

STATEMENT OF ACCOUNTS
2003 - 2004



West
Midlands
Police
Authority

Cash Flow Statement

1. Reconciliation to Summary Revenue Account

	Year Ended 31 March 2003		Year Ended 31 March 2004	
	£,000	£,000	£,000	£,000
Surplus (Deficit) for the year		1,553		(3,400)
Increase (decrease) in Provisions		3,234		0
Other adjustments for non-cash movements		287		9,414
Items classified elsewhere in the Statement			(2,006)	
Capital Financing transaction	5,481		3,154	
(Increase) decrease in Long Term Debtors	44		28	
		5,525		1,176
Adjustments for:				
(Increase)Decrease in stocks		(203)		(47)
(Increase)Decrease in debtors		2,312		(313)
Increase (Decrease) in creditors		2,374		8,516
Net Inflow (Outflow) from Revenue Activities		15,082		15,346

2. Movement in Liquid and Non Liquid Resources

	Balance at 31 March 2003	Movement in the year	Balance at 31 March 2004
	£,000	£,000	£,000
Cash overdrawn	(4,306)	(1,213)	(5,519)
Short term Investments	113,300	21,200	134,500
	108,994	19,987	128,981

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

3. Other Government Grants Received

	2002/03	2003/04
	£,000	£,000
Police Revenue Grant	206,140	231,264
Loan Charges Grant	880	787
Other	18,719	28,517
	225,739	260,568

4. Reconciliation to Summary Capital Account

	2002/03	2003/04
	£,000	£,000
Total Capital Expenditure	10,028	13,909
Other non cash transactions	(331)	404
Total Capital Finance	9,697	14,313
Leasing Arrangements		
Other non cash transactions	(7,662)	(9,375)
Capital Grant Unapplied	4,257	11,870
Other Capital Income	0	0
Cash capital receipts	2,210	570
Capital Activities	8,502	17,378

Cash Flow Statement

Description	Year Ended	£,000	Year Ended	£,000
	31 March 2003		31 March 2004	
	£,000		£,000	
REVENUE ACTIVITIES				
EXPENDITURE:				
Employee Costs	385,837		363,099	
Other Operating Costs	62,493		118,511	
	448,330		481,610	
INCOME:				
Subsidy payments	0		0	
Precept	(47,238)		(54,717)	
Non-domestic Rates	(65,232)		(36,460)	
Revenue Support Grant	(96,890)		(118,759)	
Other Government Grants	(225,739)		(260,568)	
Rents	(1,253)		(1,392)	
Other Income	(27,060)		(25,060)	
	(463,412)		(496,956)	
NET INFLOW FROM REVENUE ACTIVITIES		(15,082)		(15,346)
SERVICING OF FINANCE:				
Interest Paid	4,100		3,177	
Interest on Leases	0		0	
Interest Received	(4,790)		(4,918)	
		(690)		(1,741)
CAPITAL ACTIVITIES				
EXPENDITURE:				
Purchase of Fixed Assets	9,697		14,314	
INCOME:				
Sale of Fixed Assets	(2,210)		(570)	
Capital Grants	(6,292)		(16,808)	
Sale of Long Term Investments	-		-	
Other Income	-		-	
	(8,502)	1,195	(17,378)	(3,064)
NET (INFLOW) OUTFLOW BEFORE FINANCING		(14,577)		(20,151)
FINANCING				
Repayment of Amounts Borrowed	150		164	
Capital Element of Leases	-		-	
New Loans Raised	(3,000)	(2,850)	0	164
		(17,427)		(19,987)
(INCREASE) / DECREASE IN LIQUID AND NON LIQUID RESOURCES				
Cash	4,227		(1,213)	
Investments	13,200		21,200	
		17,427		19,987

Notes to the Balance Sheet

27. Related Party Transactions

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

	2002/03 £,000	2003/04 £,000
Major Government Grants Received		
Home Office	206,140	231,264
PCSO Grant	0	206
Special Priority Payments	0	2,263
Loan Charges Grant	831	788
Crime Fighting Fund	13,074	14,415
BCU Grant	0	3,691
Burglary Initiative	124	0
DNA Expansion Scheme	4,244	4,113
Capital Grant	5,057	5,168
Operation Middlemarket	651	683
Victim & Witness Support Grant	0	233
Safer Streets	1,516	1,804
Airwave Grant	266	2,739
NCS	3,256	4,090
NCIS	393	501
ODPM / DTLR		
Revenue Support Grant	96,890	118,759
National Non Domestic Rates	5,232	36,460
Payments to the West Midlands Superannuation Fund	8,767	9,615

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 2004 was £174,000 (£136,000 in 2003).

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 2004 was £2,000 (£2,000 in 2003).

These accounts are not subject to KPMG LLP audit.

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 2003/04

30. Proceeds of Crime Act 2002 Account

In addition, West Midlands Police Authority have a bank account for the holding of 3rd party funds seized as suspected proceeds of crime in accordance with the Act. At 31 March 2004 the balance on this account was £1,036,792.87 and \$22,003.10.

Notes to the Balance Sheet

Note to the Statement of the total movement in Reserves

	Local Government Pension Scheme £'000s		Police Pension Scheme £'000s		
		%			%
Difference relating to return on assets	16,929	11.4 of assets			
Difference relating to actuarial assumptions	0	0	6,000		
Changes to demographic and financial assumptions	0	0	(462,000)		
Total	16,929	8.7 of liabilities	(456,000)		19.2 of liabilities

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	2.8	3.4
Rate of Increase in salaries	4.3	4.4
Rate of Increase in pensions	2.8	2.9
Rate for discounting scheme liabilities	6.3	6.5

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:

	2002/03		2003/04	
	£'000s	%	£'000s	%
Equity investments	88,379	75	113,642	76
Bonds	11,635	10	20,500	14
Other assets	17,511	15	14,409	10
	117,525	100	148,551	100

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:

	2002/03 Capitalised Value £,000	2003/04 Actual Payments £,000	2003/04 Capitalised Value £,000
Payments made in respect of decisions made in the year	0	0	0
Payments made in respect of decisions made in previous years	2,088	117	2,110
Total	2,088	117	2,110

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 £227,000 (£215,000 in 2002/03).

Notes to the Balance Sheet

22. Statement of Physical Assets

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

	31 March 2003	31 March 2004
Operational Police Stations	70	67
Beat Offices	36	55
Police Administrative Buildings	4	4
Police Houses	125	120
Single Officers' Quarters	2	2
Stand alone Radio Aerials	2	2
Garages	2	2
Training Centres	3	3
Other Property	8	11

The above descriptions relate to the main function of each site.

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

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.

In 2003/04, 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 2004, the Authority had the following overall assets and liabilities:

	Local Government Pension Scheme £'000s	Police Pension Scheme £'000s	Total £000s
Estimated liabilities in scheme	(195,536)	(2,401,000)	(2,596,536)
Estimated assets in scheme	148,551	0	148,551
Net asset/(liability)	(46,985)	(2,401,000)	(2,447,985)

	Local Government Pension Scheme £'000s	Police Pension Scheme £'000s	Total £000s
Surplus/(Deficit) brought forward	(61,404)	(1,825,000)	(1,886,404)
Current Service Cost	(6,405)	(46,000)	(52,405)
Employers Contribution	6,448	(23,000)	(16,552)
Retirement benefits Payable	0	76,000	76,000
Past Service Costs	0	0	0
Interest Costs/Return on assets	(2,553)	(127,000)	(129,553)
Expected Return on scheme assets	0	0	0
Actuarial Gains/(Losses)	16,929	(456,000)	(439,071)
Surplus (Deficit) carried forward	(46,985)	(2,401,000)	(2,447,985)

Notes to the Balance Sheet

	Capital Financing Reserve £'000s	Government Grants deferred £'000s	Total £'000s
5. Movements in amounts set aside to finance capital investment			
Capital receipts set aside in year			
- reserved receipts	0		
- useable receipts applied	0		
Total capital receipts set aside in year			
Revenue resources set aside in year			
- capital expenditure financed from revenue	(3,565)		
- reconciling amount for provisions for loan repayment	7,566		
Total revenue resources set aside in year	4,001		4,001
Grants applied to capital investment in year	(426)	(4,512)	
Amounts credited to the asset management revenue account in year		1,252	
Movement on Government Grants	(426)	(3,260)	(3,686)
Total (increase)/decrease in amounts set aside to finance capital investment			315
Total movement on reserve in year	3,575	(3,260)	315
Balance brought forward at 1 April 2003	(62,427)	(876)	(63,303)
Balance carried forward at 31 March 2004	(58,852)	(4,136)	(62,988)

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 14.

	2002/03 £,000	2003/04 £,000
Total Capital Expenditure	10,028	13,909
Accrual b/fd	73	404
Less: Accruals	(404)	0
Capital Expenditure	9,697	14,313
Financing:		
Capital Grants In Year	2,035	4,938
Credit Approvals	2,669	5,810
Credit Approvals - Credit Arrangements	0	0
Capital Receipts	0	0
Operational Leases	0	0
Direct Revenue Financing	4,993	3,565
Total Financing	9,697	14,313

Notes to the Balance Sheet

Notes to the statement of total movements on reserves

1. Movement In Revenue Resources

	General Reserve £,000	Earmarked Reserve £,000	Pensions Reserve £,000	Total £,000
Surplus (Deficit)	3,400			3,400
Appropriations		(9,413)	(122,510)	(131,923)
Actuarial gains			(439,071)	(439,071)
	3,400	(9,413)	(561,581)	(567,584)
Balance brought forward	(9,442)	(52,922)	(1,886,404)	(1,948,768)
Balance carried forward	(6,042)	(62,335)	(2,447,985)	(2,516,362)

	Usable Capital Receipts £'000s	Unapplied Capital Grants & Contributions £'000s
2. Movements In realised capital resources		
Amounts receivable year	(570)	(12,296)
Amounts applied to finance new capital investment in year	0	426
Total (Increase)/decrease in realised capital resources in year	(570)	(11,870)
Balance brought forward at 1 April 2003	(10,614)	(15,677)
Balance carried forward at 31 March 2004	(11,184)	(27,547)

	Fixed assets restatement reserve £'000s
3. Movements In unrealised value of fixed assets	
(Gains) losses on revaluation of fixed assets in 2003/04	(296)
Impairment losses on fixed assets due to general changes in prices in 2003/04	
Total (Increase)/decrease in unrealised capital resources 2003/04	(296)

4. Value of assets sold, disposed of or decommissioned

Amounts written off fixed asset balances for disposal in 2003/04	4,202
Total movement on reserve in year	3,906
Balance brought forward at 1 April 2003	19,238
Balance carried forward at 31 March 2004	23,144

Notes to the Balance Sheet

19. Provision for Credit Liabilities - Memorandum Account

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

	2002/03 £,000	2003/04 £,000
Opening Balance	0	(1,026)
Provision Made in Year		
● Capital receipts set aside	0	0
● Minimum Revenue Provision	(1,026)	(1,166)
● Voluntary Revenue Provision		
Provision used in year		
● To repay external debt	0	0
● Premiums		
● To meet Credit Approvals (In lieu of external borrowing)	0	2,006
Closing Balance	(1,026)	(186)

20. Total Movement in Reserves

	2002/03 £,000	2003/04 £,000
(Surplus)/deficit for the year:		
- General Fund	(1,553)	3,400
- Earmarked Reserves	(287)	(9,413)
- Pensions Reserve	(126,307)	(122,510)
- Actuarial Gains and Losses	(10,146)	(439,071)
Total Increase/(decrease) in revenue resources (Note 1)	(138,293)	(567,594)
(Increase)/decrease in useable capital receipts	(2,210)	(570)
(Increase)/decrease in unapplied capital grants and contributions	(4,257)	(11,870)
Total Increase/(decrease) in realised capital resources (Note 2)	(6,467)	(12,440)
(Gains)/losses on revaluation of fixed assets.	(366)	(296)
Impairment losses on fixed assets due to general changes in prices	-	-
Total (Increase)/decrease in unrealised value of fixed assets (Note 3)	(366)	(296)
Value of assets sold, disposed of or decommissioned (Note 4)	5,031	4,202
Capital receipts set aside	0	0
Revenue resources set aside	(502)	4,001
Movement on Government Grants	(557)	(3,686)
Total (Increase)/decrease in amounts set aside to to finance capital investment (Note 5)	(1,059)	315
Increase in Pensions Reserve	(136,543)	(561,581)
Total recognised gains and losses	(277,607)	(1,137,394)

Notes to the Balance Sheet

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.

	2002/03 £,000	2003/04 £,000
Opening Balance	(319)	(876)
Received In Year	(1,539)	(4,512)
Written Off In Year	982	1,252
Closing Balance	(876)	(4,136)

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.

	2002/03 £,000	2003/04 £,000
Opening Balance	(62,715)	(62,427)
Capital receipts set aside in year	0	0
Capital financing in year		
● Capital receipts	0	0
● Revenue contribution to capital	(4,993)	(3,565)
● Capital Grants	(496)	(426)
● External Contributions	-	0
Transferred Debt Repayment	(150)	(164)
Minimum Revenue Provision (less depreciation)	6,118	6,373
Voluntary Revenue Provision	-	0
Finance Lease Payment	-	0
Deferred Grants written down	(191)	(649)
Premiums charged to PCL		2,006
Closing Balance	(62,427)	(58,852)

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

	2002/03 £,000	2003/04 £,000
Opening Balance	15,363	19,238
Revaluation of Assets	(366)	(296)
Disposal of fixed assets	1,670	454
Repaid External Debt	0	0
Capital expenditure to maintain asset values	3,361	4,351
Deferred Grants written out	(790)	(603)
Closing Balance	19,238	23,144

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".

	2002/03 £,000	2003/04 £,000
Opening Balance	(8,404)	(10,614)
Sales of Assets in Year	(2,210)	(570)
Receipts Applied to Finance Expenditure	0	0
Receipts Set Aside for Redemption of Debt	0	0
Closing Balance	(10,614)	(11,184)

14. Reserves

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

	Balance at 31 March 2003 £,000	Transfer to Reserve £,000	Transfer from Reserve £,000	Balance at 31 March 2004 £,000
Commutation Reserve	(28,112)	(14,600)	11,581	(31,131)
Insurance pre self funding	(1,492)	0	0	(1,492)
Uniform and Protective				
Equipment Reserve	(1,968)	(325)	341	(1,952)
Capital	(5,000)	0	0	(5,000)
Devolved Budget	(1,196)	(1,300)	1,149	(1,347)
Helicopter	(400)	0	0	(400)
Football Overtime	(423)	(392)	0	(815)
Self funded Insurance	(10,030)	(2,912)	2,344	(10,598)
New Initiatives	(3,500)	(5,300)	0	(8,800)
Restructuring	(500)	0	0	(500)
Major Incidents	(300)	0	0	(300)
Earmarked Reserves	(52,921)	(24,829)	15,415	(62,335)
General Fund Reserve	(9,442)	(400)	3,800	(6,042)
Total Reserves	(62,363)	(25,229)	19,215	(68,377)

15. Unapplied Capital Grant

	2002/03 £,000	2003/04 £,000
Opening Balance	(11,420)	(15,677)
Received In Year	(6,292)	(16,808)
Applied in Year	496	426
Grants Deferred In Year	1,539	4,512
Closing Balance	(15,677)	(27,547)

Notes to the Balance Sheet

10. Provisions

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

	Balance at 31 March 2003 £,000	Income in Year £,000	Expenditure in Year £,000	Balance at 31 March 2004 £,000
Provision for Doubtful debts	(200)	-	-	(200)

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

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.

11. Long Term Borrowing

Transactions undertaken during the year were as shown below:-

	31 March 2003 £,000	31 March 2004 £,000
Opening Balance	(47,699)	(50,549)
External Loans Raised in Year	(3,000)	0
Loans Repaid in Year	150	165
Closing Balance	(50,549)	(50,384)

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

	31 March 2003 £,000	31 March 2004 £,000
Public Works Loan Board	(37,703)	(37,703)
Dudley Metropolitan Debt Administration Fund	(12,739)	(12,579)
Birmingham City Council	(107)	(102)
	(50,549)	(50,384)

These borrowings are repayable as follows:-

	31 March 2003 £,000	31 March 2004 £,000
Maturity within 5 years	3,998	8,183
Maturity within 6 to 10 years	6,582	11,882
Maturity within 10 to 15 years	4,556	4,810
Maturity in 15 or more years	35,413	25,509
	50,549	50,384

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

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 2003 £,000	31 March 2004 £,000
Short Term Investments (Banks, Building Societies)	113,300	134,500
Long Term Investments	-	-
	113,300	134,500

Interest earned on investments has been credited to 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 2003 £,000	31 March 2004 £,000
Other Local Authorities	240	218
Loans Advanced to Employees	7	1
	247	219

7. Stocks

	31 March 2003 £,000	31 March 2004 £,000
Vehicle Fuel	191	172
Vehicle Parts	126	111
Uniforms	735	830
Stationery	85	78
Reprographics	33	26
	1,170	1,217

8. Debtors

An analysis of current debtors is shown below. A bad debts provision of £200k (£200k in 2002/03) has been made to provide for potentially uncollectable debts outstanding for more than one year.

	31 March 2003 £,000	31 March 2004 £,000
Government Departments	7,246	7,026
Other Local Authorities	3,102	3,487
Employee Loans	59	55
Sundry Debtors	3,002	3,154
	13,409	13,722

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.

Notes to the Balance Sheet

4. Movements of Fixed Assets

	Land & Buildings £,000	Houses £000	Leased Property £,000	Vehicles £,000	IT £,000	Casualty Partnership £,000	Helicopter £,000	Equipment £,000	Leased Vehicles £000	Total £000
Cost or Value at 31 March 2003	58,054	11,397	7,525	15,185	20,914	17	2,870	4,744	37	120,743
Additions in Year	5,121	0	0	3,265	4,151	1,053	0	319	0	13,909
Written Out in Year	0	0	0	0	0	0	0	0	0	0
Items Not Adding Value	(3,696)	0	0	(32)	(497)	(22)	0	(103)	0	(4,350)
Disposals in Year	0	(446)	0	(1,838)	0	0	0	0	-9	(2,293)
Revaluations	0	296	0	0	0	0	0	0	0	296
Cost or Value at 31 March 2004	59,479	11,247	7,525	16,580	24,568	1,048	2,870	4,960	28	128,305
Depreciation at 31 March 2003	3,534	672	479	9,648	16,828	2	1,230	3,716	37	36,146
Depreciation in Year	1,304	255	153	2,449	2,560	47	410	361	0	7,539
Written out in Year	0	0	0	0	0	0	0	0	0	0
Disposals in Year	(1)	(36)	0	(1,792)	0	0	0	0	(9)	(1,838)
Revaluations	0	0	0	0	0	0	0	0	0	0
Depreciation at 31 March 2004	4,837	891	632	10,305	19,388	49	1,640	4,077	28	41,847
Net Book Value at 31 March 2003	54,642	10,356	6,893	6,275	5,180	999	1,230	883	0	86,458
Net Book Value at 31 March 2002	54,520	10,725	7,046	5,537	4,086	15	1,640	1,028	0	84,597

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. Police Houses are not formally revalued but values are adjusted to reflect sales of relevant properties. To this extent the Authority does not comply fully with FRS requirements
- 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 formal revaluation.
- Assets are valued at open market value or in the case of specific operation assets at direct replacement cost.

2. Future Capital Commitments

The following significant capital contracts had been entered into by the Authority at 31 March 2004, and the Authority is committed to make further payments, as detailed below:-

	£'000
Sutton Coldfield Custody Suite	2,750
Alrwave Radio system	7,800

3. Leasing

Operating Leases

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

	31 March 2003 £,000	31 March 2004 £,000
2002/03	Nil	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 2003/04 was nil.

General Fund Balance Sheet

Note		As at 31 March 2003		As at 31 March 2004	
		£,000	£,000	£,000	£,000
4	FIXED ASSETS				
	Land & Buildings - owned	54,520		54,642	
	Land & Buildings - leased	7,046		6,893	
	Police Houses	10,725		10,356	
	Vehicle, Plant and Equipment - owned	10,651		12,338	
	Helicopter	1,640		1,230	
	Casualty Partnership	15		999	
			84,597		86,458
	LONG TERM INVESTMENTS		-		
6	LONG TERM DEBTORS		247		219
	CURRENT ASSETS				
7	Stocks	1,170		1,217	
8	Debtors	13,409		13,722	
5	Short Term Investments	<u>113,300</u>		<u>134,500</u>	
		<u>127,879</u>		<u>149,439</u>	
	CURRENT LIABILITIES				
9	Creditors	(24,949)		(33,061)	
	Cash	(4,306)		(5,519)	
		(29,255)		(38,580)	
	NET CURRENT ASSETS		98,624		110,859
10	Provisions		(200)		(200)
11	Capital Long Term Borrowing		(50,548)		(50,384)
12	Deferred Liability				
23	Pensions Liability		(1,886,404)		(2,447,985)
	NET ASSETS		(1,753,684)		(2,301,033)
	BALANCES AND RESERVES:				
13	UNAPPLIED CAPITAL				
	RECEIPTS	(10,614)		(11,184)	
14	EARMARKED RESERVES	(52,921)		(62,335)	
15	UNAPPLIED CAPITAL				
	GRANT	(15,677)		(27,547)	
16	DEFERRED CAPITAL GRANT	(877)		(4,136)	
14	GENERAL RESERVES	(9,442)		(6,042)	
17	CAPITAL FINANCING RESERVE	(62,427)		(58,852)	
18	FIXED ASSET RESTATEMENT RESERVE	19,238		23,144	
23	PENSIONS RESERVE	1,886,404		2,447,985	
	NET LIABILITIES		1,753,684		2,301,033

Summary Capital Account

Out-turn 2002/03 £'000	DESCRIPTION	2003/04 Programme £'000	2003/04 Out-turn £'000
101	Land and Buildings:		
3,871	New Police Buildings	540	367
	Improvements and Adaptations	6,285	4,754
2,436	Vehicles and Equipment:		
2,873	Vehicles	2,900	3,265
729	IT/Radio Equipment	5,243	4,151
18	Other Equipment	369	319
	Casualty Partnership	1,051	1,053
-	Credit Arrangements		
	Property Leases	50	0
10,028	TOTAL	16,438	13,909
	FINANCING OF EXPENDITURE		
	Capital Grants	5,271	4,938
2,035	Credit Approvals	3,867	5,406
3,000	Capital Receipts	2,300	0
-	Capital Reserve	0	0
4,993	Direct Revenue Financing	5,000	3,565
10,028	TOTAL	16,438	13,909

Notes to the Summary Revenue Account

1. Expenditure on Publicity

Expenditure on publicity in 2003/2004 as defined in Section 5 of the Local Government Act 1986 amounted to £1.748m (£1.556m in 2002/03).

2. Agency

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

3. Revenue Balances

On 31 March 2004 the non-earmarked General Fund Revenue Balances stood at £6.042m (£9.442m at 31 March 2003).

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.

	2002/03 £'000	2003/04 £'000
Income		
Capital Charges	(12,274)	(10,684)
Deferred Grant	1,191	(649)
	(12,465)	(11,333)
Expenditure		
External Interest	3,497	3,167
Interest on finance leases	-	0
Provision for depreciation	7,144	7,540
	10,641	10,707
Net Expenditure/(Income)	(1,824)	(626)

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.

2002/03 £'000		2003/04 £'000
332	Sponsorship	431
3,732	NCS & NCIS	4,662
0	BCU Funded	3,407
7,372	Other Externally funded/Rechargeable	6,329
11,436	Total	14,829

7. Employee Remuneration

2002/03 Total	EARNING BANDS 2003/2004	Police Officers	Police Staff	Total Employees
12,555	Less than £49,999	8,625	4,223	12,848
54	£50,000 - £59,999	103	6	109
34	£60,000 - £69,999	46	1	47
2	£70,000 - £79,999	1	1	2
4	£80,000 - £89,999	4	1	5
1	£90,000 - £99,999	2	0	2
0	£100,000 - £109,999	0	0	0
0	£110,000 - £119,999	1	0	1
0	£120,000 - £129,999	0	0	0
0	£130,000 - £139,999	1	0	1
12,650	TOTAL	8,783	4,232	13,015

These earnings are based on actual Gross Taxable Pay paid by West Midlands Police in 2003/2004.

8. Audit Fees

In 2003/04 the Authority incurred the following fees relating to external audit:

	2002/03 £'000	2003/04 £'000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	103	103
Fees payable to the Audit Commission in respect of statutory inspection	0	0
Fees payable to the Audit Commission for the certification of grant claims and returns	12	0
Fees payable in respect of other services provided by the appointed auditor	0	0

Summary Revenue Account

Revenue Out-turn 2003/2004

Under the Best Value Accounting Requirements the accounts are presented in a format that 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.

2002/03 Out-turn £'000	DESCRIPTION	2003/04 Out-turn £'000
	SERVICE DIVISIONS	
34,691	Call Handling	36,097
97,020	Crime Investigation and Reduction	121,929
19,962	Traffic and Road Safety	21,869
9,997	Public Order and Assurance	9,355
18,223	Community Involvement	20,774
155,349	Patrol	161,359
23,031	Custody and Court Preparation	25,045
60,220	Pensions	43,255
418,493	Cost of Local Service	439,683
1,004	Levies to National Service	1,094
853	Secondments	1,097
420,350	Total Operational Costs	441,874
	Unrecovered Overhead Costs	
858	Corporate and Democratic Core costs	1,018
(4,790)	Interest on Balances	(4,919)
(1,824)	Transfer from Asset Management Account	(626)
(29,604)	Exceptional Items transfer of provisions	0
384,990	Total Costs	437,347
	Appropriations	
4,993	Financing of Capital Expenditure	3,565
(5,927)	Provision for Repayment of External Loans	(5,725)
287	To (from) Earmarked Reserves	9,413
29,604	Exceptional items transfer of provisions	0
413,947	AMOUNTS TO BE MET FROM GOVERNMENT GRANTS AND LOCAL TAXATION	444,600
(47,238)	Council Tax Payer	(54,717)
	Government Grants	
(206,140)	Police Grant	(231,264)
(96,890)	Revenue Support Grant	(118,759)
(65,232)	Non-Domestic Rates	(36,460)
(415,500)	Total External Funding	(441,200)
(1,553)	Net Deficit (Surplus)	3,400
(7,889)	General Reserve Balance Brought Forward	(9,442)
(9,442)	General Reserve Balance Carried Forward	(6,042)

Summary Revenue Account

Revenue Out-turn 2003/2004

Outturn 2002/2003 £'000		Latest Budget 2003/2004 £'000	Outturn 2003/2004 £'000
264,878	Police Pay and Allowances	284,716	285,930
66,692	Civilian and Traffic Warden Pay and Allowances	74,100	73,488
3,433	Other Employee Expenses	4,540	4,106
335,003	Sub Total Employee Costs	363,356	363,524
60,220	Police Pensions (net)	43,709	43,255
11,840	Premises Related Costs	14,491	13,897
9,304	Transport/Travel Costs	9,591	9,522
33,990	Supplies & Services	40,013	38,549
9,328	Agency Expenses	11,783	12,286
13,028	Capital Financing Costs	12,643	10,859
(44,725)	External Income	(55,354)	(55,256)
	Crime and Operations Contingency	156	0
71	Non-Distributed Costs	0	0
428,059	NET COST - GENERAL FUND SERVICES	440,388	436,636
(1,824)	Transfer from Asset Management Account	(2,263)	(626)
(4,790)	Interest Received	(4,451)	(4,919)
120,287	Interest and expected return on assets	129,553	129,553
(831)	Loan Charges Grant	(900)	(787)
540,901	NET OPERATING EXPENDITURE	562,327	559,857
(29,604)	Exceptional items transfer of provisions		
	APPROPRIATIONS		
4,993	Financing of Capital Expenditure	5,000	3,565
(5,927)	Provision for Repayment of External Loans	(5,810)	(5,725)
	Capital Element of Finance Leases	0	0
287	To (from) Earmarked Reserves	2,810	9,413
(126,307)	Appropriation of Pensions Reserve	(122,510)	(122,510)
29,604	Exceptional items transfer of provisions		
413,947	AMOUNTS TO BE MET FROM GOVERNMENT GRANTS AND LOCAL TAXATION	441,817	444,600
	SOURCES OF FINANCE		
(47,238)	Council Tax Payer	(54,717)	(54,717)
	Central Government Grants		
(205,140)	Police Revenue Grant	(231,264)	(231,264)
(96,890)	Revenue Support Grant	(118,759)	(118,759)
(65,232)	Non-Domestic Rates	(36,460)	(36,460)
(415,500)	TOTAL EXTERNAL FUNDING	(441,200)	(441,200)
(1,553)	NET GENERAL FUND DEFICIT/(SURPLUS)	617	3,400
(7,889)	GENERAL RESERVE BALANCE BROUGHT FORWARD	(9,442)	(9,442)
(9,442)	GENERAL RESERVE BALANCE CARRIED FORWARD	(8,825)	(6,042)

Accounting Policies

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 2003/2004 was 11.7%, and remains the same in 2004/2005. FRS17 now applies to these transactions, which are now shown in the Revenue Account, and fuller details of the pension position are set out in note 23 in the Balance Sheet.

These accounting policies represent a change to those applied in prior years. Previous policy was to recognise liabilities in relation to retirement benefits only when employer's contributions became payable to the pension fund or payments fell due to the pensioners for which we were directly responsible. The new policies better reflect our commitment in the long-term to increase contributions to make up any shortfall in attributable net assets in the pension fund.

The change has had the following effects on the results of the prior and current periods:

- the overall amount to be met from Government grants and local taxation has remained unchanged, but the net costs of service are 1.6% lower after the replacement of employer's contributions by current service costs and Net Operating Expenditure is 28% higher than it would otherwise have been.
- the requirement to recognise the net pensions liability in the balance sheet has reduced the reported net worth of the authority, converting net assets of £147m into net liabilities of £2,301m.

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. Instalments 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 (e.g. 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.

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.

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Independent auditors' report to West Midlands Police Authority

Opinion

In our opinion the statement of accounts presents fairly the financial position of West Midlands Police Authority as at 31 March 2004 and its Income and expenditure for the year then ended.

KPMG LLP

KPMG LLP
Chartered Accountants
Birmingham

Date: 21st September 2004

Independent auditors' report to West Midlands Police Authority

We have audited the statements of accounts on pages 11 - 29 which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 9 - 10.

This report is made solely to West Midlands Police Authority in accordance with Section 2 of the Audit Commission Act 1998. Our 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 statement of accounts in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2003. 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 of the Authority and its income and expenditure for the year.

We review whether the statement on internal control on pages 4-6 reflects compliance with CIPFA's guidance "The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003" published on 2 April 2004. We report if it does not comply with proper practices specified by CIPFA 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, nor have we considered whether the statement on internal control covers all risks and controls. We are also not required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures. 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. We are not required to consider nor have we considered, information regarding future projections included within the statements 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.

Statement on the system of internal control

The West Midlands Police Authority In conjunction with the Force continuously assesses the manner in which its corporate governance responsibilities are discharged as identified by the CIPFA/SOLACE guidance and has made a number of changes to the management and reporting arrangements to enable it to satisfy itself that its approach to corporate governance is both adequate and effective in practice. This is facilitated and co-ordinated, via the Finance and Legal Advisory Group, the Force Management Conference and the Risk Management Group.

Arrangements for the provision of internal audit are contained within the Authority's Regulations. The Treasurer of the Police Authority is responsible for ensuring that there is an adequate and effective system of internal audit of the Authority's accounting records and of its systems of internal control as required by the Accounts and Audit Regulations 2003. Internal Audit operates in accordance with the Code of Practice for Internal Audit in Local Government in the United Kingdom under the day to day control of the Head of Internal Audit, who acts independently. The Internal Audit Department plans and prioritises its work through a combination of assessment and review of the Authority's/Force's corporate governance arrangements, risk management processes and key internal control systems, supplemented by a programme of managed audit and fraud and corruption reviews and scheduled visits to Authority/Force establishments. The resulting work plan is discussed and agreed with Members, Chief Officers Group and shared with the Authority's external auditor. Reports, including an assessment of the adequacy of control and action plans to address weaknesses, are submitted to senior management as appropriate. Our review of the effectiveness of the system of internal control is informed by:

- the work of senior managers within the Authority/Force;
- the work of the internal auditors as described above;
- the external auditors in their annual audit letter, and
- reports by other independent inspection bodies (Audit Commission, HMIC, PSU etc).

We have been advised on the implications of the result of the review of the effectiveness of the system of internal control and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The West Midlands Police Authority has the option to produce an interim statement for 2003-04. However, the present system of internal control is considered to be robust and, coupled with the methods adopted for identifying and managing risks, allows the West Midlands Police Authority to provide a statement of assurance in full compliance with the guidance.

5. Internal Control Issues 2004 - 2005

The Authority/Force recognises that the identification and analysis of risks faced by the organisation is one of the key aspects in providing this Statement. It is acknowledged that, whilst significant progress has been made in this matter, further work remains in 'embedding' the process throughout the Force/Authority. To this end, a series of 'awareness workshops' will be held for officers and a risk workshop for members will be held during the year. In addition, arrangements are in place to include reference to Corporate Governance (including Risk Management) implications on future Authority reports.

As part of the on-going risk management process, progress on managing the key strategic risks identified during the first round of workshops will be assessed during the current year's workshops.

In approving this statement, the views of all appropriate senior managers have been obtained and suitable assurances obtained confirming their support to the statement.

Treasurer
Chief Constable
Chairman

Maxine *Paul Sk* *David*

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Statement on the system of internal control

1. Scope of Responsibility

West Midlands Police Authority is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

The West Midlands Police Authority also has a duty to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. In discharging this overall responsibility, the West Midlands Police Authority is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the West Midlands Police functions and which includes arrangements for the management of risk.

2. The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place for the year ended 31 March 2004 and up to the date of approval of the annual report and accounts and, except for the internal control issues at section 5, accords with proper practice.

3. The Internal Control Environment

The internal control environment contains a number of key elements against which the Authority/Force are able to establish and implement policies and monitor the achievement of objectives. These elements are contained in the following published policy documents which form the basis of the Authority's/Force's overall high level objectives.

- Strategic Plan
- Annual Local Policing Plans
- BVPP
- Supporting Strategies

These high level plans are supported by service and workforce plans, business and operational plans along with detailed work programmes containing relevant Performance Indicators and Targets which are reviewed and monitored on a regular basis.

The Authority/Force has developed and implemented a risk management strategy through a process involving Authority members and officers, Chief Officers Group, senior Police Officers and Staff, External and Internal Audit and Risk Management Consultants.

Risk workshops are held with senior staff groups whereby arrangements are in place for risk identification, assessment, management and monitoring for all key financial and operational risks. Risk registers now exist which are subject to regular review and update as required. This work is co-ordinated through the risk management group.

Statement of Accounts

Borrowing

Borrowing totals £50.384m, 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 2004/2005 the Police Authority set a budget of £465.6m. This resulted in a precept requirement of £61.3m.

The budget included £6.0m of growth and development items principally directed at improving the quality of life and to address volume and serious crime.



M S Williams CPFA
Treasurer to the Authority
Date: 2nd September 2004

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/LASAAC 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 2004.

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 on the system of internal control

The Authority's/Force's core policy priorities are expressed in the Strategic Plan 2003-2005 "Building on Success". This documents sets out the Authority's/Force's Vision and Core Values and affirms the commitment to achieving continuous service improvement, which the Authority/Force recognises cannot be achieved without assistance from other groups and organisations. The plan reflects the needs of the local communities and partners and also meets the requirements of the National Policing Plan.

The Authority/Force acknowledges its responsibility for ensuring that an effective system of internal control is maintained and operated in connection with the resources concerned. The system of internal 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. The system of internal 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/Force. In particular, the system includes:

- comprehensive budgeting systems;
- a robust medium term financial planning process;
- regular reviews of periodic and annual financial reports which indicate financial performance against the forecasts;
- setting targets to measure financial and other performance;
- the preparation of regular financial reports which indicate actual expenditure and income against the forecasts;
- clearly-defined capital expenditure guidelines; and
- as appropriate, formal project management disciplines.

The authority has a published Strategic Plan setting out strategic aims and reflecting national and local priorities. The Strategic Plan has been drawn up in consultation with staff, community and partners and is based on a needs assessment of the community and evaluation of alternatives.

The authority has put in place arrangements for setting top-level objectives, standards and targets. These targets are cascaded throughout the authority to meet service and individual objectives and are subject to on-going review and monitoring.

4. Review of Effectiveness

The West Midlands Police Authority has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the internal auditors, the executive officers within the Authority and senior managers within the Force who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and Inspectorates in their annual audit letter and other reports.

The West Midlands Police Authority's regulatory framework clearly sets out the responsibilities of its members and executive managers, particularly the two statutory posts of the monitoring officer and section 151 officer. The Treasurer to the Police Authority in conjunction with the Force Director of Finance have been given the responsibility to review independently and report annually to provide assurance on the adequacy and effectiveness of the code of corporate governance and the extent of compliance with it.

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.

The **Cash Flow Statement:**

The movement of cash through the year to show the source and application of funds.

Revenue Out-turn 2003/2004

The position is summarised in the following table:

Actual 2002/03 £'m	Revenue Expenditure	Budget 2003/04	Actual 2003/04	Variation +(-)
428.1	Net Cost of General Fund Services	440.4	436.6	(3.8)
112.8	Other Charges	121.9	123.3	1.4
540.9	Net Operating Expenditure	<u>562.3</u>	<u>559.9</u>	<u>(2.4)</u>
(0.9)	Capital Appropriations	(0.8)	(2.2)	(1.4)
(126.0)	Transfers to Earmarked /Pensions Reserves	(119.7)	(113.1)	6.6
1.5	Transfer to (from) General Balance	(0.6)	(3.4)	(2.8)
415.5	Net Budget Requirement	441.2	441.2	0

Main variations in General Fund Expenditure £'m

Police Pay	1.2
Support Staff Pay	(0.6)
Employees Expenses	(0.4)
Pensions	(0.5)
Premises	(0.6)
Transport Costs	(0.1)
Supplies and Services	(1.5)
Other Costs	(1.4)
Income	<u>0.1</u>
	<u>(3.8)</u>

Earmarked and General Reserves

Earmarked reserves amount to £62.335m, and the general reserve is £6.042m. Details are shown in notes 14 and 20 to the Balance Sheet.

Capital Expenditure and Financing

Capital expenditure in the year totalled £13.909m, (£10.0m 2002/2003) compared to a planned programme of £16.438m. 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 14.