
38,870	(35,639)	3,231	National Policing				38,870	(35,639)	3,231
<b>593,434</b>	<b>(74,967)</b>	<b>518,467</b>	<b>Financial Resources Consumed</b>	<b>323</b>			<b>593,757</b>	<b>(74,967)</b>	<b>518,790</b>
1,198	(1,198)	0	Seconded Officers				1,198	(1,198)	0
743	0	743	Non -Distributed Costs				743	0	743
<b>595,375</b>	<b>(76,165)</b>	<b>519,210</b>	<b>Net cost of police services</b>	<b>323</b>			<b>595,698</b>	<b>(76,165)</b>	<b>519,533</b>
(595,375)	76,165	(519,210)	Intra-group adjustment for financial resources consumed			519,210	0	0	0
<b>0</b>	<b>0</b>	<b>0</b>	<b>Net cost of police services</b>			<b>519,533</b>	<b>595,698</b>	<b>(76,165)</b>	<b>519,533</b>
242,075	0	242,075	Net pension interest Cost	2,998			245,073	0	245,073
0	(53,330)	(53,330)	Pensions top-up grant				0	(53,330)	(53,330)
<b>242,075</b>	<b>(53,330)</b>	<b>188,745</b>	<b>Financing and Investment Income and Expenditure</b>				<b>245,073</b>	<b>(53,330)</b>	<b>191,743</b>
0	0	0	PCC Funding for financial resources consumed			469,749	0	(469,749)	(469,749)
<b>0</b>	<b>0</b>	<b>0</b>	<b>Deficit on Provision of Services</b>			<b>241,527</b>	<b>840,771</b>	<b>(599,244)</b>	<b>241,527</b>
822,080	0	822,080	Remeasurements of the net defined benefit liability	(2,946)			819,134	0	819,134
			Remeasurements of the net defined benefit liability held in PCC		(408)				
<b>822,080</b>	<b>0</b>	<b>822,080</b>	<b>Other Comprehensive Income and Expenditure</b>				<b>819,134</b>	<b>0</b>	<b>819,134</b>
(1,064,155)	53,330	(1,010,825)	intra-group adjustment for employment liabilities			(1,010,825)	0	0	0
<b>0</b>	<b>0</b>	<b>0</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>1,060,661</b>	<b>1,659,905</b>	<b>(599,244)</b>	<b>1,060,661</b>



## GLOSSARY OF TERMS

**ACCRUAL** – The recognition, in the correct accounting period, of income and expenditure as it is earned or 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.

**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.

**AGENCY SERVICES** – The provision of services by an authority (the agent) on behalf of another authority, which is legally responsible for providing those services. The responsible authority reimburses the authority providing the service.

**ASSET** – An item owned by the PCC, which has a value, for example, land & buildings, vehicles, equipment, cash.

**BEST VALUE ACCOUNTING CODE OF PRACTICE** – A CIPFA guide to accounting for best value which provides a consistent and comparable calculation of the total costs of services. This was replaced in 2011 with the Service Reporting Code of Practice (SeRCOP).

**BUDGET** – A statement of the PCC's plans in financial terms. A budget is prepared and approved by the PCC before the start of each financial year and is used to monitor actual expenditure throughout the year.

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

**CCWMP** – Chief Constable of West Midlands Police. This is the name of the entity which has direction and control over the police force and is headed by the Chief Constable.

**CIPFA** – The Chartered Institute of Public Finance and Accountancy. This is the professional body for accountants working in the public services.

**CONTINGENCY** – a sum of money set aside to meet unforeseen expenditure or a liability.

**COUNCIL TAX** – The local tax levied on householders, based on the relative market values of property, which helps to fund local services.

**CURRENT SERVICE COSTS (PENSIONS)** – The increase in the present value of a defined benefit scheme's liabilities expected to arise from the employee service in the current period.

**DEFINED BENEFIT SCHEME** – a pension scheme which defines the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme.

**FINANCIAL YEAR** – The period of twelve months for the accounts commencing 1 April and ending on 31 March the following year.



**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 a PCC in return for past or future compliance with certain restrictions and/or conditions relating to the activities of the PCC.

**INTEREST INCOME** – The money earned from the investment of surplus cash.

**INTEREST COSTS (PENSIONS)** – For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

**INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)** – The standards developed by the International Accounting Standards Board (IASB) and supported by interpretations of the International Financial Reporting Interpretations Committee (IFRIC) on which these accounts are based.

**NET BOOK VALUE** – The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

**NON DISTRIBUTED COSTS** – This is where overheads are not charged or apportioned to activities within the Service Expenditure Analysis.

**NON DOMESTIC RATES** – The 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 to authorities according to resident population.

**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 arising in the current period as a result of the introduction of, or improvement to retirement benefits.

**PCCWM** – This stands for Police and Crime Commissioner for West Midlands. This is the entity which is headed by the Police and Crime Commissioner and whose role is to hold the Chief Constable to Account, to agree the Policing and Crime Plan, and to agree the budget for the Police Force.

**PENSION FUND** – A fund which makes pension payments on retirement of its participants.

**RESERVES** – Monies set aside by the PCC that do not fall within the definition of provisions.

**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.

**REVENUE EXPENDITURE AND INCOME** – Day to day expenses mainly salaries and general running expenses.

**REVENUE SUPPORT GRANT (RSG)** – General government grant support towards Police Authority expenditure.

**SERCOP** – Service Reporting Code of Practice. This replaced the BVACOP as a method of providing a consistent and comparable total cost of services in Local Authority Accounting.