



Chief Constable of West Midlands Police: Statement of Accounts

2014-15



STATEMENT OF ACCOUNTS 2014-15

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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.

The primary function of the office of Chief Constable of West Midlands Police is the exercise of operational policing duties under the Police Act 1996. The role of the Office for the Police and Crime Commissioner is to hold the Chief Constable to account for the exercise of these duties thereby securing the maintenance of an efficient and effective police force in the West Midlands.

The financial statements for 2014/15 will be the first to show the financial position of the CCWMP after the second phase of the transfer of resources from the PCCWM.

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 2014-15 under the direction and control of the Chief Constable.



- **Balance Sheet as at 31 March 2015**

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 excluding 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 2015**

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

In May 2011 the International Accounting Standards Board (IASB) published a package of five new standards which set out new standards for consolidation, accounting for joint arrangements and disclosure of interests in other entities. These have been 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)

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 has had no impact on the financial statements in 2014-15 and the relationship between the parent (the PCCWM) and the subsidiary (the CCWMP) remains the same.

IFRS 11 Joint arrangements and IFRS 12 Disclosure of interests in other entities have been reflected in these accounts. The Police and Crime Commissioner engages in a joint arrangement for the provision of motorway policing with Staffordshire and West Mercia Police forces, the provision of a West Midlands Regional and Organised Crime Unit (WMROCU) and the provision of Legal Services with Staffordshire Police force. All these arrangements have been accounted for as joint operations after applying the principles of the standards and CIPFA's interpretation of these standards.



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 two 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.

CHIEF CONSTABLE REVENUE OUTTURN 2014-15

The revenue outturn for the Police Force as reported to the Force and the PCC, excluding IIP and invest to save budgets shows an underspend of £7.1m against an original net budget of £529.1m. This is broadly in line with outturn forecasts made during the financial year. The Group which comprises two 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 £2.5m against an original budget of £543.6m.

The revenue outturn is based on the budget which is produced in setting council tax, but the accounts are prepared on the basis of a set of statutory regulations which permit some transactions to be either included or excluded so that they do not impact on the value of council tax that the Group is permitted to raise. Given the changes in Governance arrangements brought about by the creation of two separate entities of the PCCWM and the CCWMP the budget setting 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 £5.2m against the budget with Police pay and PCSO budgets being underspent by £1.3m and staff pay and other employee expenses being overspent by £6.5m. The reasons for this are: Firstly, additional payments have been made to the Local Government Pension Scheme for support the deficit on the scheme. This accounted for £3.4m of the overspend on police staff pay. Secondly, the force has employed additional temporary staff in relation to the IIP programme which has resulted in an overspend of £0.9m. The force also has a £2.2m overspend on other employee expenses of which £1.9m relates to redundancy costs for police staff.

Within transport related expenditure an underspend of £0.6m arose from savings on vehicle fuel and maintenance of vehicles. Premises related expenditure was underspent by £1.5m as a result of savings derived from a general reduction in the size of the estate.



Supplies and services budgets have underspent by £2.7m. This is as a result of early achievement of budget review changes for forensic examination, photocopying, printing and IT consumables.

The table below shows the costs of the entity of the Chief Constable of West Midlands Police in 2014-15 with comparative costs for 2013-14. This represents the actual costs of running the police force in 2014-15 on the basis of the accounting policies that have been adopted and the costs which are attributable to the Chief Constable following the stage 2 transfer of resources which occurred on 1 April 2014. 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.

Employee costs have decreased in accounting terms by £23.3m in 2014-15. However, this is mostly due to a reduction in current service pension costs of some £22.6m for police officers and police staff

Supplies and Services costs have increased by £7.7m in 2014-15. This is principally due to the costs of the professional services associated with the partnership with Accenture which has increased costs by £5.6m and the cost of the CCWMP contribution to the National Police Air Service (NPAS) which is £0.9m more than 2013-14 because NPAS was set up part way through 2013 thus reducing the 2013-14 annual contribution on a pro-rata basis.

The increase in income for the CCWMP is due to a number of factors. Firstly, £4.2m for Operations major events and externally funded projects which offsets spending across all areas of the budget but mostly police officer pay. Secondly, £1.0m for additional Regional and Organised Crime Unit (ROCU) funding, thirdly, £1m of additional rate rebates have been achieved mostly from assets in Wolverhampton and finally the CCWMP has received additional income for externally funded projects across the force area.

| 2013-14 £'000 | | 2014-15 £'000 |
|------------------|--|------------------|
| 458,031 | Financial Resources of the PCCWM consumed at the request of the Chief Constable | 433,850 |
| 122,984 | Police Pay and Allowances | 122,773 |
| 2,371 | Police Staff and PCSO Pay and Allowances | 3,478 |
| 583,386 | Other Employee Expenses | 560,101 |
| 583,386 | Sub Total Employee Costs | 560,101 |
| 5,084 | Premises Related Costs | 2,778 |
| 2,530 | Transport/Travel Costs | 2,179 |
| 22,213 | Supplies and Services | 29,991 |
| 2,139 | Agency Expenses | 4,285 |
| (51,713) | Income | (58,307) |
| 718 | Non distributed costs | 586 |
| 564,357 | Total Financial Resources of the PCCWM consumed at the request of the CCWMP | 541,613 |
| 564,357 | Net cost of Policing Services | 541,613 |
| 201,216 | Financing and Investment income and expenditure | 200,664 |
| (476,474) | PCC funding for financial resources consumed | (477,289) |
| 289,099 | Deficit on policing services | 264,988 |

MATERIAL ASSETS ACQUIRED, LIABILITIES INCURRED AND FINANCING OF CAPITAL EXPENDITURE



The second stage transfer of resources took place on 1 April 2014. However, the Chief Constable did not take ownership of any additional assets or liabilities as a result of this transfer 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

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 2015 the Chief Constable recognised net pension liabilities of £6,928m, 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.

The actuarial losses on pension funds in 2014-15 totalled £700.9m and compared to actuarial gains of £385.1m in 2013-14. This has resulted in a growth in the overall pension's liability. The actuarial losses in 2014-15 are largely due to a reduction in yields on long term corporate bonds which in turn has significantly reduced the discount rate at which pensions are paid. When compounded over the duration of a typical pension payment the effect of this change is substantial. It should be noted however that actuarial gains and losses do change each year as can be seen from the defined benefit pension scheme notes starting on page 42 of the Statement of Accounts

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 2014-15

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

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- Set out the extent and details attaching to the delegations to their staff and officers which the PCC and CC can exercise.

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FUTURE OUTLOOK

Faced with the challenge of managing what are likely to be the largest reductions in Government funding for any Police area in the country and maintain and improving the services needed by local people and businesses, The PCC and the Chief Constable have embarked on an ambitious and leading edge Transformation programme, in partnership with Accenture, which is planned to improve services within much reduced resource levels.

By 2020, when there will be some 2500 fewer police officers and police staff, the Transformation programme aims to deliver:

- Increased citizen confidence, participation and satisfaction
- Improved productivity and service levels
- Reduced demand
- Improved workforce experience
- Increase in professional standards
- Improvements in evidence handling



Whilst the Government is committed to the introduction of a new Police Funding Formula, which should allocate significant additional resources to the West Midlands, and about which the PCC continues to make representations for a fairer funding deal, it seems likely, at a time of reducing national resources for policing that some form of grant damping will have to be applied if a new formula is introduced and this will continue to have a far greater impact in the West Midlands than elsewhere.

Set in the context of a carefully balanced medium term financial strategy which combines a mixture of savings, including invest to save schemes, capital investment in the estate and ICT, precept increases in line with Government guidelines and the prudent use of reserves, the budgets for 2015/16 provide for the continued recruitment of a limited number of police officers to address issues related to the age profile and demographic of the current workforce, the establishment of new police staff posts to release officers for more operational duties, the refurbishment of police headquarters as part of the estate strategy for Central Birmingham which will generate savings of over £3m per year and reduce the estate in Central Birmingham and the completion of two new custody blocks to replace out of date and inefficient existing facilities.

EVENTS AFTER THE REPORTING PERIOD

On 1 April 2015 the PCC made a payment of £11.15m to the Local Government pension Scheme. This was used to pay a large portion of the deficit in the scheme for past service costs for the year 2015-16 and 2016-17. The PCC determined that making a single payment in advance derived a saving of £0.6m in comparison to making these payments monthly in arrears. This payment was a prudent use of reserves and achieved a saving which would not have been able to be achieved by investing the funds in the open market.

On 15th May the Pensions Ombudsman published his final determination in the case of a fire fighter who retired in 2005. The determination concerns historic commutation factors in the fire scheme and the responsibilities for maintaining and updating them. The determination found that the Government Actuaries Department had a statutory obligation to maintain and review the commutation factors between 1999 and 2006, and should have done so proactively. In not doing so, this amounted to maladministration.

The Ombudsman ordered that a new commutation factor should be prepared for this individual as if this had been carried out in December 2004. A payment was ordered to be made to the individual to reflect the recalculated commutation lump sum including interest on the back-dated payment.

The Ombudsman expects Government to make arrangements for payments to be made to other individuals affected by this judgement reflecting the more beneficial terms that would have applied had commutation factors been reviewed and revised at the appropriate times. The Government Actuaries Department is the body responsible for producing, maintaining and updating the commutation factors for both the Fire service pension scheme and the Police Pension Scheme. Hence this judgement is also expected to impact on Police bodies.

The Home Office have advised that payments relating to this ruling should be made from the Police Pension Fund Account. This will be fully re-imbursed by the Home Office according to existing arrangements for the payment of the Police Pension top-up grant. At the time of these accounts being published the Government Actuaries Department have yet to produce the final tables which need to be used by pension's administrators to determine the commutation factors that would have been in existence in December 2001 and December 2004 and thus calculate, for each individual affected any additional pension that should be paid. This issue has been accounted for as a contingent liability in these accounts and the Group accounts.



West Midlands Police Annual Governance Statement

Position as at 31st March 2015 including plans for the financial year 2015/16

1. Introduction

The Commissioner and the Chief Constable have implemented the Stage 2 Transfer process, the content of which was agreed with the Home Secretary. This allowed for the bulk of police staff to transfer from the employ of the Commissioner to the employ of the Chief Constable, with effect from the 1st April 2014.

This transfer required 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 has been developed by a joint senior officer group and is regularly monitored to keep it current.

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

2. Scope of Responsibilities

The Chief Constable 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. The Chief Constable 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, the Chief Constable 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.

The Chief Constable 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 or can be obtained by contacting us, details at www.west-midlands-police.uk/contactus.asp. This statement explains how the Chief Constable 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 the Chief Constable directs and controls and activities through which it accounts to and engages with the community. It enables the Chief Constable to monitor the achievement of 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 the Chief Constable'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 for the Chief Constable for the year ended 31st 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 complimentary 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 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;
- Embedding the Code of Ethics across the organisation;
- identifying and communicating the Chief Constable's vision of its purpose and intended outcomes for citizens and service users, with reference to the Commissioner's Police and Crime Plan;
- reviewing the Chief Constable'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 Chief Constable'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 and investigation of misconduct;
- reviewing the effectiveness of the Chief Constable'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 the Chief Constable's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer of the Police and



Crime Commissioner and the Chief Financial Officer of the Chief Constable (2012) and, where they do not, explain why and how they deliver the same impact;

- ensuring the Chief Constable'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 the Chief Constable's overall governance arrangements.

5. Review of Effectiveness

The Chief Constable 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

The Chief Constable 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 Chief Constable has continued with significant organisational changes during 2014/15 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 and the current arrangements are fully compliant with these guidelines. The External Auditor also reviews the effectiveness of these arrangements and reports annually to the Audit Committee on the performance of Internal Audit.

6. Significant Governance Issues

The Commissioner and the Chief Constable are now separate corporation soles with specific, and in some cases separate, statutory responsibilities. Developing and embedding new governance arrangements and working relationships continue to be a priority as discussed earlier in this statement.

During 2014/15 a new Commissioner was elected following the unexpected death of the previous Commissioner. The new Commissioner has continued with the governance and scrutiny arrangements for holding the Chief Constable to account, implemented through the roles of Deputy PCC, Assistant PCC and the Strategic Policing and Crime Board. This arrangement will be kept under review to ensure it continues to provide effective scrutiny and challenge for the Force.

Work will continue into 2015/16 to fine tune this scheme further into a more effective and 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 joint governance board continue to regularly keep arrangements under review, including risk management of the two corporations, and this work culminates with the production of this statement.

During 2014/15 the Force has successfully met the challenges of:

- Maintaining and improving service levels despite experiencing the biggest reduction in Government funding levels for any police force in the country during the period of the current Comprehensive Spending Review;
- Receiving positive reports from Her Majesty's Inspectorate of Constabularies (HMIC) covering a wide range of operational and management areas;
- Continuing to implement the organisational change programme, WMP 2020, which includes making preparations to deliver and implement fundamental changes in the way services are delivered to the public;
- Continuing with the development and implementation of new Governance arrangements.

In July 2014 a procurement exercise to appoint an Innovation and Integration Partner (IIP) under a five year contract, known as WMP 2020, was concluded. The partnership will design and deliver 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.

Significant changes to ICT infrastructure and the corporate estate are also planned in the next two 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 and funding continues to reduce. 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 be 'Chris Sims'.

Chris Sims
Chief Constable of West Midlands Police

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

Mr David Wilkin
Director of Resources West Midlands Police



STATEMENT OF ACCOUNTING POLICIES

General Principles

The Statement of Accounts summarises the Force's transactions for the 2014-15 financial year and its position at the year end of 31 March 2015. The Chief Constable is required to prepare an Annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011. The regulations require the Statement of Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2014-15 and the Service Reporting Code of Practice 2014-15 published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and supported by International Financial reporting Standards. 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 policies below 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 of England and Wales 2012.

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 Police and Crime Commissioner 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 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 three schemes in operation. Scheme liabilities are shown on the Balance Sheet following the requirements of the code and IAS 19.

Pension payments to former members of Police Staff 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 2014-15 was 11.4%.
- b. The liabilities of the scheme attributable to the Chief Constable are included in the balance sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of future earnings for current employees.
- c. Liabilities are discounted to their value at current prices, using a discount rate of 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 in these accounts. The Chief Constable also recognises the costs of police staff pensions to the extent that the staff are under his direction and control. The staff of the Office for Policing and Crime are not recognised by the Chief Constable as they are deemed to be under the direction and control of the Police and Crime Commissioner. All other staff are deemed to be under the direction and control of the Chief Constable.

The value of actuarial gains and losses and overall pensions liability within the Local Government Pension Scheme has been split by the actuary between the Chief Constable and PCC.

4. 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.

5. 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.

6. 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.

7. 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 2015.

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 2015 and his income and expenditure for the year then ended.

A handwritten signature in black ink, appearing to read 'D Wilkin', followed by a horizontal line.

D Wilkin CPFA

Chief Finance Officer to the Chief Constable of West Midlands Police

Date: 30 September 2015



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 June 2015 have been certified by the responsible financial officer and approved by the Chief Constable of West Midlands Police on 22 September 2015, 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 2015



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

We have audited the financial statements of the Chief Constable for the West Midlands for the year ended 31 March 2015 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 Statement of Accounting Policies and the Appendix – restatement of 2013-14 comparatives and the related notes and include the police pension fund financial statements comprising the Fund Account and the related notes. 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 2014/15.

This report is made solely to the Chief Constable for the West Midlands, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the Chief Constable those matters we are required to state to the Chief Constable in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Chief Constable as a body, 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 Responsibilities for the Statement of Accounts, 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 2014/15, 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 also 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 2015 and of its 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 2014/15 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 are required to 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; or
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998; or
- we designate under section 11 of the Audit Commission Act 1998 a 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 its 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 its 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 in October 2014 .

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 its 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 its 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 review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the **Chief Constable** has proper arrangements for:

- securing financial resilience; and
- challenging how it 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 its use of resources for the year ended 31 March 2015.

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 its 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 2014, 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 its use of resources for the year ended 31 March 2015.

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 West Midlands Police and Crime Commissioner and Chief Constable'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.

Paul Grady
Director
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Colmore Plaza, 20 Colmore Circus, Birmingham B4 6AT

30 September 2015



CHIEF CONSTABLE'S MOVEMENT IN RESERVES STATEMENT 2014-15

This statement shows the movement in the 2013-14 and 2014-15 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 2013-14 have been restated. The full restatement is shown in Appendix 1 at the end of these statements.

| | General Fund Balance | Pensions Reserve | Accumulated Absences Account | Total Reserves |
|--|-------------------------|---------------------|------------------------------------|-------------------|
| | £'000 | £'000 | £'000 | £'000 |
| Balance as at 1 April 2013 | 0 | 6,059,004 | 2,713 | 6,061,717 |
| Deficit on the provision of services on an accounting basis | 289,099 | 0 | 0 | 289,099 |
| Remeasurements of the net defined benefit liability | 0 | (385,099) | 0 | (385,099) |
| Total Comprehensive Income and Expenditure | 289,099 | (385,099) | 0 | (96,000) |
| Actual Amounts charged against the pensions fund for the year | 78,834 | (78,834) | 0 | 0 |
| Difference in pension costs between accounting basis and funding basis | (367,497) | 367,497 | 0 | 0 |
| Difference in employee remuneration costs (between accounting and funding basis) | (436) | 0 | 436 | 0 |
| Adjustments between accounting basis and funding basis under regulations | (289,099) | 288,663 | 436 | 0 |
| Net increase or (decrease) | 0 | (96,436) | 436 | (96,000) |
| Balance as at 31 March 2014 | 0 | 5,962,568 | 3,149 | 5,965,717 |
| Balance as at 01 April 2014 | 0 | 5,962,568 | 3,149 | 5,965,717 |
| Deficit on the provision of services on an accounting basis | 264,988 | 0 | 0 | 264,957 |
| Remeasurements of the net defined benefit liability | 0 | 700,890 | 0 | 700,890 |
| Total Comprehensive Income and Expenditure | 264,988 | 700,890 | 0 | 965,847 |
| Actual Amounts charged against the pensions fund for the year | 79,316 | (79,316) | 0 | 0 |
| Difference in pension costs between accounting basis and funding basis | (344,228) | 344,228 | 0 | 0 |
| Difference in employee remuneration costs (between accounting and funding basis) | (76) | 0 | 76 | 0 |
| Adjustments between accounting basis and funding basis under regulations | (264,988) | 264,912 | 76 | 0 |
| Net increase or (decrease) | 0 | 965,802 | 76 | 965,878 |
| Balance as at 31 March 2015 | 0 | 6,928,370 | 3,225 | 6,931,595 |



CHIEF CONSTABLE'S COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT 2014-15

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.

| 2013-14 Gross Exp | 2013-14 Gross Income | 2013-14 Net Exp | Note | 2014-15 Gross Exp | 2014-15 Gross Income | 2014-15 Net Exp |
|----------------------|----------------------------|--------------------|------|-------------------------|----------------------------|--------------------|
| £'000 restated | £'000 restated | £'000 restated | | £'000 | £'000 | £'000 |
| 238,014 | (2,797) | 235,217 | | 236,098 | (2,637) | 233,461 |
| 50,127 | (12) | 50,115 | | 44,547 | 0 | 44,547 |
| 36,702 | (3,257) | 33,445 | | 34,940 | (3,298) | 31,641 |
| 21,105 | (4,307) | 16,798 | | 20,223 | (4,920) | 15,303 |
| 32,838 | (5,812) | 27,026 | | 31,851 | (6,739) | 25,112 |
| 37,748 | (2,034) | 35,714 | | 39,645 | (2,210) | 37,435 |
| 143,208 | (1,520) | 141,688 | | 132,798 | (2,426) | 130,372 |
| 13,380 | (2) | 13,378 | | 12,771 | 0 | 12,771 |
| 40,812 | (30,554) | 10,258 | | 44,502 | (34,117) | 10,385 |
| 613,934 | (50,295) | 563,639 | | 597,373 | (56,347) | 541,026 |
| 1,418 | (1,418) | 0 | | 1,960 | (1,960) | 0 |
| 718 | 0 | 718 | 16 | 586 | 0 | 586 |
| 616,070 | (51,713) | 564,357 | | 599,920 | (58,307) | 541,613 |
| 0 | (476,474) | (476,474) | | | (477,289) | (477,289) |
| 616,070 | (528,187) | 87,883 | | 599,920 | (535,596) | 64,324 |
| 261,163 | 0 | 261,163 | 16 | 262,494 | 0 | 262,494 |
| 0 | (59,947) | (59,947) | | 0 | (61,830) | (61,830) |
| 261,163 | (59,947) | 201,216 | 16 | 262,494 | (61,830) | 200,664 |
| | | 289,099 | | | | 264,988 |
| | | (385,099) | | | | 700,890 |
| | | (385,099) | | | | 700,890 |
| | | (96,000) | | | | 965,878 |

The 2013-14 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.

The PCC funding for financial resources consumed represents funding received by the PCC which is transferred to the Chief Constable to enable him to deliver effective police services.



CHIEF CONSTABLE'S BALANCE SHEET 2014-15

The Balance Sheet for the Chief Constable of West Midlands Police shows the value as at 31 March 2015 (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.

These financial statements replace the unaudited financial statements approved at the Joint Audit Committee meeting on 25th June 2015.

| | As at 31 March 2014 (re-stated) | | As at 31 March 2015 | | Notes |
|--|------------------------------------|--------------------|---------------------|--------------------|-------|
| | £'000 | £'000 | £'000 | £'000 | |
| | 0 | | 0 | | |
| Long Term Assets | | | | | |
| Total Long term Assets | | <u>0</u> | | <u>0</u> | |
| Current Assets | | | | | |
| | 0 | | 0 | | |
| Total Current Assets | | <u>0</u> | | <u>0</u> | |
| Current Liabilities | | | | | |
| Short Term Creditors | (3,149) | | (3,225) | | |
| Total Current Liabilities | | <u>(3,149)</u> | | <u>(3,225)</u> | 15 |
| Long term Liabilities | | | | | |
| Liability relating to defined benefit pension scheme | (5,962,568) | | (6,928,370) | | 16 |
| Total Long term Liabilities | | <u>(5,962,568)</u> | | <u>(6,928,370)</u> | |
| Net Assets/(Liabilities) | | <u>(5,965,717)</u> | | <u>(6,931,595)</u> | |
| Reserves | | | | | |
| Usable Reserves | | <u>0</u> | | | |
| Unusable Reserves | | <u>5,965,717</u> | | <u>6,931,595</u> | 15 |
| Total reserves | | <u>5,965,717</u> | | <u>6,931,595</u> | |

The net liabilities of the pension fund are matched by a negative reserve of £6,931.6m. 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.



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1. RESTATEMENT OF 2013-14 COMPARATIVE FIGURES

In the 2013-14 Statement of Accounts the funding provided by the PCC to the CCWMP for the financial resources consumed were presented at the foot of the Chief Constable's Comprehensive Income and Expenditure Statement. In this year's Statement of Accounts this intra-group transfer of resources has been included within the net cost of police services to property reflect the actual cost of policing the West Midlands and the net cost of policing services based on the local arrangements that exist between the Chief Constable and the Commissioner.

In the 2013-14 accounts the cost of pensions for the staff within the Office for Policing and Crime which were under the direction and control of the Commissioner were not recognised in the Commissioners accounts. This was done because there had been no separate actuarial assessment of the assets and liabilities attributable to the staff under the Commissioners direction and control. As a result, due to their low value and lack of material impact on the accounts the assets and liabilities of the Commissioner were shown within the overall assets and liabilities of the Local Government pension Scheme which were disclosed in the accounts of the Chief Constable.

In 2014-15 the actuary responsible for producing data for the Local Government Pension Scheme was able to provide a separate disclosure statement for the pension assets and liabilities of the Chief Constable and the Police and Crime Commissioner. Consequently, the defined benefit pension's notes for 2013-14 have been restated to show the elements of the Local Government pension scheme that relate to the PCC and Chief Constable separately.

In addition, the Balance Sheet, Movement in Reserves Statement and Comprehensive Income and Expenditure Statement for the Chief Constable have been restated to show the effect of the element of the pension liabilities and assets which should be disclosed in the PCC's accounts.

These changes have no overall impact on the General Fund Balance. These restatements are shown in an appendix to these accounting statements starting on page 57.

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 2014-15 (the Code) and IAS 8 requires the Chief Constable to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year. The standards introduced in the 2015/16 Code that are relevant to the requirements are:

- IFRS 13 Fair Value Measurements (May 2011),
- IFRIC 21 Levies; and
- Annual improvements to IFRSs (2011-2013 cycle) which includes:

IFRS 1: Meaning of effective IFRSs;

IFRS 3 Scope exceptions for joint ventures;

IFRS 13 Scope of paragraph 52 (portfolio exception); and

IAS 40: Clarifying the interrelationship of IFRS 3 Business Combinations and IAS 40 Investment Property when classifying property as an investment property or owner-occupied property

IFRS 13 Fair Value Measurement

IFRS 13 defines fair value and provides guidance on the measurement of fair value as well as on the disclosures required to enable users of the accounts to understand the valuation techniques applied in



measuring fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The principle is that fair value represents an exit price of an asset or liability from the perspective of market participants at the measurement date. This does not take into account the entity's intention for the asset, liability or equity. This differs from the 2013-14 Code where property, plant and equipment is required to be measured at existing use.

The standard will not impact on the accounts of the Chief Constable as this entity does not hold any assets which require a fair value measurement.

IFRIC 21 Levies:

This interpretation is applicable to all levies other than outflows that are within the scope of other standards and fines or other penalties for breaches of legislation. Levies are defined as outflows of resources embodying economic benefits imposed by government on entities in accordance with legislation. A liability is recognised for a levy when the activity that triggers payment of the levy under the specified legislation occurs. When the liability is triggered depends on the individual characteristics of the levy. This change in accounting standard is not expected to have any material impact of the accounts of the Chief Constable.

IFRS 1 Meanings of effective IFRSs:

The objective of this amendment is to clarify the meaning of each IFRS effective at the end of an entity's first IFRS reporting period as used in paragraph 7 of IFRS 1 First-time adoption of IFRSs.

The IASB learned that there was uncertainty about which version of an IFRS should be applied in an entity's first IFRS financial statements in circumstances where a new or a revised IFRS that is not yet mandatory, but that can be adopted early, has been issued. The IASB was asked to clarify which version of the IFRS should be applied.

As a result the IASB amended the Basis for Conclusions of IFRS 1 to clarify that if a new IFRS is not yet mandatory but permits early application, that IFRS is permitted, but not required, to be applied in the entity's first IFRS financial statements. This standard is not expected to have any impact on the accounts of the Chief Constable in 2014-15.

IFRS 3 Scope exceptions for joint ventures:

The objective of this amendment is to clarify that paragraph 2(a) of IFRS 3 Business Combinations

- a. excludes the formation of all types of joint arrangements as defined in IFRS 11 Joint Arrangements from the scope of IFRS 3; and
- b. the scope exception only applies to the financial statements of the joint venture or the joint operation itself.

The standard has been amended to clarify that paragraph 2(a) of IFRS 3 should be amended to address all types of joint arrangements and to remove uncertainty about the financial statements to which it applies. Consequently, the IASB proposes to amend paragraph 2(a) of IFRS 3 to:

- a. exclude the formation of all types of joint arrangements from the scope of IFRS 3 by replacing 'joint venture' with 'joint arrangement'; and
- b. clarify that it only excludes the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself from the scope of IFRS 3.



IFRS 13 Scope of paragraph 52 (portfolio exception)

Paragraph 52 of IFRS 13 includes a scope exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis. This is referred to as the portfolio exception. This amendment clarifies that the portfolio exception applies to all contracts within the scope of IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in IAS 32 Financial Instruments: Presentation. This standard is not expected to have any impact on the accounts of the Chief Constable in 2015-16.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in pages 15 to 18 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 after the stage 2 transfer of resources which took place on 1 April 2014 the PCCWM continues to have 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. A judgement has also been made that the non-pay costs within the support services element of the SeRCOP analysis will form part of the cost of the PCC where these are attributable to the assets and liabilities of the PCC. As a result, the cost of running the Office for Policing and Crime and the non-pay related costs of the SeRCOP support functions and shown in the Comprehensive Income and Expenditure Statement of the PCC as these have been determined to be under his direction and control based on the local arrangements which have been determined through the joint scheme of corporate governance which exists between the 2 corporation soles. The pension's costs of all staff excluding those staff within the Office for the Police and Crime Commissioner are included in the accounts of the Chief Constable. The PCCWM pension costs are now supported by a formal actuarial valuation and are therefore disclosed separately in the accounts of the PCCWM.
- A judgement has been made in relation to the liability of police bodies to make payments to police officers affected by a decision on 15th May by the Pensions Ombudsman that the Government Actuaries Departments failed to maintain and update commutation factors adequately between 1999 and 2006.



The ombudsman ordered that a new commutation factor should be prepared for the individual named in the judgement as if this had been carried out in December 2004. A payment was ordered to be made to the individual to reflect the recalculated commutation lump sum including interest on the back-dated payment.

The ombudsman expects Government to make arrangements for payments to be made to other individuals affected by this judgement reflecting the more beneficial terms that would have applied had commutation factors been reviewed and revised at the appropriate times. Guidance was made available to police bodies by GAD on 21 July 2015 to provide a methodology for the calculation of the liability for individual officers. A judgement has been made that the liability will be treated as a contingent liability. This judgement is based on 2 factors. Firstly, the calculation pro-forma provided by GAD does not allow the PCC to determine the value of underpaid pensions for deceased and deferred officers. These calculations must be performed by GAD and will not be available by the date of account publication. Secondly, at the time of publication, management is of the view that the value of any liability cannot be reliably measured in respect of West Midlands Police. In our judgement, the information does not exist to enable us to calculate a reasonable estimate of the liability, nor is it possible for this evidence to be reasonably obtained or calculated in order to arrive at a provision for West Midlands Police. As the Home Office is proposing to fund the liability through the top-up grant process, we have also recognised a corresponding contingent asset for this payment.

4. 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 2015 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 2015 is £6,931.6m (£5,965.7m in 2013-14) so a small percentage change in the overall liability can have a material impact on the accounts |

5. EVENTS AFTER THE BALANCE SHEET DATE

On 1 April 2015 the PCC made a payment of £11.15m to the Local Government pension Scheme. This was used to pay a large portion of the deficit in the scheme for past service costs for the year 2015-16 and 2016-17. The PCC determined that making a single payment in advance derived a saving of £0.6m in comparison to making these payments monthly in arrears. This payment was a prudent use of reserves and achieved a saving which would not have been able to be achieved by investing the funds in the open market.

On 15th May the Pensions Ombudsman published his final determination in the case of a fire fighter who retired in 2005. The determination concerns historic commutation factors in the fire scheme and the responsibilities for maintaining and updating them. The determination found that the Government Actuaries



Department had a statutory obligation to maintain and review the commutation factors between 1999 and 2006, and should have done so proactively. In not doing so, this amounted to maladministration.

The Ombudsman ordered that a new commutation factor should be prepared for this individual as if this had been carried out in December 2004. A payment was ordered to be made to the individual to reflect the recalculated commutation lump sum including interest on the back-dated payment.

The Ombudsman expects Government to make arrangements for payments to be made to other individuals affected by this judgement reflecting the more beneficial terms that would have applied had commutation factors been reviewed and revised at the appropriate times. The Government Actuaries Department (GAD) is the body responsible for producing, maintaining and updating the commutation factors for both the Fire service pension scheme and the Police Pension Scheme. Hence this judgement is also expected to impact on Police bodies.

The Home Office have advised that payments relating to this ruling should be made from the Police Pension Fund Account. This will be fully re-imbursed by the Home Office according to existing arrangements for the payment of the Police Pension top-up grant. At the time of these accounts being published the Chief Constable has not been able to accurately determine the value of the liability which exists to calculate, for each individual affected, any additional pension that should be paid. There are a number of deferred and deceased pensioners whose calculations cannot be completed locally and these must be completed by GAD. This issue has been accounted for as a contingent liability in these accounts and the Group accounts.



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

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

| 2013-14 (re-stated) £'000 | | 2014-15 £'000 |
|---------------------------------|--|------------------|
| 458,031 | Financial Resources of the PCCWM consumed at the request of the Chief Constable | 433,850 |
| 122,984 | Police Pay and Allowances | 122,773 |
| 2,371 | Police Staff and PCSO Pay and Allowances | 3,478 |
| 2,371 | Other Employee Expenses | 3,478 |
| 583,386 | Sub Total Employee Costs | 560,101 |
| 3,257 | Premises Related Costs | 2,778 |
| 2,530 | Transport/Travel Costs | 2,179 |
| 22,213 | Supplies and Services | 29,991 |
| 3,965 | Agency Expenses | 4,285 |
| (51,713) | Income | (58,307) |
| 718 | Non distributed costs | 586 |
| 564,357 | Total Financial Resources of the PCCWM consumed at the request of the Chief Constable | 541,613 |
| (476,474) | PCC funding for financial resources consumed | (477,289) |
| 87,883 | Net Cost of Policing Services | 64,324 |
| 201,216 | Financing and investment income and expenditure | 200,664 |
| 289,099 | Deficit on the provision of services | 264,988 |
| (385,099) | Other Comprehensive Income and Expenditure | 700,890 |
| (96,000) | Net Comprehensive Income and Expenditure | 965,878 |

The decrease in employee costs of £23.3m between 2013-14 and 2014-15 is due to a £19.8m decrease in current service costs of police and police staff pensions (offset by a £5m 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 2014-15 by portfolio holders:
Chief Constable – Service information for year ended 31 March 2015

| | ACC crime portfolio | ACC local policing portfolio | ACC operations portfolio | ACC security portfolio | DCC portfolio | Director of Resources portfolio | Other | Total |
|---------------------------------|---------------------|------------------------------|--------------------------|------------------------|----------------|---------------------------------|-----------------|------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Fees, Charges and Other Income | (2,733) | (452) | (14,396) | (1,001) | (1,645) | 0 | (98,123) | (118,348) |
| Government Grant | (3,890) | 0 | (3,244) | (28,899) | 0 | 0 | 0 | (36,034) |
| Total Income | (6,623) | (452) | (17,640) | (29,900) | (1,645) | 0 | (98,123) | (154,382) |
| Employee Expenses | 139,025 | 126,981 | 100,174 | 71,759 | 14,727 | 26,076 | 113,758 | 592,501 |
| Other Operating Expenses | 7,939 | 350 | 13,496 | 10,979 | 18 | 6,000 | 1,806 | 40,587 |
| Total Operating Expenses | 146,963 | 127,331 | 113,670 | 82,738 | 14,745 | 32,076 | 115,564 | 633,088 |
| Net Expenditure | 140,340 | 126,880 | 96,030 | 52,838 | 13,100 | 32,076 | 17,442 | 478,706 |

Non-Portfolio areas collected under 'Other' include Pensions, Secondment and Command Team costs.

| Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement | | 2014-15 £000 |
|--|--|-----------------|
| Cost of Services in Service Analysis (as above) | | 478,706 |
| Add treated as PCC | | 0 |
| Add services not included in main analysis | | 61,830 |
| Add amounts not reported to management | | 142,253 |
| Comprehensive Income and Expenditure Statement | | (141,178) |
| Add corporate amounts | | 901,554 |
| Less PCC funding for financial resources consumed | | (477,289) |
| Total Comprehensive Income in the Comprehensive Income and Expenditure Statement | | 965,878 |

| | Service Analysis £000 | Treated as Corporate Amount £000 | Treated as PCC £000 | Not reported to mgt £000 | Not Included in CIES £000 | Net Cost of Services £000 | Corporate Amounts £000 | Total £000 |
|---|--------------------------|-------------------------------------|------------------------|-----------------------------|------------------------------|------------------------------|---------------------------|------------------|
| Fees charges and other income | (118,348) | 61,830 | 0 | 0 | 34,244 | (22,274) | 0 | (22,274) |
| Top Up Grant | 0 | 0 | 0 | 0 | 0 | 0 | (61,830) | (61,830) |
| Government Grants and Contributions | (36,034) | 0 | 0 | 0 | 0 | (36,034) | 0 | (36,034) |
| Total Income | (154,382) | 61,830 | 0 | 0 | 34,244 | (58,307) | (61,830) | (120,138) |
| Employee Expenses | 592,501 | 0 | 0 | 143,608 | (175,421) | 560,687 | 0 | 560,687 |
| Other Operating Expenses | 40,587 | 0 | 0 | (1,355) | 0 | 39,232 | 0 | 39,232 |
| Pension and Interest Costs | 0 | 0 | 0 | 0 | 0 | 0 | 262,494 | 262,494 |
| Total Operating Expenses | 633,088 | 0 | 0 | 142,253 | (175,421) | 599,920 | 262,494 | 862,414 |
| Net Operating Expenditure | 478,706 | 61,830 | 0 | 142,253 | (141,178) | 541,612 | 200,664 | 742,276 |
| (Surplus)/Deficit for the year | 478,706 | 61,830 | 0 | 142,253 | (141,178) | 541,612 | 200,664 | 742,276 |
| Actuarial (gains)/losses on pension fund assets and liabilities | 0 | 0 | 0 | 0 | 0 | 0 | 700,890 | 700,890 |
| PCC funding for Financial Resources Consumed | 0 | 0 | 0 | 0 | 0 | 0 | (477,289) | (477,289) |
| Total Comprehensive Income | 478,706 | 61,830 | 0 | 142,253 | (141,178) | 541,612 | 424,265 | 965,878 |



and Expenditure

Chief Constable – Service information for year ended 31 March 2014

| | ACC crime portfolio £000 | ACC local policing portfolio £000 | ACC operations portfolio £000 | ACC security portfolio £000 | Chief Information officer portfolio £000 | DCC portfolio £000 | Director of Resources portfolio £000 | Other £000 | Total £000 |
|---------------------------------|-----------------------------------|---|--|--------------------------------------|--|--------------------------|---|-----------------|------------------|
| 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) |
| Total Income | (5,499) | (498) | (14,185) | (28,681) | (1,309) | (36) | 0 | (95,167) | (145,375) |
| 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 |
| Total Operating Expenses | 135,090 | 138,563 | 116,192 | 82,575 | 7,671 | 7,631 | 25,183 | 108,263 | 621,168 |
| Net Expenditure | 129,591 | 138,065 | 102,007 | 53,894 | 6,362 | 7,595 | 25,183 | 13,096 | 475,793 |

| Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement | 2013-14 £000 |
|--|-----------------|
| Cost of Services in Service Analysis (as above) | 475,793 |
| 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) |
| Net cost of Services in the Comprehensive Income and Expenditure Statement | (96,324) |

| | Service Analysis £000 | Treated as Corporate Amount £000 | Treated as PCC £000 | Not reported to management £000 | Not Included in CIES £000 | Net Cost of Services £000 | Corporate Amounts £000 | Total £000 |
|---|-----------------------------|---|---------------------------|--|------------------------------------|------------------------------------|------------------------------|------------------|
| 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) |
| Total Income | (145,375) | 59,947 | 0 | 0 | 33,715 | (51,713) | (59,947) | (111,660) |
| 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 |
| Net Operating Expenditure | 475,793 | 59,947 | 0 | 166,809 | (138,022) | 564,527 | 201,294 | 765,821 |
| (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) |
| Total Comprehensive Income and Expenditure | 475,793 | 59,947 | 0 | 166,809 | (138,022) | 564,527 | (660,851) | (96,324) |



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 exclude the staff of the Office for the Police and Crime Commissioner.

| 2013-14 Police officers | 2013-14 Police staff | 2013-14 Total | Earnings Band | 2014-15 Police Officers | 2014-15 Police Staff | 2014-15 Total |
|----------------------------|-------------------------|------------------|---------------------|----------------------------|-------------------------|------------------|
| 6,814 | 4,022 | 10,836 | Less than £49,999 | 6,609 | 3,867 | 10,476 |
| 260 | 14 | 274 | £50,000 - £54,999 | 286 | 24 | 310 |
| 153 | 6 | 159 | £55,000 - £59,999 | 164 | 9 | 173 |
| 31 | 6 | 37 | £60,000 - £64,999 | 26 | 7 | 33 |
| 11 | 0 | 11 | £65,000 - £69,999 | 20 | 2 | 22 |
| 9 | 3 | 12 | £70,000 - £74,999 | 4 | 3 | 7 |
| 15 | 0 | 15 | £75,000 - £79,999 | 11 | 1 | 12 |
| 4 | 2 | 6 | £80,000 - £84,999 | 11 | 2 | 13 |
| 8 | 2 | 10 | £85,000 - £89,999 | 2 | 2 | 4 |
| 0 | 1 | 1 | £90,000 - £94,999 | 1 | 0 | 1 |
| 1 | 0 | 1 | £95,000 - £99,999 | 2 | 0 | 2 |
| 0 | 0 | 0 | £100,000 - £104,999 | 0 | 0 | 0 |
| 0 | 0 | 0 | £105,000 - £109,999 | 0 | 0 | 0 |
| 2 | 1 | 3 | £110,000 - £114,999 | 1 | 1 | 2 |
| 0 | 0 | 0 | £115,000 - £119,999 | 1 | 0 | 1 |
| 1 | 0 | 1 | £120,000 - £124,999 | 0 | 0 | 0 |
| 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 | 0 | 0 | 0 |
| 0 | 0 | 0 | £195,000 - £199,999 | 1 | 0 | 1 |
| 7,311 | 4,057 | 11,368 | Totals | 7,140 | 3,918 | 11,058 |



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 their job title.

Senior Officers' remuneration in 2014-15

| Post holder information | Note | Salary (inc fees and allowances) (£000) | Benefit in Kind (£000) | Total remuneration (Exc employer pension contributions) (£000) | Employers pension contributions (£000) | Total Remuneration (Inc. employers pension contributions) (£000) |
|--------------------------------------|--------|--|---------------------------|---|---|---|
| Chief Constable C Sims | | 195.3 | 3.0 | 198.3 | 0 | 198.3 |
| Deputy Chief Constable | | 144.4 | 6.4 | 150.8 | 34.2 | 185.0 |
| Assistant Chief Constable (1) | | 112.6 | 6.5 | 119.1 | 26.0 | 145.1 |
| Assistant Chief Constable (2) | | 116.6 | 4.7 | 121.3 | 26.0 | 147.3 |
| Assistant Chief Constable (3) | | 99.9 | 7.1 | 107.0 | 24.0 | 131.0 |
| Assistant Chief Constable (4) | Note 1 | 82.4 | 3.5 | 85.9 | 19.2 | 105.1 |
| Assistant Chief Constable (5) | Note 2 | 28.3 | 0 | 28.3 | 6.6 | 34.9 |
| Temp Assistant Chief Constable | Note 3 | 19.7 | 1.0 | 20.7 | 4.6 | 25.3 |
| Director of Resources | | 114.8 | 7.6 | 122.4 | 13.1 | 135.5 |
| Temp Assistant Director of Resources | Note 4 | 7.5 | 0.4 | 7.9 | 0.9 | 8.8 |
| | | 921.5 | 40.2 | 961.7 | 154.6 | 1,116.3 |

1 This ACC commenced their role on 01 June 2014. The post holders annualised salary is £95,400

2 This ACC retired on 2 June 2014. The post holders annualised salary is £107,500

3 This Chief Superintendent acted to the role of ACC in April and May 2014 and part of January 2015.

4 This post holder carried out this role in April 2014 after which the role was no longer required in the Command Team structure



Senior Officers' remuneration 2013-14

| Post holder information | Note | Salary (inc fees and allowances) (£000) | Benefit in Kind (£000) | Total remuneration (Exc employer pension contributions) (£000) | Employers pension contributions (£000) | Total Remuneration (Inc. employers pension contributions) (£000) |
|--------------------------------------|--------|--|---------------------------|---|---|---|
| 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 |
| | | 1,065.4 | 48.1 | 1,113.5 | 168.2 | 1,281.7 |

It is noted that the Director of Resources, Temporary Assistant Director of Resources and Chief Information Officer were employed by the Police and Crime Commissioner (prior to the stage 2 transfer of resources) but are included in the table above as they operate as an integral part of the Command Team of the police force. The benefit in kind figures above are taken from P11D 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.



10. TERMINATION BENEFITS

The 2014-15 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 | |
|---------------------|--------------------------------|----------|--------------------------------|-----------|---|-----------|--|------------------|
| | 2013-14 | 2014-15 | 2013-14 | 2014-15 | 2013-14 | 2014-15 | 2013-14 £'000 | 2014-15 £'000 |
| £0 - £19,999 | 0 | 0 | 47 | 60 | 47 | 60 | 346 | 536 |
| £20,000 - £39,999 | 0 | 0 | 7 | 14 | 7 | 14 | 174 | 405 |
| £40,000 - £59,999 | 0 | 0 | 6 | 8 | 6 | 8 | 270 | 405 |
| £60,000 - £79,999 | 0 | 0 | 1 | 4 | 1 | 4 | 67 | 280 |
| £80,000 - £99,999 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| £100,000 - £149,999 | 0 | 0 | 0 | 2 | 0 | 2 | 0 | 240 |
| Total | 0 | 0 | 61 | 88 | 61 | 88 | 857 | 1,866 |

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 2015 but who have not left the organisation at the Balance Sheet date.

11. EXTERNAL AUDIT COSTS

In 2014-15 the Chief Constable incurred the following fees relating to external audit:

| | 2013-14 £'000 | 2014-15 £'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 | 0 | (3) |
| 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 2014-15 was Grant Thornton UK LLP. The audit fee for the Chief Constables accounts for the year was £30,000. However, the Chief Constable received a rebate of £3,083 from the Audit Commission due to further cost reductions within their business. Therefore the net fees payable for 2014-15 were £26,917.



12. GRANT INCOME

The Chief Constable credited the following grants to the Comprehensive Income and Expenditure Statement in 2014-15.

| | 2013-14 | 2014-15 |
|--|---------------|---------------|
| | £'000 | £'000 |
| <i>Credited to Taxation and Non Specific Grant Income</i> | | |
| Pensions top up grant receivable | 59,947 | 61,830 |
| Total | 59,947 | 61,830 |
| <i>Credited to Police Services</i> | | |
| Community Support Officer Grant | 0 | 0 |
| Counter Terrorism Grant | 29,462 | 30,434 |
| Other Grants | 4,085 | 5,600 |

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 £21.70m were made to them in 2014-15 (17.58m in 2013-14)

Officers

No Chief Officers of the Force have declared any related party transactions in 2014-15.

14. AGENCY EXPENDITURE

| | 31 March 2014 | 31 March 2015 |
|--|------------------|------------------|
| | £'000 | £'000 |
| Forensic Provision | 2,056 | 2,075 |
| National Ballistics Intelligence Service | 502 | 495 |
| Other agency expenditure | 1,408 | 1,715 |
| Total agency expenditure | 3,966 | 4,285 |



NOTES TO THE CHIEF CONSTABLE'S BALANCE SHEET

15. UNUSABLE RESERVES

The Chief Constable recognises two 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 2014 £'000 | 31 March 2015 £'000 |
|--|---------------------------|---------------------------|
| Balance at 1 April | 6,059,004 | 5,962,568 |
| Remeasurements of the net defined benefit liability or asset | (385,099) | 700,890 |
| 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 | 367,497 | 344,228 |
| Employers' pensions contributions and direct payments to pensioners payable in the year | (78,834) | (79,316) |
| Balance as at 31 March | 5,962,568 | 6,928,370 |

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.

| | 2013-14 £'000 | 2014-15 £'000 |
|---|------------------|------------------|
| Balance at 1 April | 2,713 | 3,149 |
| Settlement or cancellation of accrual made at the end of the previous year | 0 | 0 |
| Amounts accrued at the end of the current year | 2,713 | 3,149 |
| 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 | 436 | 76 |
| Balance at 31 March | 3,149 | 3,225 |



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. In addition the disclosures which follow also show the costs of police injury awards separately as the costs of injury pensions are material in their own right. 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. The statements which follow show transactions for the Chief Constable and the Group separately because the assets and liabilities in the Local Government pension Scheme are now disclosed separately by the group's actuary. However, the values for the PCC assets and liabilities for 2013-14 have been estimated at 0.93% of the overall cost based on membership data for each entity.

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.



Comprehensive Income and Expenditure Statement

| 2014-2015 | Local Government Pension Scheme CC element | Local Government Pension Scheme PCC element | 1987 Police Pension Scheme | Police Injury Awards | 2006 Police Pension Scheme | Total |
|--|--|---|----------------------------|----------------------|----------------------------|--------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Net cost of services: | | | | | | |
| Current service cost | (15,056) | (151) | (103,130) | (4,270) | (20,490) | (143,097) |
| Past service (cost)/ gain | (15) | 0 | 0 | 0 | 0 | (15) |
| Curtailments | (571) | 0 | 0 | 0 | 0 | (571) |
| Financing and Investing Income & Expenditure: | | | | | | |
| Net Interest cost | (6,684) | (62) | (238,130) | (8,300) | (9,120) | (262,296) |
| Administration cost | (260) | (2) | 0 | 0 | 0 | (262) |
| Total post employment benefits charged to the surplus or deficit on the provision of Services | (22,586) | (215) | (341,260) | (12,570) | (29,610) | (406,241) |
| Other post employment benefits charged to the Comprehensive Income and Expenditure Statement | 0 | 0 | 0 | 0 | 0 | 0 |
| Re-measurement of the net defined benefit liability/asset comprising: | | | | | | |
| Return on plan assets (excluding the amount included in the net interest cost) | 43,627 | 314 | 0 | 0 | 0 | 43,941 |
| Actuarial gains and losses arising on changes in demographic assumptions | 0 | 0 | 116,670 | 4,360 | 6,040 | 127,070 |
| Actuarial gains and losses arising on changes in financial assumptions | (128,557) | (884) | (771,890) | 66,540 | (37,680) | (872,471) |
| Net charge to I and E account | (107,516) | (785) | (996,480) | 58,330 | (61,250) | (1,107,701) |



| 2013-2014 | Local Government Pension Scheme CC element | Local Government Pension Scheme PCC element | 1987 Police Pension Scheme | Police Injury Awards | 2006 Police Pension Scheme | Total |
|--|--|---|----------------------------|----------------------|----------------------------|------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| <u>Net cost of services:</u> | | | | | | |
| Current service cost | (17,853) | (170) | (123,500) | (4,670) | (19,540) | (165,733) |
| Past service (cost)/ gain | (1) | 0 | 0 | 0 | 0 | (1) |
| Curtailments | (717) | 0 | 0 | 0 | 0 | (717) |
| <u>Financing and Investing Income & Expenditure:</u> | | | | | | |
| Net Interest cost | (8,093) | (76) | (235,230) | (9,120) | (8,470) | (260,989) |
| Administration Costs | (250) | (2) | 0 | 0 | 0 | (252) |
| Total post-employment benefits charged to the surplus or deficit on the provision of Services | (26,914) | (248) | (358,730) | (13,790) | (28,010) | (427,692) |
| Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement | 0 | 0 | 0 | 0 | 0 | 0 |
| Re-measurement of the defined benefit liability/asset comprising: | | | | | | |
| Return on plan assets (excluding the amount included in the net interest cost) | 9,151 | 86 | 0 | 0 | 0 | 9,237 |
| Actuarial gains and losses arising on changes in demographic assumptions | (3,568) | (33) | 94,390 | 28,620 | 5,950 | 125,359 |
| Actuarial gains and losses arising on changes in financial assumptions | 43,386 | 407 | 184,140 | 6,090 | 16,940 | 250,963 |
| Net charge to I and E account | 22,055 | 212 | (80,200) | 20,920 | (5,120) | (42,133) |



Movement in Reserves Statement

| 2014-2015 | Local Government Pension Scheme CC element £'000 | Local Government Pension Scheme PCC Element £'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 | 22,586 | 215 | 341,260 | 12,570 | 29,610 | 406,241 |
| Actual amount charged against the General Fund balance for pensions in the year: | | | | | | |
| Employer's contributions payable to the scheme | (15,794) | (144) | 0 | 0 | 0 | (15,938) |
| Retirement benefits payable to pensioners (net of employee contributions) | 0 | 0 | (128,400) | (2,330) | 5,050 | (125,680) |

| 2013-2014 | Local Government Pension Scheme CC element £'000 | Local Government Pension Scheme PCC Element £'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 | 26,914 | 248 | 358,730 | 13,790 | 28,010 | 427,692 |
| Actual amount charged against the General Fund balance for pensions in the year: | | | | | | |
| Employer's contributions payable to the scheme | (12,060) | (113) | 0 | 0 | 0 | (12,173) |
| Retirement benefits payable to pensioners (net of employee contributions) | 0 | 0 | (128,920) | (2,260) | 4,030 | (127,150) |

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 24 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:



| 2014-2015 | Funded liabilities: Local Govt Pension Scheme CC element £'000 | Funded liabilities: Local Govt Pension Scheme PCC element £'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 | (719,224) | (5,382) | (6,292,860) | (126,970) | (260,970) | (7,405,406) |
| Fair value of plan assets | 471,653 | 3,278 | 0 | 0 | 0 | 474,931 |
| Sub-total | (247,571) | (2,104) | (6,292,860) | (126,970) | (260,970) | (6,930,475) |
| Other movements in the liability | 0 | 0 | 0 | 0 | 0 | 0 |
| Net liability arising from the defined benefit obligation | (247,571) | (2,104) | (6,292,860) | (126,970) | (260,970) | (6,930,475) |

| 2013-2014 | Funded liabilities: Local Govt Pension Scheme CC element £'000 | Funded liabilities: Local Govt Pension Scheme PCC element £'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 | (556,975) | (4,495) | (5,424,560) | (187,630) | (194,530) | (6,368,190) |
| Fair value of plan assets | 401,127 | 3,032 | 0 | 0 | 0 | 404,159 |
| Sub-total | (155,848) | (1,463) | (5,424,560) | (187,630) | (194,530) | (5,964,031) |
| Other movements in the liability | 0 | 0 | 0 | 0 | 0 | 0 |
| Net liability arising from the defined benefit obligation | (155,848) | (1,463) | (5,424,560) | (187,630) | (194,530) | (5,964,031) |

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

| 2014-2015 | Funded liabilities: Local Govt Pension Scheme (CC element) £'000 | Funded liabilities: Local Govt Pension Scheme (PCC element) £'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 -14 | (556,976) | (4,495) | (5,424,560) | (187,630) | (194,530) | (6,368,190) |
| Current service cost | (15,056) | (151) | (103,130) | (4,270) | (20,490) | (143,097) |
| Interest cost | (25,451) | (198) | (238,130) | (8,300) | (9,120) | (281,169) |
| Contributions by scheme participants | (5692) | (68) | (28,490) | 0 | (5,390) | (39,640) |
| Transfers into the scheme | 0 | 0 | (220) | 0 | (140) | (360) |
| Re-measurement of the defined benefit obligation | (128,557) | (884) | (655,220) | 70,900 | (31,640) | (745,401) |
| Benefits paid | 13,094 | 414 | 156,890 | 2,330 | 340 | 172,898 |
| Curtailments | (571) | 0 | 0 | 0 | 0 | (571) |
| Past service costs | (15) | 0 | 0 | 0 | 0 | (15) |
| 31 March-15 | (719,224) | (5,382) | (6,292,860) | (126,970) | (260,970) | (7,405,406) |



| 2013-2014 | Funded liabilities: Local Govt Pension Scheme (CC element) £'000 | Funded liabilities: Local Govt Pension Scheme (PCC element) £'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 | (566,037) | (4,586) | (5,473,010) | (210,810) | (185,220) | (6,439,663) |
| Current service cost | (17,855) | (168) | (123,500) | (4,670) | (19,540) | (165,733) |
| Interest cost | (24,686) | (232) | (235,230) | (9,120) | (8,470) | (277,738) |
| Contributions by scheme participants | (5,356) | (50) | (28,950) | 0 | (4,320) | (38,676) |
| Transfers into the scheme | 0 | 0 | (270) | 0 | (160) | (430) |
| Re-measurement of the defined benefit obligation | 43,824 | 411 | 278,530 | 34,710 | 22,890 | 380,365 |
| Benefits paid | 13,853 | 130 | 157,870 | 2,260 | 290 | 174,403 |
| Curtailments | (717) | 0 | 0 | 0 | 0 | (717) |
| Past service costs | (1) | 0 | 0 | 0 | 0 | (1) |
| 31 March-14 | (556,976) | (4,495) | (5,424,560) | (187,630) | (194,530) | (6,368,190) |

Reconciliation of fair value of the scheme assets:

| | Local Government Pension Scheme CC Element £'000 | |
|---|---|----------------|
| | 2013-14 (re-stated) | 2014-15 |
| 1 April | 376,075 | 401,127 |
| Interest on plan assets | 16,593 | 18,767 |
| Return on plan assets excluding the amount included in the net interest expense | 5,146 | 43,627 |
| Employer contributions | 12,060 | 15,794 |
| Member contributions | 5,356 | 5,692 |
| Benefits paid | (13,853) | (13,094) |
| Administration expenses | (250) | (260) |
| 31 March | 401,127 | 471,653 |

The above table has been re-stated to show only the scheme assets attributable to the Chief Constable. The values for 2013-14 have been restated as this previously featured the assets for the scheme as a whole including those assets held in relations to pensions incurred within the Office for the Police and Crime Commissioner.



History of the Scheme

| | 2014-15 | 2013-14 | 2012-13 | 2011-12 | 2010-11 |
|---|--------------------|--------------------|--------------------|--------------------|----------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Present value of liabilities: | | | | | |
| Local Government Pension Scheme CC element | (719,224) | (556,975) | (570,623) | (476,067) | (445,343) |
| Local Government Pension Scheme PCC element | (5,382) | (4,495) | 0 | 0 | 0 |
| 1987 Police Pension Scheme | (6,292,860) | (5,424,560) | (5,473,010) | (4,556,570) | (4,289,440) |
| Police Injury award Pensions | (126,970) | (187,630) | (210,810) | (180,210) | (149,260) |
| 2006 Police Pension Scheme | (260,970) | (194,530) | (185,220) | (118,270) | (87,410) |
| Fair value of assets in the Local Government Pension Scheme CC element | 471,653 | 401,127 | 378,872 | 331,620 | 325,588 |
| Fair value of assets in the Local Government Pension Scheme PCC element | 3,278 | 3,032 | 0 | 0 | 0 |
| Subtotal | (6,930,475) | (5,964,031) | (6,060,791) | (4,999,497) | (4,645,845)** |
| Surplus/(deficit) in the scheme: | | | | | |
| Local Government Pension Scheme CC element | (247,571) | (155,848) | (191,751) | (144,447) | (119,755) |
| Local Government Pension Scheme PCC element | (2,104) | (1,463) | 0 | 0 | 0 |
| 1987 Police Pension Scheme | (6,292,860) | (5,424,560) | (5,473,010) | (4,556,570) | (4,289,420) |
| Police Injury award Pensions | (126,970) | (187,630) | (210,810) | (180,210) | (149,260) |
| 2006 Police Pension Scheme | (260,970) | (194,530) | (185,220) | (118,270) | (87,410) |
| Total | (6,930,475) | (5,964,031) | (6,060,791) | (4,999,497) | (4,645,845)** |

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

The above table presents the liabilities of the Local Government and Police Pension Schemes with the elements relating to the Police and Crime Commissioner shown separately. The total value of the liability for the pension schemes disclosed in the Chief Constables Balance Sheet excludes the PCC element of the Local Government Pension Scheme and is thus £6.928m.

The liabilities show the underlying commitments that the CCWMP has in the long run to pay post-employment (retirement) benefits. The total liability of £6.928m within the Chief Constable's Balance Sheet has a substantial impact on the net worth of the Group recorded in the Group Balance Sheet, resulting in a negative overall balance of £6,661m. 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:-

| | Chief Constable Portion of Local Government Pension Scheme | | Police Pension Scheme | |
|--|--|---------|-----------------------|---------|
| | £'000 | | £'000 | |
| | 2013-14 | 2014-15 | 2013-14 | 2014-15 |
| | Years | Years | Years | Years |
| Mortality Assumptions: | | | | |
| Longevity at 65 for current pensioners: | | | | |
| Men | 22.9 | 23.0 | 23.4 | 23.3 |
| Women | 25.5 | 25.6 | 25.9 | 25.7 |
| Longevity at 65 for future pensioners: | | | | |
| Men | 25.1 | 25.2 | 25.6 | 25.4 |
| Women | 27.8 | 28.0 | 28.0 | 27.9 |
| | % | | % | |
| Rate of CPI inflation | 2.40 | 2.10 | 2.50 | 2.20 |
| Rate of increase in salaries | 4.15 | 3.85 | 4.50 | 4.20 |
| Rate of increase in pensions | 2.40 | 2.10 | 2.50 | 2.20 |
| Rate for discounting scheme liabilities | 4.60 | 3.40 | 4.40 | 3.30 |
| 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 | Decrease in assumption £000 |
| Longevity (increase or decrease of 1 year) | 13,616 | (13,616) |
| Rate of inflation (increase or decrease by 0.1%) | 15,807 | (15,807) |
| Rate of increase in salaries (increase or decrease by 0.1%) | 5,038 | (5,038) |
| Rate of discounting scheme liability (increase or decrease by 0.1%) | (15,467) | 15,467 |



The actuarial gains and losses disclosed in the Local Government Pension Scheme of £85.5m are subject to an allowance for short-term pay increases at a lower rate than the long term figure of 3.75% per year.

| Police Pension Scheme | Impact on the defined benefit obligation in the scheme | |
|--|--|--------------------------------|
| | Increase in assumption £000 | Decrease in assumption £000 |
| Longevity (increase or decrease of 1 year) | 152,000 | (152,000) |
| Rate of increase in pensions / deferred revaluation (increase or decrease by 0.5%) | 592,000 | (592,000) |
| Rate of increase in salaries (increase or decrease by 0.5%) | 120,000 | (120,000) |
| Rate of discounting scheme liability (increase or decrease by 0.5%) | (753,000) | 753,000 |

The police pension scheme has no assets to cover its liabilities. Assets in the West Midlands Metropolitan Authorities Pension Fund relating to the Chief Constable are valued at fair value, (the bid price of investments held), totalling £471.7m for the fund as a whole at 31 March 2015 (£401.1m at 31 March 2014). 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 2014 restated £'000 | 31 March 2015 £'000 |
| Cash and cash equivalents | Cash instruments | Y | 8,384 | 5,566 |
| | Cash accounts | Y | 2,046 | 13,725 |
| Total Cash | | | 10,430 | 19,291 |
| Equity Instruments | UK quoted | Y | 39,872 | 44,996 |
| | UK unquoted | N | 7,341 | 7,877 |
| | Global quoted | Y | 20,899 | 34,336 |
| | Global unquoted | N | 41,918 | 49,052 |
| | Europe | Y | 26,916 | 36,600 |
| | Japan | Y | 7,260 | 10,282 |
| | Pacific Basin | Y | 16,406 | 20,234 |
| | North America | Y | 38,869 | 36,176 |
| | Emerging Markets | Y | 33,614 | 39,053 |
| Total equity | | | 233,095 | 278,606 |
| Bonds | UK Government fixed | Y | 7,662 | 6,556 |
| | UK Government indexed | Y | 25,391 | 30,563 |
| | UK other | Y | 19,094 | 22,970 |
| | Overseas other | Y | 10,469 | 12,263 |
| | Other | Y | 13,398 | 14,951 |
| Total Bonds | | | 76,014 | 87,333 |
| Property | UK | Y | 25,030 | 28,912 |
| | Property funds | Y | 11,833 | 12,263 |
| Total property | | | 36,863 | 41,175 |
| Alternatives | Commodities | Y | 7,541 | 0 |
| | Infrastructure | Y | 11,673 | 16,036 |
| | Absolute Return | Y | 25,512 | 29,242 |
| Total Alternatives | | | 44,726 | 45,278 |
| Total Assets held | | | 401,128 | 471,653 |



Values for 2013-14 have been re-stated as they have been split to show the asset breakdown for the assets held by the PCCWM separately from the assets held by the Chief Constable.

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.

| | 2013-14 Capitalised Value £'000 | 2014-15 Actual Payments £'000 | 2014-15 Capitalised Value £'000 |
|--|--|--|--|
| Payments made in respect of decisions made in the year | 0 | 0 | 0 |
| Payments made in respect of decisions made in previous years | 2,131 | 113 | 2,026 |
| | 2,131 | 113 | 2,026 |

18. CONTINGENT LIABILITIES AND ASSETS

The Chief Constable recognises a contingent liability in relation to the commutation of police pensions. A commutation is the exchange of part, or all of an annual pension for a cash lump sum. The Pensions Ombudsman recently published his determination in relation to a fire-fighter who retired in 2005. The determination concerns historic commutation factors in the fire scheme and the responsibilities for maintaining and updating them. The determination found that the actuary had a statutory obligation to maintain and review the commutation factors between 1999 and 2006, and should have done so proactively. In not doing so, this amounted to maladministration.

The ombudsman ordered that a new commutation factor should be prepared for this individual as if this had been carried out in December 2004. A payment was ordered to be made to the individual to reflect the recalculated commutation lump sum including interest on the back-dated payment.

The ombudsman expects Government to make arrangements for payments to be made to other individuals affected by this judgement reflecting the more beneficial terms that would have applied had commutation factors been reviewed and revised at the appropriate times. We believe over 1,000 retired police officers are affected. At the time of these accounts being published the PCC has not been able to accurately determine the value of the liability which exists to calculate, for each individual affected, any additional pension that should be paid. There are a number of deferred and deceased pensioners whose calculations cannot be completed locally and these must be completed by the Government Actuaries Department. This matter is accounted for as a contingent liability because at the time of publication, management is of the view that the value of any liability cannot be reliably measured in respect of West Midlands Police. In our judgement, the information does not exist to enable us to calculate a reasonable estimate of the liability, nor is it possible for this evidence to be reasonably obtained or calculated in order to arrive at a provision for West Midlands Police. We have disclosed a critical judgement in respect of this decision.

Since the value of the liability will ultimately be met by the Home Office through the receipt of additional top-up grant in 2016 the Chief Constable also discloses a contingent asset for the full value of the pension liabilities that are expected to become payable.



As the Pensions Ombudsman published his determination in the case of Milne vs Government Actuaries Department on 15th May 2015 this matter is also discussed in note 5 – Events after the Balance Sheet date.

19. JOINTLY CONTROLLED OPERATIONS

(a) 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 2014-15 are as follows:

| 2013-14 £'000 | | 2014-15 £'000 |
|------------------|--|------------------|
| | Funding provided to the pooled budget | |
| (4,016) | Contribution from West Midlands Police | (3,953) |
| (2,015) | Contribution from West Mercia Police | (1,971) |
| (1,897) | Contribution from Staffordshire Police | (1,858) |
| (7,928) | Total funding provided to the pooled Budget | (7,782) |
| | Expenditure met from the pooled budget | |
| 7,193 | Pay and allowances | 7,140 |
| 62 | Premises costs | 58 |
| 593 | Transport costs | 466 |
| 212 | Supplies and Services | 216 |
| 0 | SPP grant | 0 |
| 8,060 | Total expenditure | 7,880 |
| | Income received to the Pooled budget | |
| (132) | Miscellaneous income | (5) |
| | External funding | (93) |
| (132) | Total income received | (98) |
| 7,928 | Total Net Expenditure | 7,782 |
| 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 external income has been adjusted to reimburse Staffordshire and West Mercia PCC for associated overtime costs prior to the balance being apportioned across the Group accordingly. This impacts on the funding provided by the pooled budget.

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.



(b) REGIONAL ORGANISED CRIME UNIT

The West Midlands Regional Organised Crime Unit (ROCU) is a collaboration between the police forces of Staffordshire, Warwickshire, West Midlands and West Mercia to fight organised crime across the region.

The aim of the West Midlands ROCU is to reduce the impact and increase the disruption of serious and organised crime within the region and beyond. West Midlands Police acts as the lead force for this joint arrangement and provides the financial management service for this unit.

The unit is funded in part by force contributions and also by grants from the Home Office and the National Cyber Security Programme (NCSP). The revenue account for this unit covers all operating costs. The details for / are as follows:

| 2013/14 £'000 | | 2014/15 £'000 |
|------------------|---|------------------|
| | Funding provided to WMROCU | |
| (928) | Contribution from West Midlands Police | (1,491) |
| (345) | Contribution from West Mercia Police | (554) |
| (201) | Contribution from Staffordshire Police | (323) |
| (145) | Contribution from Warwickshire Police | (232) |
| (1,619) | WMROCU Grant | (2,000) |
| (106) | National Cyber Security Programme funding | (233) |
| (961) | Regional Asset Recovery Team grant | (1,004) |
| 0 | Additional Home Office funding (2014/15 only) | (630) |
| (4,305) | Total funding | (6,467) |
| | WMROCU expenditure | |
| 961 | Regional Asset Recovery Team (RART) | 1,004 |
| 0 | RART – ACE team | 149 |
| 120 | Regional Cyber Crime Unit | 734 |
| 108 | Regional Fraud Team | 335 |
| 936 | Regional Intelligence Unit | 969 |
| 1,024 | Regional Prisons Intelligence Unit | 1,005 |
| 495 | UKPPS (protected Persons) | 1,367 |
| 542 | Project Management | 236 |
| 0 | Project Management (Phase 2) | 382 |
| 0 | Operational Security | 29 |
| 0 | Regional Government Agency Intelligence Network | 37 |
| 117 | Command Team | 187 |
| 1 | Europol Secondment | 34 |
| 4,304 | Total expenditure | 6,467 |
| 0 | Total Net Expenditure | 0 |



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.

| 2013-14 £'000 | Police Pension Fund Account | 2014-15 £'000 | £'000 |
|------------------|---|------------------|-----------------|
| | Fund Account | | |
| | Contributions receivable: | | |
| | From employer: | | |
| (61,199) | Normal | (59,130) | |
| (3,297) | Early retirements | (2,288) | |
| (0) | 30+ contributions | 0 | |
| (64,496) | | (61,418) | |
| (33,279) | From members | (33,885) | |
| (33,279) | | (33,885) | |
| (436) | Transfers in | (360) | |
| (436) | | (360) | |
| (98,211) | Total income into the Pension Fund | | (95,663) |
| | Benefits payable: | | |
| 126,188 | Pensions | 131,964 | |
| 30,252 | Lump sums | 22,676 | |
| 160 | Lump sum death benefits | 343 | |
| 0 | 30+ benefits payable | 0 | |
| 205 | Benefits payable to other regional forces re earlier reorganisations | 173 | |
| 156,805 | | 155,157 | |
| | Payments to and on account of leavers: | | |
| 3 | Refunds of contributions | 0 | |
| 1,349 | Individual transfers out to other schemes | 2,336 | |
| 1 | Other | 0 | |
| 1,353 | | 2,336 | |
| 158,158 | Total payments from the pension fund | | 157,493 |
| 59,947 | Net amount payable for the year | | 61,830 |
| (59,947) | Additional contribution received from the Police and Crime Commissioner | | (61,830) |
| 0 | | | 0 |



Net Assets Statement

| Net current assets and liabilities | 2013-14 | 2014-15 |
|------------------------------------|----------|----------|
| | £'000 | £'000 |
| Current assets | 0 | 0 |
| Current liabilities | 0 | 0 |
| Total | 0 | 0 |

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 2014-15 have been accounted for within the pension fund account; however, liabilities that are due after the 31 March 2015 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 defined benefit 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 2014-15 the contribution rates were as follows :-
6.
 - Employees 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 2006 new police pension scheme

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

 - Employee Contribution – 14.25% for 1987 police pension scheme
 - Employers Contribution – 12.05% for 2006 new police pension scheme

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

 - Employee Contribution – 15.05% for 1987 police pension scheme
 - Employers Contribution – 12.75% for 2006 new police pension scheme



APPENDIX 1: RESTATEMENT OF 2013-14 COMPARATIVES

Restatement of the 2013-14 Movement in Reserves Statement

The opening Balance as at 01 April 2013 has been adjusted to reflect changes to the pension costs in the accounts of the Chief Constable and the PCC. Since actuarial valuations have now been provided for each entities pensions assets and liabilities the Chief Constable has been charged with all pension costs with the exception of those costs which are attributable to the staff within the Office for the Police and Crime Commissioner. These staff are under the control of the Commssioner and have been disclosed separately in the PCC accounts.

| | Reserves per 2013/14 Statement of Accounts | | | | Total Reserves | amendments to pension reserves to split liabilities between PCC and CC | Restated Reserves | | | Total Reserves |
|--|--|------------------|------------------------------|------------------|------------------|--|----------------------|------------------|------------------------------|------------------|
| | useable | unusable | | | | | General Fund Balance | Pensions Reserve | Accumulated Absences Account | |
| | General Fund Balance | Pensions Reserve | Accumulated Absences Account | Total | | | | | | |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | |
| Balance as at 01 April 2013 | 0 | 6,060,791 | 2,713 | 6,063,504 | 6,063,504 | (1,713) | 0 | 6,059,004 | 2,713 | 6,061,717 |
| Deficit on Provision of Services 2013/14 | 289,235 | 0 | 0 | 0 | 289,235 | 0 | 289,099 | 0 | 0 | 289,099 |
| Remeasurement of the net defined pension liability | 0 | (385,559) | 0 | (385,559) | (385,559) | 460 | 0 | (385,099) | 0 | (385,099) |
| Total Comprehensive Income and Expenditure | 289,235 | (385,559) | 0 | (385,559) | (96,324) | 460 | 289,099 | (385,099) | 0 | (96,000) |
| Actual amounts charged against the pension fund for the year | 78,946 | (78,946) | 0 | (78,946) | 0 | 113 | 78,834 | (78,834) | 0 | 0 |
| Difference in pension costs between accounting basis and funding basis | (367,745) | 367,745 | 0 | 367,745 | 0 | (248) | (367,497) | 367,497 | 0 | 0 |
| Difference in employee remuneration costs (between accounting and funding basis) | (436) | 0 | 436 | 436 | 0 | 0 | (436) | 0 | 436 | 0 |
| Adjustments between accounting basis and funding basis under regulations: | (289,235) | 288,799 | 436 | 289,235 | 0 | (136) | (289,099) | 288,663 | 436 | 0 |
| Net increase or (decrease) | 0 | (96,760) | 436 | (96,324) | (96,324) | 324 | 0 | (96,436) | 436 | (96,000) |
| Balance as at 31 March 2014 | 0 | 5,964,031 | 3,149 | 5,967,180 | 5,967,180 | (1,463) | 0 | 5,962,568 | 3,149 | 5,965,717 |



Extract of re-stated 2013-14 Balance Sheet

| | As at 31 March 2014 per 2013/14 Statement of Accounts | As at 31 March 2014 per 2013/14 Statement of Accounts | Amount of liability attributable to the PCC | As at 31 March 2014 Restated | As at 31 March 2014 Restated |
|--|---|---|--|---------------------------------|------------------------------------|
| | £000 | £000 | £000 | £000 | £000 |
| | Chief Constable | PCC | PCC | Chief Constable | PCC |
| Long term liabilities: | | | | | |
| Liability relating to defined benefit pension scheme | (5,964,031) | 0 | (1,463) | (5,962,568) | (1,463) |
| Reserves: | | | | | |
| Pensions Reserve | 5,964,031 | 0 | 1,463 | 5,962,568 | 1,463 |
| | 0 | 0 | 0 | 0 | 0 |

Extract of re-stated 2013-14 Comprehensive Income and Expenditure Statement

| | As per 2013/14 Statement of Accounts | As per 2013/14 Statement of Accounts | Effect of PCC accounting for its element if IAS 19 costs | Restated 2013- 14 Statement of Accounts | Restated 2013- 14 Statement of Accounts |
|--|--|--|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| | Chief Constable | PCC | PCC | Chief Constable | PCC |
| Above net costs of services: | | | | | |
| Current Service costs | (18,023) | 0 | (170) | (17,853) | (170) |
| Past Service costs | (1) | 0 | 0 | (1) | 0 |
| Curtailments | (717) | 0 | 0 | (717) | 0 |
| Total impact on Cost of Services | (18,741) | 0 | (170) | (18,571) | (170) |
| Financing and Investment Income and Expenditure | | | | | |
| Pension net interest cost | (8,169) | 0 | (76) | (8,093) | (76) |
| Administration expenses | (252) | 0 | (2) | (250) | (2) |
| Total impact on Financing and Investment Income | (8,421) | 0 | (78) | (8,343) | (78) |
| Other Comprehensive Income and Expenditure | | | | | |
| IAS 19 remeasurements | 49,429 | 0 | 460 | 48,969 | 460 |
| Total impact on Other Comprehensive Income and Expenditure | 49,429 | 0 | 460 | 48,969 | 460 |
| Net increase (decrease) before transfer to Earmarked Reserves | 22,267 | 0 | 212 | 22,055 | 212 |



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 Local Authorities and Police and Fire bodies 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.

REMEASUREMENTS – These are re-measurements of the net defined pension liability which comprise of returns on pension plan assets (excluding an amount including in net interest) and changes in actuarial gains and losses. These are shown on the Comprehensive Income and Expenditure Statement as other Comprehensive Income and Expenditure.

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.

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.