

# CONTENTS

	Page
Statement of Accounts - Explanatory Foreword	2
Statement on Internal Financial Control	4
Audit Opinion	5
Statement of Accounting Policies	6
General Fund Summary Revenue Account	8
Summary Capital Account	11
General Fund Balance Sheet	12
Notes to the Balance Sheet	13
Cashflow Statement	27

## CASHFLOW STATEMENT

DESCRIPTION	Year Ended 31 March 2002		Year Ended 31 March 2003	
	£,000	£,000	£,000	£,000
<b>REVENUE ACTIVITIES</b>				
<b>EXPENDITURE:</b>				
Employee Costs	364,912		385,637	
Other Operating Costs	66,324		62,493	
	<u>431,236</u>		<u>448,130</u>	
<b>INCOME:</b>				
Solacity payments	0		0	
Prizepot	(43,425)		(47,238)	
Non-domestic Rates	(60,332)		(65,232)	
Revenue Support Grant	(101,337)		(96,896)	
Other Government Grants	(206,347)		(225,739)	
Rents	(1,908)		(1,253)	
Other Income	(23,230)		(27,060)	
	<u>(436,582)</u>		<u>(463,412)</u>	
<b>NET INFLOW FROM REVENUE ACTIVITIES</b>		(5,346)		(15,082)
<b>SERVICING OF FINANCE:</b>				
Interest Paid	4,210		4,100	
Interest on Leases	5		-	
Interest Received	(5,248)		(4,790)	
		(1,033)		(690)
<b>CAPITAL ACTIVITIES</b>				
<b>EXPENDITURE:</b>				
Purchase of Fixed Assets	12,618		9,697	
<b>INCOME:</b>				
Sale of Fixed Assets	(2,958)		(2,210)	
Capital Grants	(3,637)		(6,292)	
Sale of Long Term Investments	-		-	
Other Income	-		-	
	<u>(6,595)</u>	6,023	<u>(8,502)</u>	1,195
<b>NET (INFLOW) / OUTFLOW BEFORE FINANCING</b>		(356)		(14,577)
<b>FINANCING:</b>				
Repayment of Amounts Borrowed	2,137		150	
Capital Element of Leases	-		-	
New Loans Raised	(4,484)	(2,347)	(3,000)	(2,850)
		<u>(2,703)</u>		<u>(17,427)</u>
<b>(INCREASE) / DECREASE IN LIQUID AND NON LIQUID RESOURCES</b>				
Cash	(5,497)		4,227	
Investments	8,200		13,200	
		<u>2,703</u>		<u>17,427</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:

	2001/02 Capitalised Value £,000	2002/03 Actual Payments £,000	2002/03 Capitalised Value £,000
Payments made in respect of decisions made in the year	-	-	-
Payments made in respect of decisions made in previous years	2,070	116	2,088
<b>Total</b>	<b>2,070</b>	<b>116</b>	<b>2,088</b>

### 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 £215,000 (£164,000 in 2001/2002).

### 27. RELATED PARTY TRANSACTIONS

	2001/02 £,000	2002/03 £,000
<b>Major Government Grants Received</b>		
<b>Home Office</b>		
Police Grant	205,625	206,140
Loan Charges Grant	725	831
Crime Fighting Fund	8,114	13,074
Burglary Initiative	1,097	124
ONA Expansion Scheme	3,061	4,244
Capital Grant	4,100	5,057
Operation Middlemarket	131	651
High Visibility Operations	634	0
Safer Streets	1,562	1,516
Airwave Grant	0	266
NCS	3,311	3,256
NCS	397	393
<b>OOPM / DTLR</b>		
Revenue Support Grant	101,337	96,890
National Non Domestic Rates	60,332	65,232
<b>Payments to the West Midlands Superannuation Fund</b>	<b>7,666</b>	<b>8,767</b>

### 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 2003 was £136,000 (£56,000 in 2002).

#### **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 2003 was £2,000 (£2,000 in 2002).

### 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 2002/03.

## NOTES TO THE BALANCE SHEET

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	88,379	75
Bonds	11,635	10
Other assets	17,511	15
	<u>117,525</u>	<u>100</u>

Under the transitional arrangements for FRS17, no provision has been made by the Authority in its share of the deficit in the pension schemes. If provision were made, the effects would be as shown below.

<b>Balance Sheet Presentation</b>	<b>2001/02 £'000</b>	<b>2002/03 £'000</b>
Net assets excluding FRS17	98,414	132,770
Pension liability	(1,750,156)	(1,886,404)
	<u>(1,651,742)</u>	<u>(1,753,634)</u>
<b>Reserves note</b>		
General Reserve excluding FRS17 liability	(7,889)	(9,442)
Pension liability	1,750,156	1,886,404
	<u>1,742,267</u>	<u>1,876,962</u>

## NOTES TO THE BALANCE SHEET

- 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.

In 2002/03, 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 2003, 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	(178,929)	(1,825,000)	(2,003,929)
Estimated assets in scheme	117,525		117,525
<b>Net asset/(liability)</b>	<b>(61,404)</b>	<b>(1,825,000)</b>	<b>(1,886,404)</b>

	Local Government Pension Scheme £'000s	Police Pension Scheme £'000s	Total £'000s
Surplus/(Deficit) brought forward	(14,951)	(1,735,000)	(1,749,951)
Current Service Cost	(5,854)	(65,000)	(70,854)
Employers Contribution	5,905		5,905
Retirement benefits Payable	0	59,000	59,000
Past Service Costs	(71)		(71)
Interest Costs	(10,003)	(122,000)	(132,003)
Expected Return on scheme assets	11,716		11,716
Actuarial Gains/(Losses)	(48,146)	38,000	(10,146)
<b>Surplus (Deficit) carried forward</b>	<b>(61,404)</b>	<b>(1,825,000)</b>	<b>(1,886,404)</b>

	Local Government Pension Scheme £'000s	%	Police Pension Scheme £'000s	%
Difference relating to return on assets				
Difference relating to actuarial assumptions	(48,146)	41.0 of assets	38,000	
Changes to demographic and financial assumptions				
<b>Total</b>	<b>(48,146)</b>	<b>26.9 of liabilities</b>	<b>38,000</b>	<b>2.1 of liabilities</b>

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 %	Police Pension Scheme %
Rate of inflation	2.5	3.4
Rate of increase in salaries	4.0	4.9
Rate of increase in pensions	2.5	3.4
Rate for discounting scheme liabilities	6.0	7.0

## 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 11.

	2001/02 £,000	2002/2003 £,000
Total Capital Expenditure	11,695	10,028
Accrual b/f	997	73
Less: Accruals	(73)	(404)
Capital Expenditure	<u>12,619</u>	<u>9,697</u>
Financing:		
Capital Grants in Year	-	2,035
Capital Grants b/f	-	-
Credit Approvals	3,408	2,669
Credit Approvals - Credit Arrangements	4,411	
Capital Receipts		
Operational Leases		
Direct Revenue Financing	<u>4,800</u>	<u>4,993</u>
Total Financing	<u>12,619</u>	<u>9,697</u>

### 22. STATEMENT OF PHYSICAL ASSETS

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

	31 March 2002	31 March 2003
Operational Police Stations	69	70
Beat Offices	28	36
Police Administrative Buildings	4	4
Police Houses	147	125
Single Officers' Quarters	2	2
Stand alone Radio Aerials	2	2
Garages	2	2
Training Centres	3	3
Other Property	8	8

The above descriptions relate to the main function of each site. The figures for 2001/2002 have been restated to reflect more accurately the delivery of operational policing.

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 2002/2003 the cost of net pensions and benefits was £54.2m, representing 25.7% 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 £40.6m, representing 19.3% of pensionable pay, while the cost of spreading the unfunded accrued liability over 40 years would have been an additional annual £41.5m representing 19.7% 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.

## NOTES TO THE BALANCE SHEET

	Capital Financing Reserve £'000s	Government Grants deferred £'000s	Total £'000s
<b>4. Movements in amounts set aside to finance capital investment</b>			
Capital receipts set aside in 2002/03			
- reserved receipts	0		
- useable receipts applied	0		
	<hr/>		
<b>Total capital receipts set aside in 2002/03</b>	<b>0</b>		
Revenue resources set aside in 2002/03			
- capital expenditure financed from revenue	(4,993)		
- remaining amount for provisions for loan repayment	4,491		
	<hr/>		
	(502)		<hr/>
<b>Total revenue resources set aside in 2002/03</b>			<b>(502)</b>
Grants applied to capital investment in 2002/03		(1,539)	
Amounts credited to the asset management revenue account in 2002/03		981	
		<hr/>	
<b>Movement on Government Grants Deferred</b>		<b>(558)</b>	<hr/>
<b>Total (increase)/decrease in amounts set aside to finance capital investment</b>			
Total movement on reserve in 2002/03	(502)	(558)	(1,060)
Balance brought forward at 1 April 2002	(62,715)	(319)	(63,034)
	<hr/>	<hr/>	<hr/>
<b>Balance carried forward at 31 March 2003</b>	<b>(63,217)</b>	<b>(877)</b>	<b>(64,094)</b>

## NOTES TO THE BALANCE SHEET

Notes to the statement of total movements on reserves

	Usable Capital Receipts £'000s	Unapplied Capital Grants and Contributions £'000s
<b>1. Movements in realised capital resources</b>		
Amounts receivable in 2002/03	(2,210)	(4,753)
Amounts applied to finance new capital investment in 2002/03	0	0
<b>Total (increase)/decrease in realised capital resources in 2002/03</b>	(2,210)	(4,257)
Balance brought forward at 1 April 2002	(8,404)	(11,420)
Balance carried forward at 31 March 2003	(10,614)	(15,677)

	Fixed assets restatement reserve £'000s
<b>2. Movements in unrealised value of fixed assets</b>	
(Gains)Losses on revaluation of fixed assets in 2002/03	(366)
Impairment losses on fixed assets due to general changes in prices in 2002/03	
<b>Total (increase)/decrease in unrealised capital resources 2002/03</b>	(366)
<b>3. Value of assets sold, disposed of or decommissioned</b>	
Amounts written off fixed asset balances for disposal in 2002/03	5,031
Total movement on reserve in 2002/03	4,665
Balance brought forward at 1 April 2002	15,363
Balance carried forward at 31 March 2003	20,028



## NOTES TO THE BALANCE SHEET

### 20. TOTAL MOVEMENT IN RESERVES

	2001/02 £,000	2002/2003 £,000
(Surplus)/deficit for the year:		
- General Fund	(989)	(1,553)
- Earmarked Reserves	<u>(1,607)</u>	<u>(287)</u>
<b>Total increase/(decrease) in revenue resources</b>	<b><u>(2,598)</u></b>	<b><u>(1,840)</u></b>
(Increase)/decrease in useable capital receipts	1,453	(2,210)
(Increase)/decrease in unapplied capital grants and contributions	<u>(4,089)</u>	<u>(4,257)</u>
<b>Total increase/(decrease) in realised capital resources (Note 1)</b>	<b><u>(2,636)</u></b>	<b><u>(6,467)</u></b>
(Gains)/losses on revaluation of fixed assets	(0)	(366)
Impairment losses on fixed assets due to general changes in prices	<u>0</u>	<u>0</u>
<b>Total (increase)/decrease in unrealised value of fixed assets (Note 2)</b>	<b><u>(1,686)</u></b>	<b><u>(366)</u></b>
<b>Value of assets sold, disposed of or decommissioned (Note 3)</b>	<b><u>5,142</u></b>	<b><u>5,031</u></b>
Capital receipts set aside	(4,411)	0
Revenue resources set aside	1,026	(502)
Movement on Government Grants Deferred	<u>144</u>	<u>(550)</u>
<b>Total (increase)/decrease in amounts set aside to to finance capital investment (Note 4)</b>	<b><u>(3,241)</u></b>	<b><u>(1,060)</u></b>
<b>Total recognised gains and losses</b>	<b><u>(5,019)</u></b>	<b><u>(4,702)</u></b>

## 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.

	2001/02 £,000	2002/2003 £,000
<b>Opening Balance</b>	(59,330)	(62,715)
Capital receipts set aside in year	-	-
Capital financing in year		
• Capital receipts	(4,411)	-
• Revenue contribution to capital	(4,800)	(4,993)
• Capital Grants	-	(496)
• External Contributions	-	-
Transferred Debt Repayment	(137)	(150)
Minimum Revenue Provision (less depreciation)	6,118	6,118
Voluntary Revenue Provision	-	-
Finance Lease Payment	-	-
Deferred Grants	(155)	(191)
<b>Closing Balance</b>	(62,715)	(62,427)

### 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

	2001/02 £,000	2002/2003 £,000
<b>Opening Balance</b>	11,907	15,363
Revaluation of Assets	(1,686)	(366)
Disposal of fixed assets	2,101	1,670
Repaid External Debt	-	-
Capital expenditure to maintain asset values	3,041	3,361
Deferred Grants	-	(790)
<b>Closing Balance</b>	15,363	19,238

### 19. PROVISION FOR CREDIT LIABILITIES - MEMORANDUM ACCOUNT

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

	2001/02 £,000	2002/2003 £,000
<b>Opening Balance</b>	(7,531)	-
Provision Made in Year		
• Capital receipts set aside	-	-
• Minimum Revenue Provision	(965)	(1,026)
• Voluntary Revenue Provision	-	-
Provision used in year		
• To repay external debt	8,496	-
• Adjustment	-	-
• To meet Credit Approvals (in lieu of external borrowing)	-	-
<b>Closing Balance</b>	Nil	(1,026)

## 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".

	2001/02 £,000	2002/2003 £,000
<b>Opening Balance</b>	(9,857)	(8,404)
Sales of Assets in Year	(2,958)	(2,210)
Receipts Applied to Finance Expenditure	4,411	-
Receipts Set Aside for Redemption of Debt	-	-
<b>Closing Balance</b>	(8,404)	(10,614)

### 14. RESERVES

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

	Balance at 31 March 2002 £,000	Transfer to Reserve £,000	Transfer from Reserve £,000	Balance at 31 March 2003 £,000
Uniform and Protective Equipment Reserve	(1,586)	(803)	421	(1,968)
Capital	(5,000)	-	-	(5,000)
Devolved Budget	(1,672)	(1,200)	1,676	(1,196)
Helicopter	(400)	-	-	(400)
Football Overtime	(272)	(151)	-	(423)
Self funded insurance	(9,600)	(2,521)	2,291	(10,030)
Restructuring	(500)	-	-	(500)
Major Incidents	(300)	-	-	(300)
Initiatives	(3,500)	-	-	(3,500)
<b>Earmarked Reserves</b>	<b>(23,830)</b>	<b>(4,675)</b>	<b>4,388</b>	<b>(23,117)</b>
<b>General Fund Reserve</b>	<b>(7,889)</b>	<b>(1,553)</b>	<b>-</b>	<b>(9,442)</b>
<b>Total Reserves before Transfers</b>	<b>(30,919)</b>	<b>(6,228)</b>	<b>4,388</b>	<b>(32,759)</b>
Transfers from providers				(29,604)
<b>TOTAL AFTER TRANSFERS</b>		This reflects the reclassification of the pensions and pro self funding pensions as reserves		<b>(62,363)</b>

### 15. UNAPPLIED CAPITAL GRANT

	2001/02 £,000	2002/2003 £,000
<b>Opening Balance</b>	(7,331)	(11,420)
Received in Year	(4,100)	(6,292)
Applied in Year	-	496
Grants Deferred in Year	11	1,539
<b>Closing Balance</b>	(11,420)	(15,677)

### 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.

	2001/02 £,000	2002/2003 £,000
<b>Opening Balance</b>	(463)	(319)
Received in Year	(11)	(1,539)
Written Off in Year	155	982
<b>Closing Balance</b>	(319)	(676)

## NOTES TO THE BALANCE SHEET

- **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 2002 £,000	31 March 2003 £,000
<b>Opening Balance</b>	(45,352)	(47,699)
External Loans Raised in Year	(4,484)	(3,000)
Loans Repaid in Year	2,138	150
<b>Closing Balance</b>	<u>(47,698)</u>	<u>(50,549)</u>

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

	31 March 2002 £,000	31 March 2003 £,000
Public Works Loan Board	(34,703)	(37,703)
Dudley Metropolitan Debt Administration Fund	(12,884)	(12,739)
Birmingham City Council	(111)	(107)
	<u>(47,698)</u>	<u>(50,549)</u>

These borrowings are repayable as follows:-

	31 March 2002 £,000	31 March 2003 £,000
Maturity within 5 years	2,413	3,998
Maturity within 6 to 10 years	7,944	6,582
Maturity within 10 to 15 years	4,331	4,556
Maturity in 15 or more years	33,010	35,413
	<u>47,698</u>	<u>50,549</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. Included in creditors is an amount of £1.5m in respect of the Drugs and Miscellaneous Seizures Accounts.

### 10. PROVISIONS

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

	Balance at 31 March 2002 £,000	Income in Year £,000	Expenditure in Year £,000	Balance at 31 March 2003 £,000
Police Pensions Provision	(24,878)	115,747	12,513	(28,112)
Provision for Additional Police Pensions pay day	-	-	-	-
Provision for Doubtful debts	(200)	-	-	(200)
Insurance Liability Provisions - pre Self Funding	11,492	-	-	(1,492)
<b>TOTAL BEFORE TRANSFERS</b>	<b>(24,578)</b>	<b>(15,747)</b>	<b>12,513</b>	<b>(29,894)</b>
<b>Transfer to reserves</b> This reflects the reclassification of the pensions and pre self funding pensions as reserves				<b>29,894</b>
<b>TOTAL AFTER TRANSFERS</b>				<b>(200)</b>

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 FRS 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 £2.1m has been provided to equalise revenue costs over the medium term 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. This has now been reclassified as a reserve.
- 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. This has now been reclassified as a reserve.

## 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 2002 £,000	31 March 2003 £,000
• Short Term Investments (Banks, Building Societies)	100,100	113,300
• Long Term Investments	-	-
	<u>100,100</u>	<u>113,300</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 2002 £,000	31 March 2003 £,000
• Other Local Authorities	262	240
• Loans Advanced to Employees	29	7
	<u>291</u>	<u>247</u>

### 7. STOCKS

	31 March 2002 £,000	31 March 2003 £,000
• Vehicle Fuel	150	191
• Vehicle Parts	167	126
• Uniforms	572	735
• Stationery	78	85
• Reprographics	-	33
	<u>967</u>	<u>1,170</u>

### 8. DEBTORS

An analysis of current debtors is shown below. A bad debts provision of £200k (£200k in 2001/02) has been made to provide for potentially uncollectable debts outstanding for more than one year.

	31 March 2002 £,000	31 March 2003 £,000
• Government Departments	4,967	7,246
• Other Local Authorities	3,878	3,102
• Employee Loans	73	59
• Sundry Debtors	6,803	3,002
	<u>15,721</u>	<u>13,409</u>

# NOTES TO THE BALANCE SHEET

## 4. MOVEMENT OF FIXED ASSETS

	Land & Buildings	Houses	Leased Property	Vehicles	IT	Casualty Partnership	Helicopter	Equipment	TOTAL	Vehicles	Equipment	IT	TOTAL	Total
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
<b>Cost or Value at 31 March 2002</b>	50,841	12,711	7,525	15,121	10,421	2,870	2,870	4,173	117,662	49	0	0	49	117,711
Additions in Year	3,972			2,436	2,873	18	779		10,028				0	10,028
Written Out in Year				-64	-380	-1	-158		-683				0	-683
Items Not Adding Value	-2,759								-2,759				0	-2,759
Deposits in Year		-1,680		-2,308					-3,988	-12			-12	-4,000
Revaluations		366							366				0	366
<b>Cost or Value at 31 March 2003</b>	58,054	11,027	7,525	15,185	20,914	17	2,870	4,744	129,706	37	0	0	37	129,743
Depreciation at 31 March 2002	2,258	490	326	9,341	14,668		820	3,379	31,282	49			49	31,331
Depreciation in Year	1,276	293	153	2,513	2,160	2	410	337	7,144					7,144
Written out in Year														
Deposits in Year		-111		-2,706					-2,817	-12			-12	-2,829
Revaluations									0				0	0
<b>Depreciation at 31 March 2003</b>	3,534	672	479	9,648	16,828	2	1,230	3,716	36,199	37	0	0	37	36,146
<b>Net Book Value at 31 March 2003</b>	54,520	10,355	7,046	5,537	4,086	15	1,640	1,028	84,507	0	0	0	0	84,597
Net Book Value at 31 March 2002	54,583	12,221	7,199	5,780	3,753		2,050	794	84,380	0	0	0	0	84,380

# 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 Eve (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. This is not in accordance with FRS 15.
- 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.
- The helicopter is valued at cost and written down to reflect a seven year life.

## 2. FUTURE CAPITAL COMMITMENTS

The following significant capital contracts had been entered into by the Authority at 31 March 2003, and the Authority is committed to make further payments, as detailed below:-

	£'000
Castle Vale Station	1,280
Lloyd House Refurbishment	2,530

## 3. LEASING

### Operating Leases

The cost of vehicles, furniture and equipment acquired during 2002/03 under operational leases is nil. (Nil in 2001/02). Rental payments on leases amounted to £0.604m (£0.872m in 2001/02). The Authority was committed on 31 March 2003 to meet future primary rental charges on leased items as follows:-

	31 March 2002 £,000	31 March 2003 £,000
2002/03	452	Nil
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 2002/2003 was nil.



## GENERAL FUND BALANCE SHEET

NDTE	DESCRIPTION AND NARRATIVE	As at 31 March 2002		As at 31 March 2003	
		£,000	£,000	£,000	£,000
4	<b>FIXED ASSETS</b>				
	● Land & Buildings - owned	54,583		54,520	
	● Land & Buildings - leased	7,199		7,046	
	● Police Houses	12,221		10,725	
	● Vehicle, Plant and Equipment - owned	10,327		10,651	
	● Helicopter	2,050		1,640	
	● Casualty Partnership			15	
			86,380		84,597
	<b>LONG TERM INVESTMENTS</b>				
6	<b>LONG TERM DEBTORS</b>		291		247
	<b>CURRENT ASSETS</b>				
7	● Stocks	967		1,170	
8	● Debtors	15,721		13,409	
5	● Short Term Investments	100,100		113,300	
		<u>116,788</u>		<u>127,879</u>	
	<b>CURRENT LIABILITIES</b>				
9	● Creditors	(22,244)		(24,949)	
	● Cash	(8,533)		(4,306)	
		<u>(30,777)</u>		<u>(29,255)</u>	
	<b>NET CURRENT ASSETS</b>		86,011		98,624
10	<b>PROVISIONS</b>	(26,570)		(200)	
11	<b>CAPITAL LONG TERM BORROWING</b>	(47,698)		(50,548)	
12	<b>DEFERRED LIABILITY</b>	-	(74,268)		(50,748)
	<b>NET ASSETS</b>		<u>98,414</u>		<u>132,720</u>
	<b>BALANCES AND RESERVES:</b>				
13	<b>UNAPPLIED CAPITAL RECEIPTS</b>	(8,404)		(10,614)	
14	<b>EARMARKED RESERVES</b>	(23,030)		(52,921)	
15	<b>UNAPPLIED CAPITAL GRANT</b>	(11,420)		(15,677)	
16	<b>DEFERRED CAPITAL GRANT</b>	(319)		(877)	
14	<b>GENERAL RESERVES</b>	(7,889)		(9,442)	
17	<b>CAPITAL FINANCING RESERVE</b>	(62,715)		(62,427)	
18	<b>FIXED ASSET RESTATEMENT RESERVE</b>	15,363		19,238	
			<u>(98,414)</u>		<u>(132,720)</u>

## SUMMARY CAPITAL ACCOUNT

2001/02 Out-turn £,000	DESCRIPTION	2002/2003 Programme £,000	2002/2003 Out-turn £,000
1,900	Land and Buildings: ● New Police Buildings	70	101
5,132	● Improvements and Adaptations	4,486	3,871
	Vehicles and Equipment:		
2,073	● Vehicles	2,100	2,436
1,789	● IT/Radio Equipment	3,405	2,873
593	● Other Equipment	1,035	729
	● Growth Partnership	260	18
	Credit Arrangements		
-	● Property Leases	50	-
<u>11,695</u>	<b>TOTAL</b>	<u>11,406</u>	<u>10,028</u>
	<b>FINANCING OF EXPENDITURE</b>		
	Capital Grants - In year	2,167	2,035
2,484	Capital Approvals	4,539	3,000
4,411	Capital Receipts		
-	BRA Expansion Fund		
-	Capital Reserve		
4,800	Direct Revenue Financing	4,700	4,993
<u>11,695</u>	<b>TOTAL</b>	<u>11,406</u>	<u>10,028</u>

# NOTES TO THE SUMMARY

## REVENUE ACCOUNT

### 1. EXPENDITURE ON PUBLICITY

Expenditure on publicity in 2002/2003 as defined in Section 5 of the Local Government Act 1986 amounted to £1.556m (£1.66m in 2001/02).

### 2. AGENCY

Agency expenditure also includes payment made to the Forensic Science Service and PITO.

### 3. REVENUE BALANCES

On 31 March 2003 the non-earmarked General Fund Revenue Balances stood at £9.442m (£7.889m at 31 March 2002).

### 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.

	2001/2002 £,000	2002/2003 £,000
<b>Income</b>		
Capital Charges	(12,164)	(12,274)
Deferred Grant	(155)	(191)
	<u>(12,319)</u>	<u>(12,465)</u>
<b>Expenditure</b>		
External Interest	3,334	3,497
Interest on finance leases	-	-
Provision for depreciation	7,083	7,144
	<u>10,417</u>	<u>10,641</u>
<b>Net Expenditure/(Income)</b>	<u>(1,902)</u>	<u>(1,824)</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.

2001/02 £'000		2002/03 £'000
248	Sponsorship	332
3,665	NCS & NCLS	3,732
1,385	Specific Government Funding	428
1,505	Other Exchanged Projects	6,944
6,803		11,436

### 7. EMPLOYEE REMUNERATION

2001/02 TOTAL	EARNING BANDS 2002/2003	Police Officers	Support Staff	TOTAL EMPLOYEES
11,590	Less than £39,999	7,605	3,962	11,767
569	£40,000 - £49,999	769	19	788
45	£50,000 - £59,999	52	2	54
30	£60,000 - £69,999	32	2	34
3	£70,000 - £79,999	-	2	2
2	£80,000 - £89,999	4	-	4
2	£90,000 - £99,999	1	-	1
-	£100,000 - £109,999	-	-	-
-	£110,000 - £119,999	-	-	-
1	£120,000 - £129,999	-	-	-
<b>12,242</b>	<b>TOTAL</b>	<b>8,643</b>	<b>3,987</b>	<b>12,650</b>

These earnings are based on actual **Gross Taxable Pay** paid by West Midlands Police in 2002/2003.

## REVENUE OUT-TURN 2002/2003

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.

2001/2002 Out-turn £,000 Revised	DESCRIPTION	2002/03 Out-turn £,000
	<b>SERVICE DIVISIONS</b>	
32,483	Call Handling	35,175
91,501	Crime Investigation and Reduction	98,671
20,752	Traffic and Road Safety	20,797
8,647	Public Order and Assurance	10,098
20,140	Community Involvement	18,530
156,568	Patrol	158,127
22,476	Custody and Court Preparation	23,375
52,426	Prisons	54,220
<b>404,993</b>	<b>Cost of Local Services</b>	<b>418,693</b>
9,607	Levies to National Service	1,004
701	Surcharges	653
<b>415,501</b>	<b>Total Operational Costs</b>	<b>420,350</b>
	<b>Unrecovered Overhead Costs</b>	
958	Corporate and Democratic Case costs	658
(5,248)	Interest on Balances	(4,790)
(1,902)	Transfer from Asset Management Account	(1,824)
	Exceptional items transfer of provisions	(29,604)
<b>409,309</b>	<b>Total Costs</b>	<b>384,990</b>
	<b>Appropriations</b>	
4,800	Financing of Capital Expenditure	4,993
(5,963)	Provision for Repayment of External Loans	(5,927)
1,609	To (from) Encumbered Reserve	287
	Exceptional items transfer of provisions	29,604
<b>409,755</b>	<b>AMOUNTS TO BE MET FROM GOVERNMENT GRANTS AND LOCAL TAXATION</b>	<b>413,947</b>
(43,428)	Council Tax Payer	(47,238)
	Government Grants	
(205,625)	● Police Grant	(206,140)
(101,337)	● Revenue Support Grant	(96,890)
(60,332)	Non-Domestic Rates	(65,232)
<b>(410,722)</b>	<b>Total External Funding</b>	<b>(415,500)</b>
(967)	Net Deficit (Surplus)	(1,553)
(6,922)	General Reserve Balance Brought Forward	(7,889)
<b>(7,889)</b>	<b>General Reserve Balance Carried Forward</b>	<b>(9,442)</b>

# SUMMARY REVENUE ACCOUNT

## REVENUE OUT-TURN 2002/2003

2001/02 Out-turn Before Capital Charges £,000	DESCRIPTION	2002/2003	
		Latest Budget 2002/03 £,000	Outturn 2002/03 £,000
	<b>EXPENDITURE</b>		
250,314	Police Pay and Allowances	264,498	264,878
62,172	Civilian and Traffic Warden Pay and Allowances	66,884	66,743
3,148	Other Employee Expenses	3,556	3,433
<u>315,634</u>	Sub Total Employee Costs	<u>334,938</u>	<u>335,054</u>
52,426	Police Pensions (net)	52,182	54,220
11,863	Premises Related Costs	13,174	11,840
9,175	Transport/Travel Costs	9,433	9,304
31,800	Supplies & Services	33,871	33,990
13,874	Agency Expenses	9,234	9,328
13,182	Capital Financing Costs	12,433	13,028
(30,260)	External Income	(44,122)	(44,725)
(414)	Crime and Operations Contingency		
<u>417,280</u>	<b>NET COST - GENERAL FUND SERVICES</b>	<u>421,143</u>	<u>422,039</u>
(1,902)	Transfer from Asset Management Account	(1,857)	(1,824)
(5,248)	Interest Received	(3,835)	(4,790)
(821)	Lease Charges Grant	(923)	(831)
<u>409,309</u>	<b>NET OPERATING EXPENDITURE</b>	<u>414,528</u>	<u>414,594</u>
	Exceptional Items transfer of provisions		(29,604)
	<b>APPROPRIATIONS</b>		
4,800	Financing of Capital Expenditure	4,700	4,993
(5,963)	Provision for Repayment of External Loans	(5,444)	(5,927)
	Capital Element of Finance Leases		
1,609	To (from) earmarked Reserves	168	287
	Exceptional items transfer of provisions		29,604
<u>409,755</u>	<b>AMOUNTS TO BE MET FROM GOVERNMENT GRANTS AND LOCAL TAXATION</b>	<u>413,952</u>	<u>413,947</u>
	<b>SOURCES OF FINANCE</b>		
(43,428)	Council Tax Payer	(47,238)	(47,238)
	Council Government Grants		
(205,625)	Police Revenue Grant	(206,140)	(206,140)
(101,337)	Revenue Support Grant	(96,890)	(96,890)
(60,332)	Non-Domestic Rates	(65,232)	(65,232)
<u>(410,722)</u>	<b>TOTAL EXTERNAL FUNDING</b>	<u>(415,500)</u>	<u>(415,500)</u>
(967)	<b>NET GENERAL FUND DEFICIT/(SURPLUS)</b>	(1,548)	(1,533)
<u>(6,922)</u>	<b>GENERAL RESERVE BALANCE BROUGHT FORWARD</b>	<u>(7,899)</u>	<u>(7,899)</u>
<u>(7,899)</u>	<b>GENERAL RESERVE BALANCE CARRIED FORWARD</b>	<u>(9,437)</u>	<u>(9,442)</u>

## 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 (i.e. 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 2002/2003 was 11.7%, and remains the same in 2003/2004. 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 WMPA 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 WMPA. 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.

# INDEPENDENT AUDITORS' REPORT TO

## WEST MIDLANDS POLICE AUTHORITY

We have audited the financial statements of accounts on pages 8 - 28 which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 6 - 7.

This report is made solely to West Midlands Police Authority in accordance with Part II, Section 2 of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to West Midlands Police Authority those matters we are required to state to it 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 West Midlands Police Authority for our audit work, for this report, or for the opinions we have formed.

### RESPECTIVE RESPONSIBILITIES OF THE CHIEF FINANCIAL OFFICER AND AUDITORS

As described on page 3 the Authority's Treasurer is responsible for the preparation of the financial statements in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2002. 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 financial statements present fairly the financial position of the Authority and its income and expenditure for the year.

We review whether the statement on internal financial control on page 4 reflects compliance with the requirements of the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2002. We report if it does not meet the requirements specified by CIPFA/LASAAC or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider whether the statement on internal financial control covers all risks and controls, or to form an opinion on the effectiveness of the Authority's system of internal financial control. Our review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

We read the other information published with the statement of accounts and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the statement of accounts.

### BASIS OF AUDIT OPINION

We conducted 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 auditing standards issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Authority in the preparation of the financial statements, 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 considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we evaluated the overall adequacy of the presentation of the information in the financial statements.

### OPINION

In our opinion the financial statements present fairly the financial position of West Midlands Police Authority as at 31 March 2003 and its income and expenditure for the year then ended.

### CERTIFICATE

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



Date: 29 September 2003

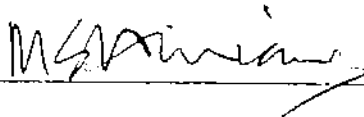
KPMG LLP  
Chartered Accountants  
Birmingham



# STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

- 1 The statement is in respect of the 2002/03 Statement of Accounts for West Midlands Police Authority. I acknowledge responsibility for ensuring that an effective system of Internal financial control is maintained and operated in connection with the resources concerned.
  - 2 Any system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.
  - 3 The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within the Authority. In particular, the system includes:
    - Comprehensive budgeting systems;
    - Regular reviews of periodic and annual financial reports which indicate financial performance against the budgets;
    - Setting targets to measure financial and other performance;
    - The preparation of regular financial reports which indicate actual expenditure against the budgets;
    - As appropriate, formal project management disciplines, and the operation of a confidential phone line to the Deputy Chief Constables' Proactive Unit through which suspected malpractice can be reported.
  - 4 The Authority has an internal audit service whose role is to independently review the effectiveness with which risks facing the Authority, both financial and other, are managed and controlled. The Council has delegated responsibility for the provision of an adequate internal audit to me. Operational and management arrangements for Internal audit are as follows:
    - The Head of Internal Audit Services reports directly to me and also has the right, under the Authority's financial regulations, to report directly to the Clerk to the Authority on any matters he deems necessary.
    - Internal Audit's work is conducted in accordance with the professional standards set out in the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice for Internal Audit in Local Government. Compliance with these standards is confirmed by periodic external audit review.
    - The Authority has an Audit Committee with a remit to oversee the work of internal and external audit and consider the whole range of audit, security and control issues. Internal Audit provides the Committee with an annual summary of their work and performance, together with a series of reports detailing the results of their work in each department and the management action in response.
- External Audit have been able to rely on internal audit work in carrying out their responsibilities. The extent and frequency of internal work to particular areas is set out in a multi-year strategic plan (reviewed annually) and has been determined through a risk assessment process, also independently validated by external audit.
- 5 My review of the effectiveness of the system of internal financial control is informed by:
    - The work of managers within the Authority;
    - The work of the Internal auditors as described above; and
    - The external auditors in their annual audit letter and other reports.

Signature: \_\_\_\_\_



Name: M S WILLIAMS CPFA

Post: TREASURER

Date: 25 September 2003

# STATEMENT OF ACCOUNTS

## CAPITAL EXPENDITURE AND FINANCING

Capital expenditure in the year totalled £10.0m (£11.7m in 2001/2002) compared to a planned programme of £11.4m. 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 £50.549m, 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 in the Balance Sheet.

## FUTURE OUTLOOK

For the coming year 2003/2004 the Police Authority set a budget of £443.2m. This resulted in a precept requirement of £54.7m. The budget included £5.0m of growth and development items principally directed at improving the quality of life and to address volume and serious crime.



M S Williams CIFA  
Treasurer to the Authority  
Date: 25 September 2003

## 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 2003.

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 these 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.

### REVENUE OUT-TURN 2002/2003

The position is summarised in the following table:

Actual 2001/02	REVENUE EXPENDITURE	Budget 2002/03	Actual 2002/03	Variation + (-)
£m				
417.3	Net Cost of General Fund Services	421.1	422.0	0.9
(8.0)	Other Charges	(6.6)	(7.4)	(0.8)
<u>409.3</u>	Net Operating Expenditure	<u>414.5</u>	<u>414.6</u>	<u>0.1</u>
(1.2)	Capital Appropriations	(0.7)	(0.9)	(0.2)
1.6	Transfers to Earmarked Reserves	0.2	0.3	0.1
1.0	Transfer to General Balance	1.5	1.5	0
410.7	Net Budget Requirement	415.5	415.5	0

#### Main variations in General Fund Expenditure

	£m
Police Pay	0.4
Support Staff Pay	(0.2)
Employees Expenses	(0.2)
Pensions	2.0
Premises	(1.3)
Transport Costs	(0.1)
Supplies and Services	0.2
Other Costs	0.7
Income	<u>(0.6)</u>
	<u>0.9</u>

### EARMARKED AND GENERAL RESERVES

Earmarked reserves amount to £23,317m, and the general reserve is £9,442m. Details are shown in notes 14, 15 and 16 to the Balance Sheet.



West Midlands  
Police Authority

# STATEMENT OF ACCOUNTS 2002 - 2003

## NOTES TO

## THE CASHFLOW STATEMENT

### 1. RECONCILIATION TO SUMMARY REVENUE ACCOUNT

	Year Ended		Year Ended	
	31 March 2002		31 March 2003	
	£,000	£,000	£,000	£,000
Surplus (Deficit) for the year		967		1,553
Increase (decrease) in Provisions		2,840		3,234
Other adjustments for non-cash movements Items classified elsewhere in the Statement		1,581		287
Capital Financing transaction		4,869		5,481
(Increase) decrease in Long Term Debtors		44		44
		<u>4,913</u>		<u>5,525</u>
Adjustments for:				
(Increase)Decrease In stocks		(13)		(203)
(Increase)Decrease In debtors		(5,679)		2,312
Increase (Decrease) In creditors		737		2,374
Net Inflow (Outflow) from Revenue Activities		<u>5,346</u>		<u>15,082</u>

### 2. MOVEMENT IN LIQUID AND NON LIQUID RESOURCES

	Balance at 31 March 2002 £,000	Movement in the year £,000	Balance at 31 March 2003 £,000
Cash overdrown	(8,533)	4,227	(4,306)
Short term Investments	100,100	13,200	113,300
	<u>91,567</u>	<u>17,427</u>	<u>108,994</u>

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

### 3. OTHER GOVERNMENT GRANTS RECEIVED

	2001/02 £,000	2002/2003 £,000
Police Revenue Grant	205,625	206,140
Loan Charges Grant	722	880
Other		18,719
	<u>206,347</u>	<u>225,739</u>

### 4. RECONCILIATION TO SUMMARY CAPITAL ACCOUNT

	2001/02 £,000	2002/2003 £,000
Total Capital Expenditure	11,695	10,028
Other non cash transactions	923	(331)
	<u>12,618</u>	<u>9,697</u>
Total Capital Finance	12,618	9,697
Leasing Arrangements	-	-
Other non cash transactions	(8,207)	(7,662)
Capital Grant Unapplied	3,637	4,257
Other Capital Income	-	-
Cash capital receipts	(1,453)	2,210
	<u>6,595</u>	<u>8,502</u>