

CONTENTS

	Page
Statement of Accounts - Explanatory Foreword	2
Audit Opinion	4
Statement of Accounting Policies	5
General Fund Summary Revenue Account	7
Summary Capital Account	10
General Fund Balance Sheet	11
Notes to the Balance Sheet	12
Cashflow Statement	25

NOTES TO THE CASHFLOW STATEMENT

1. RECONCILIATION TO SUMMARY REVENUE ACCOUNT

	Year Ended 31 March 2001		Year Ended 31 March 2002	
	£,000	£,000	£,000	£,000
Surplus (Deficit) for the year		407		967
Increase (decrease) in Provisions		(4,832)		2,840
Other adjustments for non-cash movements		8,330		1,581
Items classified elsewhere in the Statement				
Capital Financing transaction		8,724		4,869
(Increase) decrease in Long Term Debtors		58		44
		8,782		4,913
Adjustments for:				
(Increase) Decrease in stocks		(26)		(13)
(Increase) Decrease in debtors		(2,951)		(5,679)
Increase (Decrease) in creditors		10,332		737
Net Inflow (Outflow) from Revenue Activities		20,042		5,346

2. MOVEMENT IN LIQUID AND NON LIQUID RESOURCES

	Balance at 31 March 2001	Movement in the year	Balance at 31 March 2002
	£,000	£,000	£,000
Cash overdrown	(3,036)	(5,497)	(8,533)
Short term investments	91,900	8,200	100,100
	88,864	2,703	91,567

Liquid resources are assets which can be realised within 24 hours.

3. OTHER GOVERNMENT GRANTS RECEIVED

	2000/01	2001/2002
	£,000	£,000
Police Revenue Grant	198,298	205,625
Loan Charges Grant	1,026	722
	199,324	206,347

4. RECONCILIATION TO SUMMARY CAPITAL ACCOUNT

	2000/01	2001/2002
	£,000	£,000
Total Capital Expenditure	12,893	11,695
Other non cash transactions	(660)	923
	12,233	12,618
Total Capital Finance	12,233	12,618
Leasing Arrangements	-	-
Other non cash transactions	(10,056)	(8,207)
Capital Grant Unapplied	2,073	3,637
Other Capital Income	-	-
Cash capital receipts	2,734	(1,453)
	6,984	6,595

CASHFLOW STATEMENT

DESCRIPTION	Year Ended 31 March 2001		Year Ended 31 March 2002	
	£,000	£,000	£,000	£,000
REVENUE ACTIVITIES				
EXPENDITURE:				
Employee Costs	342,791		364,972	
Other Operating Costs	46,955		66,324	
	<u>389,746</u>		<u>431,236</u>	
INCOME:				
Subsidy payments	89		0	
Precept	(41,547)		(43,426)	
Non-domestic Rates	(60,841)		(60,332)	
Revenue Support Grant	(94,165)		(101,337)	
Other Government Grants	(199,324)		(206,347)	
Rents	(1,406)		(1,908)	
Other Income	(12,597)		(23,230)	
	<u>(409,706)</u>		<u>(436,582)</u>	
NET INFLOW FROM REVENUE ACTIVITIES		(20,042)		(5,346)
SERVICING OF FINANCE:				
Interest Paid	3,355		4,210	
Interest on Leases	1,074		5	
Interest Received	<u>(4,872)</u>		<u>(5,248)</u>	
		(443)		(1,033)
CAPITAL ACTIVITIES				
EXPENDITURE:				
Purchase of Fixed Assets	<u>12,232</u>		<u>12,618</u>	
INCOME:				
Sale of Fixed Assets	(2,734)		(2,958)	
Capital Grants	(4,250)		(3,637)	
Sale of Long Term Investments	-		-	
Other Income	-		-	
	<u>(6,984)</u>		<u>(6,595)</u>	
NET (INFLOW) / OUTFLOW BEFORE FINANCING		5,248		6,023
		<u>(15,237)</u>		<u>(356)</u>
FINANCING:				
Repayment of Amounts Borrowed	125		2,137	
Capital Element of Leases	-		-	
New Loans Raised	<u>(2,536)</u>		<u>(4,484)</u>	
		(2,411)		(2,347)
		<u>(17,648)</u>		<u>(2,703)</u>
(INCREASE) / DECREASE IN LIQUID AND NON LIQUID RESOURCES				
Cash		5,748		(5,497)
Investments		<u>11,900</u>		<u>8,200</u>
		<u>17,648</u>		<u>2,703</u>

NOTES TO THE BALANCE SHEET

24. DISCRETIONARY PENSION PAYMENTS

The capitalised value of payments made during the year to former employees under the conditions of the Local Government Superannuation Scheme are set out below:

	2000/01 Capitalised Value £,000	2001/02 Actual Payments £,000	2001/02 Capitalised Value £,000
Payments made in respect of decisions made in the year	64	-	-
Payments made in respect of decisions made in previous years	2,030	115	2,070
Total	2,094	115	2,070

25. CONTINGENT LIABILITY

Other than liabilities which are covered by the Authority's normal insurance arrangements there are no known contingent liabilities.

26. MEMBERS' ALLOWANCES

The cost of allowances paid to Members of the Police Authority in the year was £164,000 (£107,000 in 2000/2001).

27. RELATED PARTY TRANSACTIONS

	2000/01 £,000	2001/02 £,000
Major Government Grants Received		
Home Office		
Police Grant	198,298	205,625
Loan Charges Grant	820	725
Crime Fighting Fund	2,795	8,114
Robbery Initiative	1,291	0
Burglary Initiative Grant	120	1,097
OHA Expansion Scheme	538	3,061
Capital Grant	4,713	4,100
Operation Middlemarket		131
High Visibility Operations		634
Safer Streets		1,562
Department of Transport, Local Government and the Regions		
Revenue Support Grant	94,165	101,337
National Non Domestic Rates	60,841	60,332
Payments to the West Midlands Superannuation Fund	7,378	7,666

28. TRUST FUNDS

The Authority is Trustee to two Registered Charities:

The High Sheriff's Police Trust Fund for the West Midlands (Building Blocks)

The Charity supports a number of police service related initiatives within the West Midlands.

The balance on the funds accounts at 31 March 2002 was £56,000 (£115,000 in 2001).

Alderman Guy Fund

This small charity makes small awards to selected officers whose performance it recognises as being of particular merit.

The balance on the funds accounts at 31 March 2002 was £2,000 (£2,000 in 2001).

29. EURO CONVERSION COSTS

At this stage the Authority have not evaluated potential costs that could be incurred in the event of the UK converting to the Euro. No provision is made in the accounts for 2001/02.

In 2001/02, pensions costs have been charged to the consolidated revenue account on the basis of contributions payable for the year to the West Midlands Pension Fund pension scheme (based on a formal actuarial valuation for 31 March 2001) and the pensions payable in the year to retired officers. However, at 31 March 2002, the Authority had the following overall assets and liabilities for pensions that have not been included in the balance sheet:

	Local Government Pension Scheme £'000s	Police Pension Scheme £'000s	Total £'000s
Estimated liabilities in scheme	(164,581)	(1,735,205)	(1,899,786)
Estimated assets in scheme	149,630	0	149,630
Net asset/(liability)	(14,951)	(1,735,205)	(1,750,156)

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

	Local Government Pension Scheme %
Rate of inflation	2.5
Rate of increase in salaries	4.0
Rate of increase in pensions	2.5
Rate for discounting scheme liabilities	6.0

Assets in the West Midlands Pension Fund are values at fair value, principally market value for investments, and consist of the following categories, by proportion:

	£'000s	Expected Return %
Equity investments	136,762	8.0
Bonds	10,175	6.0
Other assets	2,693	6.0
	<u>149,630</u>	

	Police Pension Scheme %	
Rate of Inflation	3.4	
Rate of increase in salaries	4.9	
Rate of increase in deferred pensions	3.4 (non GMP)	4.9 (GMP)
Rate of increase in current pensions	3.4 (non GMP)	3.0 (GMP)
Rate for discounting scheme liabilities	7.0	

* GMP - Guaranteed Minimum Provision

NOTES TO THE BALANCE SHEET

21. SOURCES OF CAPITAL FINANCE

This table shows the sources of financing for the cash transactions on Capital expenditure. See also the Summary Capital Account on page 10.

	2000/01 £,000	2001/2002 £,000
Total Capital Expenditure	12,893	11,695
Accrual b/d	337	997
Less: Accruals	(997)	(73)
Capital Expenditure	12,233	12,619
Financing:		
Capital Grants in Year	2,177	
Capital Grants b/f		
Credit Approvals	1,876	3,408
Credit Approvals - Credit Arrangements	-	4,411
Capital Receipts		
Operational Leases	-	
Direct Revenue Financing	8,180	4,800
Total Financing	12,233	12,619

22. STATEMENT OF PHYSICAL ASSETS

An analysis of major fixed assets owned by the Authority is shown below:-

	31 March 2001	31 March 2002
Operational Police Stations	111	90
Police Houses	176	147
Single Officers' Quarters	2	2
Radio Aerial Sites	4	4
Garages	2	2
Development Sites	1	-
Training Centres	3	3
Other Property	3	2

The above descriptions relate to the main function at each site. Several major sites occupied by the Authority are leased and have therefore been excluded from the above list.

Other minor assets include equipment and vehicles, although these are too numerous to list individually. In future years the numbers of such assets will diminish greatly, as present policy is to classify the majority of such items as revenue rather than capital.

23. PENSIONS

In 2001/2002 the cost of net pensions and benefits was £57.4m, representing 26.1% of pensionable pay. Using research information available it is estimated that if the cost of pensions had been determined in accordance with SSAP 24 'Accounting for Pensions Costs' the regular cost of the scheme would have amounted to £38.6m, representing 19.2% of pensionable pay, while the cost of spreading the unfunded accrued liability over 40 years would have been an additional annual £61.9m, representing 32.1% of pensionable pay.

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

The Authority participates in two pension schemes:

- the Local Government Pension Scheme for civilian employees, administered by West Midlands Pension Fund - this is a funded scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level estimated to balance the pensions liabilities with investment assets.
- the Police Pension Scheme for police officers - this is an unfunded 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.

	Capital Financing Reserve £'000s	Government Grants deferred £'000s	Total £'000s
4. Movements in amounts set aside to finance capital investment			
Capital receipts set aside in 2001/02			
- reserved receipts	0	0	
- useable receipts applied	(4,411)	0	
	-----	-----	
Total capital receipts set aside in 2001/02	(4,411)	0	(4,411)
Revenue resources set aside in 2001/02			
- capital expenditure financed from revenue	(4,800)	0	
- reconciling amount for provisions for loan repayment	5,826	0	
	-----	-----	
Total revenue resources set aside in 2001/02	1,026	0	1,026
Grants applied to capital investment in 2001/02	0	(11)	
Amounts credited to the asset management revenue account in 2001/02	0	155	
	-----	-----	
Movement on Government Grants Deferred	0	144	144
	-----	-----	
Total (increase)/decrease in amounts set aside to finance capital investment			(3,241)
Total movement on reserve in 2001/02	(3,385)	144	
Balance brought forward at 1 April 2001	(59,330)	(463)	
	-----	-----	
Balance carried forward at 31 March 2002	(62,715)	(319)	
	-----	-----	

NOTES TO THE BALANCE SHEET

Notes to the statement of total movements on reserves

	Usable Capital Receipts £'000s	Unapplied Capital Grants and Contributions £'000s
1. Movements in realised capital resources		
Amounts receivable in 2001/02	(2,958)	(4,100)
Amounts applied to finance new capital investment in 2001/02	4,411	11
Total (increase)/decrease in realised capital resources in 2001/02	1,453	(4,089)
Balance brought forward at 1 April 2001	(9,857)	(7,331)
Balance carried forward at 31 March 2002	(8,404)	(11,420)
	Fixed assets restatement reserve £'000s	
2. Movements in unrealised value of fixed assets		
(Gains)/losses on revaluation of fixed assets in 2001/02	(1,686)	
Impairment losses on fixed assets due to general changes in prices in 2001/02	0	
Total (increase)/decrease in unrealised capital resources 2001/02	(1,686)	
3. Value of assets sold, disposed of or decommissioned		
Amounts written off fixed asset balances for disposal in 2001/02	5,142	
Total movement on reserve in 2001/02	3,456	
Balance brought forward at 1 April 2001	11,907	
Balance carried forward at 31 March 2002	15,363	

NOTES TO THE BALANCE SHEET

20. TOTAL MOVEMENT IN RESERVES

	2000/01 £,000	2001/2002 £,000
(Surplus)/deficit for the year:		
- General Fund	(989)	(407)
- Earmarked Reserves	<u>(1,609)</u>	<u>(8,330)</u>
Total increase/(decrease) in revenue resources	(2,598)	(8,737)
(Increase)/decrease in useable capital receipts	1,453	(2,734)
(Increase)/decrease in unapplied capital grants and contributions	<u>(4,089)</u>	<u>(2,536)</u>
Total increase/(decrease) in realised capital resources (Note 1)	(2,636)	(5,270)
(Gains)/losses on revaluation of fixed assets.		
Impairment losses on fixed assets due to general changes in prices	<u>0</u>	<u>0</u>
Total (increase)/decrease in unrealised value of fixed assets (Note 2)	(1,686)	(1,050)
Value of assets sold, disposed of or decommissioned (Note 3)	5,142	8,945
Capital receipts set aside	(4,411)	0
Revenue resources set aside	1,026	(4,130)
Movement on Government Grants Deferred	<u>144</u>	<u>463</u>
Total (increase)/decrease in amounts set aside to to finance capital investment (Note 4)	(3,241)	(3,667)
Total recognised gains and losses	<u>(5,019)</u>	<u>(9,779)</u>

NOTES TO THE BALANCE SHEET

17. CAPITAL FINANCING RESERVE

This account contains the amounts which are required by statute to be set aside from capital receipts for the repayment of external loans and the amount of capital expenditure financed from revenue and capital receipts. It also contains the difference between amounts provided for depreciation and that required to be charged to repay the principal element of external loans (minimum revenue provision), the balance on this reserve will reduce as loan debt is repaid.

	2000/01 £,000	2001/2002 £,000
Opening Balance	(55,200)	(59,330)
Capital receipts set aside in year	-	-
Capital financing in year		
• Capital receipts		(4,411)
• Revenue contribution to capital	(8,180)	(4,800)
• Capital Grants	(1,714)	-
• External Contributions	-	-
Transferred Debt Repayment	(125)	(137)
Transfer from F.A.R.R.	(483)	-
Minimum Revenue Provision (less depreciation)	6,372	6,118
Voluntary Revenue Provision	-	-
Finance Lease Payment	-	-
Deferred Grants	-	(155)
Closing Balance	(59,330)	(62,715)

18. FIXED ASSET RESTATEMENT RESERVE

The new system of capital accounting requires the establishment of this account. It represents the difference between the valuation of assets under the previous system of capital accounting and the revaluation as at 1 April 1994.

The reserve is adjusted with any surplus or deficits that may arise on the disposal of assets

	2000/01 £,000	2000/2001 £,000
Opening Balance	4,012	11,907
Revaluation of Assets	(1,050)	(1,686)
Disposal of fixed assets	2,919	2,101
Repaid External Debt	-	-
Transfer to C.F.R.	483	-
Capital expenditure to maintain asset values	5,543	3,041
Closing Balance	11,907	15,363

19. PROVISION FOR CREDIT LIABILITIES - MEMORANDUM ACCOUNT

This reserve shows the balance set aside for the repayment of external debt in future years.

	2000/01 £,000	2001/2002 £,000
Opening Balance	(6,666)	(7,531)
Provision Made in Year		
• Capital receipts set aside	-	-
• Minimum Revenue Provision	(865)	(965)
• Voluntary Revenue Provision	-	-
Provision used in year		
• To repay external debt	-	8,496
• Adjustment	-	-
• To meet Credit Approvals (in lieu of external borrowing)	-	-
Closing Balance	(7,531)	Nil

NOTES TO THE BALANCE SHEET

13. UNAPPLIED CAPITAL RECEIPTS

This is the element of capital receipts which the Authority has the discretion to use in the future either to finance capital expenditure or to use for the redemption of external debt. Receipts set aside in the course of the year, for debt redemption, including the statutory provision, have been transferred to "Provision for Credit Liabilities".

	2000/01 £,000	2001/2002 £,000
Opening Balance	(7,123)	(9,857)
Sales of Assets in Year	(2,734)	(2,958)
Receipts Applied to Finance Expenditure	-	4,411
Receipts Set Aside for Redemption of Debt	-	-
Closing Balance	(9,857)	(8,404)

14. RESERVES

The movements and balances of Earmarked and the General Reserve are set out below:

	Balance at 31 March 2001 £,000	Transfer to Reserve £,000	Transfer from Reserve £,000	Balance at 31 March 2002 £,000
Uniform and Protective Equipment Reserve	(2,610)	(600)	1,624	(1,586)
Capital	(5,000)			(5,000)
Devolved Budget	(876)	(796)		(1,672)
Helicopter	(100)	(300)		(400)
Football Devotion	(203)	(69)		(272)
Self funded Insurance	(9,160)	(3,301)	2,633	(9,828)
Restructuring	0	(500)		(500)
Major Incidents	0	(300)		(300)
Initiatives	(3,500)			(3,500)
Sub Total	(21,449)	(5,866)	4,257	(23,058)
Reclassification of Insurance Creditor			28	28
Earmarked Reserves	(21,449)	(5,866)	4,285	(23,030)
General Fund Reserve	(4,922)	(967)		(7,889)
Total Reserves	(26,371)	(6,833)	4,285	(30,919)

15. UNAPPLIED CAPITAL GRANT

	2000/01 £,000	2001/2002 £,000
Opening Balance	(4,795)	(7,331)
Received in Year	(4,713)	(4,100)
Applied in Year	1,714	-
Grants Deferred in Year	463	11
Closing Balance	(7,331)	(11,420)

16. DEFERRED CAPITAL GRANT

This represents capital grant received and applied in respect of specific projects. The balance is written down over the life of the assets.

	2000/01 £,000	2001/2002 £,000
Opening Balance	-	(463)
Received in Year	(463)	(11)
Written Off in Year	-	155
Closing Balance	(463)	(319)

NOTES TO THE BALANCE SHEET

- **Additional Pension Period** - this provision is no longer required following a change in the method of paying pensions. The balance has been transferred to the main Pensions provision.
- **Bad Debts Provision**- this provision is to meet the effect of debtors being unable to meet their obligation. This is an ongoing provision with no specific date for its resolution. It is reviewed annually.

11. LONG TERM BORROWING

Transactions undertaken during the year were as shown below:-

	31 March 2001 £,000	31 March 2002 £,000
Opening Balance	(42,941)	(45,352)
External Loans Raised in Year	(2,536)	(4,484)
Loans Repaid in Year	125	2,137
Closing Balance	<u>(45,352)</u>	<u>(47,699)</u>

The sources of long term loans outstanding at the year end are shown below.

	31 March 2001 £,000	31 March 2002 £,000
Public Works Loan Board	(32,219)	(34,703)
Oudley Metropolitan Debt Administration Fund	(13,017)	(12,884)
Birmingham City Council	(116)	(111)
	<u>(45,352)</u>	<u>(47,698)</u>

These borrowings are repayable as follows:-

	31 March 2001 £,000	31 March 2002 £,000
Maturity within 5 years	4,125	2,413
Maturity within 6 to 10 years	7,112	7,944
Maturity within 10 to 15 years	2,625	4,331
Maturity in 15 or more years	31,490	33,010
	<u>45,352</u>	<u>47,698</u>

12. DEFERRED LIABILITY

This represents the capital value of finance leases still outstanding in respect of assets financed in this way. It is written down annually as annual payments are made under the agreements. There are no outstanding finance lease liabilities.

NOTES TO THE BALANCE SHEET

9. CREDITORS

The majority of sums accrued relate to trade creditors, with the remainder being in respect of debts owed to other local authorities and Central Government. Due to the large volume of accruals, it is not considered practicable to quantify the total accrual into categories.

10. PROVISIONS

Provisions to meet specific items of future expenditure exist as follows:

	Balance at 31 March 2001 £,000	Increase In Year £,000	Expenditure In Year £,000	Balance at 31 March 2002 £,000
Police Pensions Provision	(18,250)	(19,900)	13,272	(24,878)
Provision for Additional Police Pensions pay day	(3,788)	(242)	4,030	-
Provision for Doubtful debts	(200)	-	-	(200)
Insurance Liability Provisions - pre Self Funding	(1,492)	-	-	(1,492)
TOTAL	(23,730)	(20,142)	17,302	(26,570)

The 1998 Code of Practice on Local Authority Accounting in Great Britain defined a provision as 'an amount required for any liabilities or losses which are likely to be incurred, or certain to be incurred, but uncertain as to the amounts or dates on which they will arise.' It further states that 'provisions should be charged to the appropriate revenue account.'

This definition has been tightened through the application of F.R.S. 12 introduced in the year ended 31 March 2000. This change requires provisions to reflect a clear liability to a third party rather than an event or incident which has a potential future liability.

- Pension Provision** - this provision is to ensure that all liabilities in respect of Police Pension lump sums can be met. In addition a further £1.0m has been provided to equalise revenue costs over the next five years when a high level of volatility on an annual basis is projected. The provision is an ongoing item in the accounts reflecting the non funded aspect of police pensions. The ill health provision has been consolidated into the general lump sum provision.
- Pre-Self funded Insurance** - this provision relates to potential liabilities arising from the demise of the Authority's former insurer MMI Ltd. While the Authority has satisfactory cover, MMI is liable for potential outstanding claims for which there is a finite pool of resources. It is considered prudent to maintain a reserve for any possible liabilities which cannot be met in full by that pool. There is no specific date at which this provision will be required. The position is reviewed annually.

NOTES TO THE BALANCE SHEET

5. INVESTMENTS

The Authority invests its surplus cash balances in order to generate income by earning interest. The balance sheet shows these investments at original cost, as summarised below:-

	31 March 2001 £,000	31 March 2002 £,000
• Short Term Investments (Banks, Building Societies)	91,900	100,100
• Long Term Investments	-	-
	<u>91,900</u>	<u>100,100</u>

Interest earned on investments has been credited to and is disclosed in the Summary Revenue Account.

6. LONG TERM DEBTORS

These are debtors which fall due for repayment after the forthcoming accounting year, and relate to police capital receipts managed by Birmingham City Council and loans advanced to employees under the assisted car purchase scheme.

	31 March 2001 £,000	31 March 2002 £,000
• Other Local Authorities	283	262
• Loans Advanced to Employees	52	29
	<u>335</u>	<u>291</u>

7. STOCKS

	31 March 2001 £,000	31 March 2002 £,000
• Vehicle Fuel	178	150
• Vehicle Parts	170	167
• Uniforms	524	572
• Stationery	82	78
• Catering Provisions	-	-
• Cleaning	-	-
	<u>954</u>	<u>967</u>

8. DEBTORS

An analysis of current debtors is shown below. A bad debts provision of £200k (£200k in 2000/01) has been made to provide for potentially uncollectable debts outstanding for more than one year.

	31 March 2001 £,000	31 March 2002 £,000
• Government Departments	5,575	4,967
• Other Local Authorities	588	3,878
• Employee Loans	119	73
• Sundry Debtors	3,297	6,803
	<u>9,579</u>	<u>15,721</u>

NOTES TO THE BALANCE SHEET

4. MOVEMENT OF FIXED ASSETS

	Land & Buildings	Leased Property	Vehicles	Helicopter	Equipment	TOTAL	Vehicles	Equipment	IT	TOTAL	Total
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Cost or Value at 31 March 2000	57,417	7,515	14,206	2,870	3,474	110,654	57	0	0	57	110,711
Additions in Year	7,043		2,073		590	11,695				0	11,695
Written Out in Year			-1			-1				0	-1
Items Not Adding Value	-2,619				-91	-3,040				0	-3,040
Disposals in Year		-2,175	-1,157			-3,332	-8			-8	-3,340
Revaluations		1,686				1,686				0	1,686
Cost or Value at 31 March 2002	54,841	12,711	15,121	2,870	4,173	117,662	49	0	0	49	117,711
Depreciation at 31 March 2001	1,093	173	7,873	410	3,085	25,429	57				25,486
Depreciation in Year	1,165	293	2,602	410	294	7,063				0	7,063
Written out in Year						0				0	0
Disposals in Year		-96	-1,134			-1,230	-8			-8	-1,238
Revaluations						0				0	0
Depreciation at 31 March 2002	2,258	490	9,241	820	3,379	31,222	49	0	0	49	31,321
Net Book Value at 31 March 2002	54,583	12,221	5,780	2,050	794	64,360	0	0	0	0	64,360
Net Book Value at 31 March 2001	51,324	12,907	6,334	2,460	588	65,225	0	0	0	0	65,225

NOTES TO THE BALANCE SHEET

1. FIXED ASSET VALUATION

- Freehold and leasehold properties which the Authority includes in its property portfolio valued in 1999 by Gerald Eva (Chartered Surveyors) in accordance with the statements of asset valuation practice and guidance notes of the Royal Institution of Chartered Surveyors. Properties inspected in the previous year in connection with rating appeals were not re-inspected. Property will be revalued at intervals no greater than 5 years. Two other properties were revalued in 2000. Police houses were not formally revalued generally, though book values have been adjusted in the light of sale proceeds for similar properties and other properties of significant value have been professionally revalued.
- Buildings are written down over a 45 year period.
- Plant and machinery is included in the valuation of the building in which it is located.
- I.T. equipment is valued, internally, at historic cost and written down to reflect an anticipated three year life.
- General equipment is valued, internally, at historic cost and written down to reflect an anticipated four year life.
- Vehicles are valued at cost and written down to reflect an anticipated four year life.
In view of the short life of vehicles and equipment it is expected that valuations will always be on a current basis and will not therefore require formal revaluation.
- Expenditure on assets which do not increase market value are written out of the accounts. Such expenditure relates to items of less than £5,000 or which simply maintains value or which modifies assets for operational reasons but does not add to their market value.
- Property valuations do not separate site and building costs and therefore do not comply fully with FRS requirements. This will be corrected at the next homes revaluation.
- Assets are valued at open market value or in the case of specific operation assets as direct replacement cost.
- Depreciation is not applied in the year of acquisition but is applied in the year of disposal.

2. FUTURE CAPITAL COMMITMENTS

The following significant capital contracts had been entered into by the Authority at 31 March 2002, and the Authority is committed to make further payments, as detailed below:-

	£'000
Sector Station improvement	800
Custody Suites	750
Motorway Central - Phase II	350
Lloyd House	500
Bourville Lane Refurbishment	350

3. LEASING

Operating Leases

The cost of vehicles, furniture and equipment acquired during 2001/02 under operational leases is nil. (Nil in 2000/01). Rental payments on leases amounted to £0.872m (£1.532m in 2000/01). The Authority was committed on 31 March 2002 to meet future primary rental charges on leased items as follows:-

	31 March 2001 £,000	31 March 2002 £,000
2002/03	449	452
2003/04	Nil	Nil

Property Leases

The Authority leases several of the properties which it occupies. The capitalised value of leases which were entered into or renewed in 2001/2002 was nil.

GENERAL FUND BALANCE SHEET

NOTE	DESCRIPTION AND NARRATIVE	As at 31 March 2001		As at 31 March 2002	
		£,000	£,000	£,000	£,000
4	FIXED ASSETS				
	● Land & Buildings - owned	51,324		54,583	
	● Land & Buildings - leased	7,352		7,199	
	● Police Horses	12,907		12,221	
	● Vehicle, Plant and Equipment - owned	11,182		10,327	
	● Helicopter	2,460		2,050	
	● Vehicle, Plant and Equipment - leased	-		-	
			85,225		86,380
	LONG TERM INVESTMENTS		-		-
6	LONG TERM DEBTORS		335		291
	CURRENT ASSETS				
7	● Stocks	954		967	
8	● Debtors	9,579		15,721	
5	● Short Term Investments	91,900		100,100	
		<u>102,433</u>		<u>116,788</u>	
	CURRENT LIABILITIES				
9	● Creditors	(22,430)		(22,244)	
	● Cash	(3,036)		(8,533)	
		<u>(25,466)</u>		<u>(30,777)</u>	86,011
	NET CURRENT ASSETS		76,967		
10	PROVISIONS	(23,730)		(26,570)	
11	CAPITAL LONG TERM BORROWING	(45,352)		(47,698)	
12	DEFERRED LIABILITY	-	(69,082)	-	(74,268)
	NET ASSETS		<u>93,445</u>		<u>98,414</u>
	BALANCES AND RESERVES:				
13	UNAPPLIED CAPITAL RECEIPTS		(9,857)		(8,404)
14	EARMARKED RESERVES		(21,449)		(23,030)
15	UNAPPLIED CAPITAL GRANT		(7,331)		(11,420)
16	DEFERRED CAPITAL GRANT		(463)		(319)
14	GENERAL RESERVES		(6,922)		(7,889)
17	CAPITAL FINANCING RESERVE		(59,330)		(62,715)
18	FIXED ASSET RESTATEMENT RESERVE		11,907		15,363
			<u>(93,445)</u>		<u>(98,414)</u>

SUMMARY CAPITAL ACCOUNT

2000/01 Out-turn £,000	DESCRIPTION	2001/2002 Programme £,000	2001/2002 Out-turn £,000
3,885	Land and Buildings: • New Police Buildings	1,809	1,908
3,593	• Improvements and Adaptations	6,269	5,132
2,712	Vehicles and Equipment: • Vehicles	3,000	2,073
2,482	• (U)Radio Equipment	2,124	1,989
221	• Other Equipment	766	593
	Credit Arrangements • Property Leases	-	-
12,893	TOTAL	14,048	11,695
	FINANCING OF EXPENDITURE		
2,177	Capital Grants - in year	2,148	
-	Capital Grants - b/yed	-	
2,536	Capital Approvals	2,484	2,484
-	Capital Receipts	4,055	4,411
	DMA Expansion Fund	350	-
	Capital Reserve	500	-
8,180	Direct Revenue Financing	4,511	4,800
12,893	TOTAL	14,048	11,695

NOTES TO THE SUMMARY

REVENUE ACCOUNT

1. EXPENDITURE ON PUBLICITY

Expenditure on publicity in 2001/2002 as defined in Section 5 of the Local Government Act 1986 amounted to £1.66m (£1.60m in 2000/01).

2. AGENCY

Agency arrangement for the Midland Regional Crime Squad ceased on 31 March 1998 and is replaced by levy arrangements with the N.C.S. and M.C.I.S. Agency expenditure also includes payment made to the Forensic Science Service.

3. REVENUE BALANCES

On 31 March 2002 the non-earmarked General Fund Revenue Balances stood at £7.889m (£6.922m at 31 March 2001).

4. ASSET MANAGEMENT REVENUE ACCOUNT

This account shows the difference between the capital charges made to the revenue account and the actual external capital financing costs incurred. The net surplus on this account is carried to the Summary Revenue Account.

	2000/2001 £,000	2001/2002 £,000
Income		
Capital Charges	(12,444)	(12,164)
Deferred Grant		(155)
	<u>(12,444)</u>	<u>(12,319)</u>
Expenditure		
External Interest	3,355	3,334
Interest on finance leases	8	-
Provision for depreciation	7,236	7,083
	<u>10,599</u>	<u>10,417</u>
Net Expenditure/(Income)	<u>(1,845)</u>	<u>(1,902)</u>

5. POLICE REVENUE GRANT

The accounts of the Authority are completed in accordance with current Home Office guidelines.

6. SELF FINANCED COSTS

The following table shows expenditure included in the accounts which because they are met from external income were budgeted at zero costs. In previous years the transactions were treated as balance sheet items.

2000/01 £'000		2001/02 £'000
3,070	Sponsorship	248
	NCS & MCI	3,665
	Specific Government Funding	1,385
	Mutual Aid etc	1,535
3,070		6,803

7. EMPLOYEE REMUNERATION

2000/01 TOTAL	EARNING BANDS 2001/2002	Police Officers	Support Staff	TOTAL EMPLOYEES
11,264	Less than £39,999	7,744	3,846	11,590
421	£40,000 - £49,999	556	13	569
44	£50,000 - £59,999	41	4	45
28	£60,000 - £69,999	29	1	30
-	£70,000 - £79,999	2	1	3
4	£80,000 - £89,999	2	-	2
-	£90,000 - £99,999	2	-	2
-	£100,000 - £109,999	-	-	-
-	£110,000 - £119,999	-	-	-
1	£120,000 - £129,999	1	-	1
11,763	TOTAL	8,377	3,865	12,242

These earnings are based on actual **Gross Taxable Pay** paid by West Midlands Police in 2001/2002.

REVENUE OUT-TURN 2001/2002

Under the Best Value Accounting Requirements the accounts are presented in a format which costs expenditure over a number of operational Service Headings. These costs include not only the direct cost involved but also apportioned costs in respect of Capital charges, centrally held costs and the costs of Administrative and Support Departments.

Operational costs in respect of levies paid to national agencies are shown separately as are other local unrecovered overhead costs.

2000/2001 Out-turn £,000 Rounded	DESCRIPTION	2001/02 Out-turn £,000
SERVICE DIVISIONS		
25,352	Call Handling	26,075
102,555	Crime Investigation and Reduction	103,350
21,503	Traffic and Road Safety	20,631
4,882	Public Order and Assurance	4,967
7,940	Community Involvement	16,150
158,752	Patrol	159,523
22,571	Custody and Court Preparation	21,871
47,209	Pensions	52,426
398,744	Cost of Local Service	404,993
9,096	Levies to National Service	9,807
419	Secondments	701
400,279	Total Operational Costs	415,581
Exceptional Items		
(110,157)	Conversion of Provisions	-
Unrecovered Overhead Costs		
767	Corporate and Democratic Costs	958
(4,872)	Interest on Balances	(5,248)
(1,845)	Transfer from Asset Management Account	(1,902)
384,172	Total Costs	409,389
Appropriations		
8,180	Financing of Capital Expenditure	4,800
(6,371)	Provision for Repayment of External Loans	(5,963)
8,374	To (from) Environmental Reserves	1,609
394,355	AMOUNTS TO BE MET FROM GOVERNMENT GRANTS AND LOCAL TAXATION	409,755
(41,547)	Council Tax Payer	(43,428)
Government Grants		
(198,298)	● Police Grant	(205,625)
(94,165)	● Revenue Support Grant	(101,337)
(60,841)	Non-Domestic Rates	(60,332)
89	Subsidy payments	-
(394,762)	Total External Funding	(410,722)
(407)	Net Deficit (Surplus)	(967)
(6,515)	General Reserve Balance Brought Forward	(6,922)
(6,922)	General Reserve Balance Carried Forward	(7,889)

SUMMARY REVENUE ACCOUNT

REVENUE OUT-TURN 2001/2002

2000/01 Out-Turn Before Capital Charges £,000	DESCRIPTION	2001/2002	
		Latest Budget 2001/02 £,000	* Outturn 2001/02 £,000
	EXPENDITURE		
237,157	Police Pay and Allowances	247,112	250,314
57,836	Civilian and Traffic Warden Pay and Allowances	62,582	62,172
2,829	Other Employee Expenses	3,164	3,148
<u>297,822</u>	Sub Total Employee Costs	<u>312,858</u>	<u>315,634</u>
47,209	Police Pensions (net)	52,039	52,426
11,752	Provision Related Costs	12,245	11,863
7,492	Temporary/Travel Costs	9,465	9,175
25,811	Supplies & Services	29,756	31,800
12,974	Agency Expenses	13,434	13,874
14,112	Capital Financing Costs	13,275	13,182
(16,302)	External Income	(22,043)	(30,260)
1,510	Crime and Operations Contingency	(267)	(414)
<u>402,380</u>	NET COST - GENERAL FUND SERVICES	<u>420,742</u>	<u>417,200</u>
(37)	Net DSO Surpluses	-	-
(1,845)	Transfer from Asset Management Account	(1,761)	(1,902)
(4,872)	Interest Received	(4,055)	(5,248)
(820)	Loan Charges Grant	(898)	(821)
<u>394,806</u>	NET OPERATING EXPENDITURE	<u>414,048</u>	<u>409,309</u>
	EXCEPTIONAL ITEMS		
(477)	Lease Reimbursements	-	-
(10,157)	Conversion of Provisions	-	-
	APPROPRIATIONS		
	Conversion of Provisions	-	-
8,180	Financing of Capital Expenditure	5,011	4,800
(6,371)	Provision for Repayment of External Loans	(6,130)	(5,963)
	Capital Element of Finance Leases	-	-
8,374	To (from) earmarked Reserves	(2,207)	1,609
<u>394,355</u>	AMOUNTS TO BE MET FROM GOVERNMENT GRANTS AND LOCAL TAXATION	<u>410,722</u>	<u>409,753</u>
	SOURCES OF FINANCE		
(41,547)	Council Tax Payer	(43,428)	(43,428)
	Central Government Grants		
(198,298)	Police Revenue Grant	(205,625)	(205,625)
(94,165)	Revenue Support Grant	(101,337)	(101,337)
(60,841)	Non-Domestic Rates	(60,332)	(60,332)
89	Subsidy Payments	-	-
<u>(394,762)</u>	TOTAL EXTERNAL FUNDING	<u>(410,722)</u>	<u>410,722</u>
<u>(407)</u>	NET GENERAL FUND DEFICIT/(SURPLUS)	<u>-</u>	<u>(467)</u>
<u>(4,515)</u>	GENERAL RESERVE BALANCE BROUGHT FORWARD	<u>-</u>	<u>(6,927)</u>
<u>(6,922)</u>	GENERAL RESERVE BALANCE CARRIED FORWARD	<u>-</u>	<u>(7,889)</u>

* Includes self-financing items include secondments and government initiatives which are not included in the main Authority Budget. Any over or under recovered balances are treated as debtors or creditors.

ACCOUNTING POLICIES

8. PROVISIONS AND RESERVES

The purpose and nature of provisions and reserves maintained by the Authority are disclosed in the notes to the Balance Sheet.

9. INVESTMENTS

External investments are shown in the balance sheet at cost less any provision required for loss in value.

10. TREATMENT OF GRANTS

Net revenue expenditure is expressed before deducting government grants in support of the overall expenditure of the Authority ie. police grant and revenue support grant. Other revenue grants are smaller and specific to particular aspects of the Authority's functions and have been shown as income in arriving at net expenditure.

The financing cost of capital expenditure incurred from 1990/91 onwards no longer qualifies for revenue grants, due to a change of treatment by the Home Office. Instead, Capital grant is received to finance capital expenditure up to a prescribed limit). The Capital Accounting regulations require that this grant is taken to a Deferred Government Grants Account and brought into the Summary Revenue Account to offset the depreciation charge over the life of the asset. However, to the extent that this grant is not scheme specific, and a significant part of capital expenditure does not (by its specialist nature) add value to fixed assets, the grant is written off to the Capital Financing Reserve in the year of application. Specific capital grants are treated as deferred and written out over the life of the assets involved.

11. PENSIONS

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. Pension payments to former civilians are funded through an employer's contribution to the West Midlands Metropolitan Authorities Superannuation Fund. The rate of contribution in 2001/2002 was 10.6%, rising to 11.7% in 2002/2003. FRS17 now applies to these transactions and fuller details of the pension position are set out in note 23 in the Balance Sheet.

ACCOUNTING POLICIES

GENERAL PRINCIPLES

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting published by the Chartered Institute of Public Finance and Accountancy (CIPFA). Guidance notes issued by CIPFA on the application of accounting standards to local authorities have in general been followed, and any exceptions to this are disclosed below.

1. FIXED ASSETS

Fixed assets are shown in the balance sheet at current valuation. Details of valuation methods are disclosed in the notes to the Balance Sheet.

2. REDEMPTION OF DEBT

Under the Local Government Act 1985, outstanding loan debt relating to police services was transferred to WAPA from the West Midlands County Council on 1 April 1986. This debt is serviced by Dudley MBC within a Metropolitan Debt Administration Fund, and loan charges are reimbursed by the Police Authority to that fund, and are unaffected by the minimum revenue provision applicable under the Local Government and Housing Act 1989.

Loan debt incurred from 1 April 1986 is directly administered by WAPA. Installments of principal are charged to revenue in accordance with the statutory minimum revenue provision, calculated at 4% of this debt, net of reserves set aside for debt redemption.

3. LEASING

The cost of assets which are purchased and subsequently financed by operational leases are shown in the summary capital account, but not in the balance sheet. Those financed by finance leases are shown in the balance sheet and the capital summary. Rental payments on these leases are charged to the revenue account, and associated future liabilities are disclosed in the notes. After 31 March 1990, finance leases have not been used.

4. CAPITAL RECEIPTS

In accordance with the Local Government and Housing Act 1989 a proportion of capital receipts has been set aside for the redemption of debt in future years, and transferred to the provision for credit liabilities account which now forms part of the Capital Financing Reserve. A separate PCL Memorandum account is required to be published. In this year the set aside proportion was nil.

5. DEBTORS AND CREDITORS

Debtors and creditors have been accrued when preparing the revenue accounts of the Authority, except for certain instances where a receipts and payments basis is adopted to simplify transactions (eg. utilities and police house rents receivable and inter account transfers in respect of certain expenses) contrary to the requirements of FRS 18. This policy is applied consistently each year to reflect 12 months' charges, and consequently does not have any material effect on the accounts.

6. CAPITAL ACCRUALS

Capital expenditure is included in the accounts on an accruals basis.

7. STOCKS AND STORES

Stocks and stores are maintained for such items as vehicle spares, vehicle fuel, uniforms, stationery and catering provisions. Stocks shown in the balance sheet are valued at the lower of costs or net realisable value.

AUDITORS' REPORT TO

WEST MIDLANDS POLICE AUTHORITY

We have audited the statement of accounts on pages 7 - 26 which have been prepared to accordance with the accounting policies applicable to local authorities as set out on pages 5 - 6.

RESPECTIVE RESPONSIBILITIES OF TREASURER AND AUDITORS

As described on page 3 the Treasurer is responsible for the preparation of the statement of accounts.

Our responsibilities as independent auditors are established by statute, the Code of Audit Practice issued by the Audit Commission and our profession's ethical guidance. We report to you our opinion as to whether the statement of accounts presents fairly the financial position and results of operations of the Authority.

BASIS OF OPINION

We carried out our audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant audit standards.

Our audit included examination, on a test basis, of evidence relevant to the amounts and disclosures in the statement of accounts. It also included an assessment of the significant estimates and judgements made by the authority in the preparation of the statement of accounts and of whether the accounting policies are appropriate to the authority's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we consider necessary in order to provide us with sufficient evidence to give reasonable assurance that the statement of accounts is free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the statement of accounts.

OPINION

In our opinion the statement of accounts presents fairly the financial position of West Midlands Police Authority at 31 March 2002 and its income and expenditure for the year then ended.

CERTIFICATE

We certify that we have completed the audit of accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission



Date: 30th September 2002

KPMG LLP
Chartered Accountants
Registered Auditors
Birmingham

STATEMENT OF ACCOUNTS

CAPITAL EXPENDITURE AND FINANCING

Capital expenditure in the year totalled £11.7m (£12.9m 2000/2001) compared to a planned programme of £14.0m. The main reasons for the shortfall relate to delays in the building programme and the implementation of IT schemes.

Detailed analysis of the capital programme and its financing are set out in the capital accounts on page 10.

BORROWING

Borrowing totals of £47.7m, details being shown in note 11 to the Balance Sheet.

PROVISIONS

Provisions are defined as an amount required to meet any liabilities or losses which are likely or certain to be incurred in the future but uncertain as to the dates on which they will arise. Details are set out in Note 10 to the Balance Sheet.

FUTURE OUTLOOK

For the coming year 2002/2003 the Police Authority set a budget of £416.5m. This resulted in a precept requirement of £47.2 m. The budget included £3.0m of growth and development items principally directed at increasing the numbers of police officers in supervising ranks and support staff in Operational Command Units.



M S Williams CPTA
Treasurer to the Authority
Date: 28th September 2002

THE RESPONSIBILITIES OF THE TREASURER

The Treasurer is responsible for the preparation of the Authority's Statement of Accounts which, in terms of the CIPFA/IASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code of Practice"), is required to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2002.

In preparing this Statement of Accounts, the Treasurer has:

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

The Treasurer has also:

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

THE RESPONSIBILITIES OF THE AUTHORITY

The Authority 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 Authority that officer is the Treasurer.
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

STATEMENT OF ACCOUNTS

EXPLANATORY FOREWORD

The Statement of Accounts brings together the key financial statements of the Police Authority.

- **The Revenue Account:** The annual expenditure incurred in operating the Force.
- **The Capital Summary:** The investment in capital assets during the year and their financing.
- **The Balance Sheet:** The Authority's liabilities and assets at the end of the year including reserves.
- **Cash Flow Statement:** The movement of cash through the year to show the source and application of funds.
- **DSD Trading:** The trading performance of Direct Service Organisations operating within the Force.

REVENUE OUT-TURN 2001/2002

The position is summarised in the following table:

Actual 00/01	REVENUE EXPENDITURE	Budget 2001/02	Actual 2001/02	Variation + (-)
£m		£m	£m	£m
402.4	Net Cost of General Fund Services	420.8	417.3	(3.5)
(7.6)	Other Charges	16.8	18.0	11.2
394.8	Net Operating Expenditure	414.0	409.3	(4.7)
(10.7)	Exceptional Items			
1.7	Capital Appropriations	(1.1)	(1.2)	(0.1)
0.4	Transfers to Earmarked Reserves	(2.2)	1.6	3.8
0.4	Transfer to General Balance		1.0	1.0
394.6	Net Budget Requirement	410.7	410.7	

Main variations in General Fund Expenditure	£m
Police Pay	3.2
Support Staff Pay	(0.4)
Pensions	0.4
Premises	(0.4)
Transport Costs	(0.3)
Supplies and Services	2.0
Other Costs	0.2
Income	(8.2)
	...(3.5)

EARMARKED AND GENERAL RESERVES

Earmarked reserves amount to £ 23.0m, and the general reserve is £7.9m. Details are shown in notes 14, 15 and 16 to the Balance Sheet.



West Midlands
Police Authority

STATEMENT OF ACCOUNTS
2001 - 2002