

Statement of Accounts

2011-12



STATEMENT OF ACCOUNTS 2011-12

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EXPLANATORY FOREWORD

The Statement of Accounts has been prepared following the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom. This interprets the International Financial Reporting Standards on which the accounts of the Police Authority are required to be based.

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

- **Comprehensive Income and Expenditure Statement** – This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement on Reserves Statement. The statement shows the net cost for the year of the functions for which the Authority is responsible and demonstrates how that cost has been financed from general Government grants and income from local taxpayers. The statement now includes other recognised gains and losses of the Authority during the year showing total comprehensive income and expenditure of the authority.
- **Movement in Reserves Statement** – This statement shows the movement in the year of the different reserves held by the Authority analysed into useable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The surplus or (deficit) on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase/Decrease before transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from Earmarked Reserves undertaken by the Authority.
- **Balance Sheet** – The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are useable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. (For example, the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.
- **Cash Flow Statement** – The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

REVENUE OUTTURN 2011-12

The approved net expenditure budget for 2011-12 was £577.5m. The outturn position in 2011-12 is £557.5m. The underspend of £20m has been reported throughout the reporting period to the Finance and Resources committee of the Authority. The underspend has been managed as the year has progressed and is in line with the force's cost reduction programme and reduced spending capacity as we move through the Comprehensive Spending Review (CSR) period. In accordance with the Budget strategy the underspend will be transferred to the Budget Reserve to assist with addressing the funding challenge over the remaining CSR period and beyond.

General Balances have been increased by £4m to £12m in accordance with the Treasurer's advice.

The outturn should be considered in the light of the current financial position. The CSR and the requirement to save £126m by 2014-15 has put the Authority's budgets and reserves under significant pressure in maintaining a balanced position both now and in the future. The Authority has undertaken a sizeable cost reduction programme in the form of PBB and the underspend achieved in 2011-12 is part of this and the level of spend in 2011-12 has been brought into line with future years budgets.

In total, pay related expenditure was underspent by £15m as a result of higher than anticipated redundancies, resignations and retirements during the year. For Police Officers these levels were over and above those forecast as a result of officers retiring per A19 regulations which requires officers to retire when they reach 30 years of pensionable service. This reduction in expenditure was partly offset by in year redundancy and exit costs of £3m.

During the year there was an underspend of £3.7m on premises related expenditure. This results from a slowing in activity in areas of the budget such as improvements and alterations and savings being made on utilities, rents and rates through reduced premises occupancy, rebates and lower than anticipated price rises.

Within supplies and services an underspend of £1.4m arose from reduced spending on cannabis factory clearance following the introduction of an in house service delivery, savings on interpreters fees due to a change in the contract and reduced spending on uniforms and equipment mirroring the reductions in staffing levels and savings in IT.

In 2008-09 an amount was set aside to cover potential losses resulting from the suspended investment in the Icelandic bank Landsbanki. The latest accounting advice from CIPFA is that it would be prudent to continue to assume that 95% of the investment will be returned over the next few years, and as a result the £270,000 (5%) that has been set aside should remain in an earmarked reserve to cover the potential unrecoverable amount in the future. However, the situation in relation to recovery of investments is by no means finalised and we will continue to monitor it closely.

The outturn position of the Authority is shown in the table below:

<i>Actual</i> 2010-11 £m	<i>Revenue Expenditure</i>	<i>Budget</i> 2011-12 £m	<i>Actual</i> 2011-12 £m	<i>Variation</i> + (-) £m
574.1	Employee costs	547.7	534.7	(13.0)
23.6	Premises costs	25.6	21.9	(3.7)
10.5	Transport costs	9.7	10.7	1.0
53.4	Supplies and Services	51.1	49.7	(1.4)
8.7	Agency costs	8.8	7.5	(1.3)
1.9	Police Authority	1.9	1.8	(0.1)
6.7	Capital Financing	7.0	6.2	(0.8)
(101.4)	Income	(74.3)	(75.0)	(0.7)
577.5	Net cost of Services	577.5	557.5	(20.0)
6.4	Contribution to Reserves	0	20.0	20.0
583.9	Net Budget Requirement	577.5	577.5	0
(243.7)	Statutory Accounting Adjustments: Net additional amount required by statute and non-statutory proper practices to be credited to the General Fund Balance (see note)		256.3	
340.2	Net Operating Expenditure (Income & Expenditure Account)		833.8	

The following table summarises the outturn compared with the revised budget and shows the movement of reserves.

	2011-12 Revised Budget £m	2011-12 Outturn £m	Difference £m
Net Operating Expenditure	577.5	557.5	(20.0)
Contribution to Budget Reserve	0	20.0	20.0
Net Budget Requirement	577.5	577.5	0

The table below shows how the Net Budget Requirement of £577.5m is funded from Government Grants and Council Tax.

	2011-12 Outturn £m
Council Tax Payer	79.6
Police Revenue Grant	272.9
Revenue Support Grant	53.1
Non-Domestic Rates	171.9
Net Budget Requirement	577.5

EARMARKED AND GENERAL RESERVES

Earmarked Reserves amount to £90.5m, and the General Reserve has been increased to £12m to adequately cover the risk of major incidents.

In total, Useable Reserves have increased by £23.4m. The Initiatives Reserve has been removed and replaced by a Redundancy and Equal Pay Reserve with an initial balance of £13m and a Budget Reserve with an initial balance of £33m. Details of movements in Useable Reserves are shown in note 6 to the accounts.

MATERIAL ASSETS ACQUIRED AND LIABILITIES INCURRED

The Central Motorway Police Group building was completed during the year at a cost of £2.5m. A new Police Station at West Bromwich was completed in the year at a cost of £11.4m. The former Police Station at West Bromwich and surrounding land was sold for the same amount to facilitate this build.

The Authority has also taken ownership of £4.1m of new vehicles which have been specified to reduce ongoing maintenance costs and improve fuel efficiency. The Authority has also purchased £5.2m of intangible software assets which will improve the efficiency and reliability of the Information Technology function.

PROVISIONS AND CONTINGENT LIABILITIES

In 2010-11 the Authority recognised a provision for £1m for the cost of settling equal pay claims following the outcome of a legal review which indicated that the Authority would be likely to be expected to settle claims to this value. A number of these claims have now been heard in court and the outcomes of claims that have been brought against the Authority are expected to be settled for less than £0.5m. However, the Authority recognises that these cases may bring additional claimants in future. Therefore we feel it is prudent to maintain the provision at £1m for the next financial year. The Authority has also recognised a provision of £0.7m for the expected cost of future redundancy packages and £0.35m for the cost of allowances required to meet the Governments' Carbon Reduction Scheme commitments.

PENSIONS

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 £220m into net liabilities of £4,779m. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy.

CAPITAL EXPENDITURE AND FINANCING

Overall capital expenditure for the year was planned to total £31.5m. Actual expenditure amounted to £26.6m (equivalent to 88% of planned spend). The Authority has £47.4m of Capital Reserves in Unapplied Capital Grants, Unapplied Capital Receipts and Earmarked Capital Reserves to meet future capital expenditure plans and other financial commitments.

CHANGES TO ACCOUNTING POLICIES

All accounting policies have been reviewed in compliance with International Financial Reporting Standards (IFRS). The Authority has adopted FRS 30 Heritage Assets which are now reported separately on the Balance Sheet. However, these items are not material to the overall asset base of the Authority.

BORROWING

The Authority's borrowing totals £60.4m, details being shown in Note 13.

FUTURE OUTLOOK

For the coming year 2012-13 the Police Authority set a budget of £546.5m. This resulted in a precept requirement of £80m as the Authority chose to freeze its precept on council tax payers.

On 15 November 2012 the people of the West Midlands will elect a Police and Crime Commissioner. This single elected individual will replace the Police Authority and will be responsible and accountable for the strategic direction of policing in a Police and Crime Plan in the West Midlands. They will assume responsibility for setting the police budget and precept, ensuring value for money. The Police Authority has been planning for this transition for some months and has established a governance transition board to enable a seamless transition from the Authority to the Police and Crime Commissioner.

The office of the Police and Crime Commissioner (PCC) and the office of Chief Constable will be two separate legal entities which means that the Statement of Accounts in 2012-13 are expected to be produced on a group accounting basis with the office of the PCC as the parent and the office of the Chief Constable as a wholly owned subsidiary.

The Authority has carried out a fundamental review of the services delivered by the Police Force as part of a programme called Priority Based Budgeting (PBB). This examines the services provided by the Force so that:

- We improve the services we deliver
- Potential savings can be made
- We consider ideas for future opportunities to reduce costs
- We make the best use of how we procure services and facilities in future to obtain the best possible value for money.

The first phase of PBB ended in September 2011 and the changes identified at this stage are now being implemented. These changes have delivered £25m savings towards the £38m funding gap in 2011-12. During 2011-12 the PBB process has undertaken a second stage and is now entering a third stage. The changes being made in the organisation will help to bridge the remaining funding gap that exists in the CSR period.

In September 2011 the Authority commenced a programme to identify opportunities to forge a strategic partnership with the Private Sector. This aims to maintain and improve the services provided through business transformation, using technology, scale and capital that an external provider could bring and reduce costs using the skills and experience of the Private Sector. Following some initial exploratory work the Authority has agreed that the force should enter into a procurement process with selected external organisations to explore in detail the skills, expertise and solutions that such a partnership could bring. This process is expected to last

throughout this financial year with a decision made by the incoming Police and Crime Commissioner about whether to enter into any formal agreement with an external provider in 2013.

ECONOMIC AND POLITICAL ISSUES

The Coalition Government announced the outcomes of its Comprehensive Spending Review (CSR) in October 2010. However, the Authority has taken a robust approach to address any future budget reductions by implementing budget reductions in its medium term financial plan. The outcomes of the Government's spending review were integrated into the Authority's budget planning when they were announced. The Authority has made plans to save £38m in 2012-13 providing cumulative savings of £78m since the reductions in Central Grant Funding following the CSR. The Authority is engaged in detailed planning supported by the methodologies of Priority Based Budgeting and options relating to partnering with the Private Sector to ensure that savings can continue to be made in future years whilst building on the Authority's key values of serving our communities and protecting them from harm.

EVENTS AFTER THE REPORTING PERIOD

Invoices relating to the Police Service Agreement with Birmingham International Airport in 2011-12 were processed on the basis of an expected level of income to be received. The cost of policing the airport was disputed in 2011-12 and a settlement reached on 17 May 2012 after the end of the financial year. The result of this settlement is that income is overstated in 2011-12 by up to £0.8m. This will be amended in the 2012-13 financial year.

TREASURER'S CERTIFICATE

I certify that the Statement of Accounts presents a true and fair view of the financial position of West Midlands Police Authority as at 31 March 2012 and its income and expenditure for the year then ended.



M S Williams CPFA
Treasurer to the Authority
Date: 27 September 2012

CHAIR OF THE AUDIT COMMITTEE CERTIFICATE

I certify that the Statement of Accounts presented to the Audit Committee, at a meeting on 28 June 2012 have been certified by the responsible financial officer and approved by members of the Audit Committee on 27 September 2012, in accordance with regulations 8 and 13 of the Accounts and Audit (England) Regulations 2011.



Chair of the Audit Committee
Date: 27 September 2012

West Midlands Police Annual Governance Statement

Position as at 31st March 2012 including plans for the financial year 2012/13

1. Scope of Responsibilities

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

In discharging this overall responsibility, the Authority is also responsible for putting in place proper arrangements for the governance of its affairs and facilitating the exercise of its functions, which includes ensuring a sound system of internal control is maintained through the year and that arrangements are in place for the management of risk.

The Authority has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework: *Delivering Good Governance in Local Government*, a copy is on our website at www.west-midlands-pa.gov.uk or can be obtained by contacting us, details at www.west-midlands-pa.gov.uk/contactus.asp. This statement explains how the Authority has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

2. The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values by which the Authority is directed and controlled and its activities through which it accounts to and engages with the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services, including achieving value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable and foreseeable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an 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 effectively, efficiently and economically.

The governance framework has been in place at the Authority for the year ended 31st March 2012 and up to the date of approval of the annual report and statement of accounts.

3. The Governance Framework

Although the Chief Constable is responsible for operational policing matters, the direction and control of police personnel, and for putting in place proper arrangements for the governance of the Force, the Authority is required to hold him to account for the exercise of those functions and those of the persons under his direction and control.

It therefore follows that the Authority must satisfy itself that the Force has appropriate mechanisms in place for the maintenance of good governance. For these to operate in practice, the Authority and Force have overarching structures that are closely linked. These facilitate the achievement of effective governance arrangements, including the monitoring and assessment of performance in line with statutory responsibilities.

In furtherance of these strategic objectives, there are systems and processes that have been put in place by the Authority and Force that together comprise the governance arrangements, the key elements of which are detailed below:

- identifying and communicating the Authority's vision of its purpose and intended outcomes for citizens and service users
 - reviewing the Authority's vision and strategy and its implications for governance arrangements
 - setting objectives and targets outlined in the Annual Policing Plan, including decision making structures
 - monitoring performance against operational, financial and other strategic plans, including how key issues are identified and tasked
 - measuring the quality of services for users, to ensure they are delivered in accordance with the Authority's objectives and represent the best use of resources
 - risks management processes by which key risks are identified and mitigated in Force and Authority
 - defining and documenting the roles and responsibilities of the Authority and Force and the senior members and officers within each, setting out clear delegation arrangements and protocols for effective communication, and arrangements for challenging and scrutinising Force activity
 - developing, communicating and embedding codes of conduct, defining the standards of behaviour for members, officers and staff
 - reviewing and updating standing orders, standing financial instructions, a scheme of delegation, contract / procurement regulations, and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks
 - undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committee – Practical Guidance for Local Authorities
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- ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful
 - whistle blowing and for receiving and investigating complaints from the public and handling citizen and other redress
 - determining the conditions of employment and remuneration of officers and staff
 - identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training
 - establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation
 - incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the Authority's overall governance arrangements.
 - ensuring the Authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)

4. Review of Effectiveness

The Authority has responsibility for conducting, at least annually, a review of the effectiveness of the governance framework, including:

- the system of internal audit
- the system of internal control.

These reviews have been completed / informed by the work of internal audit and also managers within the Authority / Force who have the responsibility for the development and maintenance of the governance environment. In addition comments made by the external auditors and other review agencies and inspectorates have informed this review.

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

- The Authority

The Authority is overall responsible for the maintenance and review of the governance arrangements and as such has a co-ordinating role whereby it, in conjunction with the Force, puts in place mechanisms and procedures that ensure a robust governance arrangement exists.

In this regard a Corporate Group consisting of officers from the Authority and Force undertake a review of the corporate governance arrangements, assessing and monitoring:

- Code of Corporate Governance
- Review of the System of Internal Audit
- Performance / Assurance Protocols and associated information
- Production of the Annual Governance Statement

This role is facilitated via designated committees whose roles and responsibilities are clearly defined and who in turn receive progress reports on behalf of the Authority. This annual assessment function is an on-going process that is embedded in the corporate routines of the Authority.

- The Audit Committee

This committee has been designated by the Authority as the committee conduit through which the Governance work will be channelled. It has already been designated as the committee responsible for risk management on behalf of the Authority. This, plus the role of approving the Statutory Accounts of the Authority makes this committee the obvious choice for Corporate Governance. To ensure that it is ably qualified for such responsibilities, annual assessments of its abilities in line with best practice have been undertaken which have confirmed that the Audit Committee is well suited and equipped for such responsibilities.

- The Audit Committee's Terms of Reference can be found at - www.west-midlands-pa.gov.uk/terms_audit.asp

- The Standards Committee

This committee too has an important role in governance issues in that it is the committee through which the Authority promotes high standards of conduct for members, thus providing the basis for strong and accountable leadership. This committee primarily deals with:

- Adoption of a local code of conduct for members
- Monitoring the effectiveness of the code

- Providing training and assistance to members to ensure compliance with the code.
- Local assessment, investigation and determination of complaints.
- The Standards Committee's Terms of Reference can be found at - www.west-midlands-pa.gov.uk/terms_sc.asp

- Internal Audit

The system of Internal Audit is a primary tenet of corporate governance and is the responsibility of the Authority. The provision and maintenance of an effective Internal Audit of the Authority has been delegated to the Treasurer. The Audit Committee oversees the provision of this service, reviewing associated plans and work outputs. The effectiveness of the system of Internal Audit is reviewed on an annual basis and forms part of the assurance protocols in relation to corporate governance. The standards of Internal Audit are assessed against national guidelines of best practice and the current arrangements are fully compliant with these guidelines. A continuous Internal Audit of the Authority's / Force's business arrangements is undertaken and reported upon annually to the Audit Committee.

The External Auditor also reviews the effectiveness of these arrangements and reports on an exceptional basis to the Audit Committee on the performance of Internal Audit.

- The Force

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

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

These functions are organised within clear reporting structures in the Force, designed to provide the Chief Constable and the Command Team with assurances as to the effective delivery of the Force and Authority's Strategic Plan and the annual Delivery Plan of local policing.

The force has undergone significant organisational changes during 2011/12 that have been necessary to release savings required to meet the reduced funding allocations. Throughout these changes the framework of controls has been maintained and they will continue to be reviewed as part of the ongoing change process of the force.

- Other explicit review / assurance mechanisms.

A number of other explicit review / assurance mechanisms are in existence, whose role is to assess the effectiveness of the Authority / Force in numerous and varied areas of operation and report upon their adequacy where appropriate.

During 2011/12, all such external review agencies have been approached and canvassed, inviting them to share their inspection / review plans with the Authority. This has been done to satisfy a two-fold interest of the Authority:

- A desire to play its appropriate role in contributing to the inspection / review
- A statutory duty to meet its governance and accountability responsibilities in holding the Chief Constable to account for any recommendations made.

All such agencies have responded positively, either sharing their inspection plans and timetables, or where no inspections are planned, noting the role of the Authority and acknowledging its interests in future inspections. During 2011/12 the Authority has received update reports and held discussions with inspection agents.

5. Significant Governance Issues

During 2011/12, the Authority and Force have successfully met the challenges of:

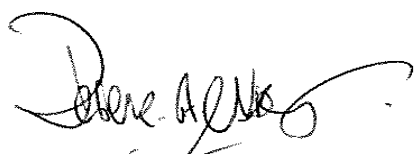
- a. Continuing to implement Programme Paragon, the organizational change programme
- b. Preparing for the abolition of Police Authorities and the introduction of Police & Crime Commissioners
- c. Maintaining & improving service levels despite the biggest reduction of Government Funding levels for any Police Service in the country during the period of the current Comprehensive Spending Review.

Further significant reductions in spending and staffing levels are required in 2012/13 and later years, ultimately requiring the type of transformational changes which the Force alone is unlikely to be able to achieve. In this context, the Authority and Force, in partnership with the Surrey Police Authority & Force, have started to explore the potential for and benefits from a Business Partnering Arrangement with the private sector to facilitate the future development and transformation of a range of support and back office functions. Although the final decision about this initiative will be a matter for the new Police & Crime Commissioner (PCC), the Authority will continue to support the Chief Constable in pursuing this initiative until the Authority is abolished in November.

This is one of a range of issues about which the Authority is committed to leave a positive and lasting legacy for the PCC and whilst the Authority will continue to fully discharge its statutory responsibilities until November, the governance issues around the abolition of police authorities and the introduction of the PCC remain a significant issue. The benefits of being represented, and therefore well sighted on the work of, the National Transition Board, have enabled the Authority to develop and operate robust transitional governance arrangements at a local level, through the Transition Project Board and its associated work streams. Our transition arrangements have recently been reviewed by Her Majesty's Inspector of Constabulary, who was able to issue a positive report.

The scale of changes necessary to sustain service delivery, meet the challenges of significant reductions in Government funding and plan for fundamental change in governance arrangements will continue to require firm leadership, careful management and robust scrutiny. We will continue to monitor & update plans and risk documentation as more information becomes available, confident that our existing overall governance arrangements are sufficiently robust and resilient to meet the demands and challenges resulting from these changes.

Signed



Bishop D. Webley
Chair of West Midlands Police Authority



Chris Sims
Chief Constable of West Midlands Police



Ms. J. Courtney
Chief Executive of West Midlands Police Authority

On behalf of the members and senior officers of the West Midlands Police Authority and West Midlands Police Force.

STATEMENT OF ACCOUNTING POLICIES

General Principles

The Statement of Accounts summarises the Authority's transactions for the 2011-12 financial year and its position at the year end of 31 March 2012. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011-12: Based on International Financial reporting Standards published by the Chartered Institute of Public Finance and Accountancy (CIPFA). Guidance notes issued by CIPFA on the application of accounting standards to local authorities have in general been followed, and any exceptions to this are disclosed below.

1. Property, Plant and Equipment

Recognition

Non Current Assets are shown in the accounts as Property, Plant and Equipment and are shown in the Balance Sheet at fair value based on current valuation. The cost of an item of property, plant and equipment is recognised where it is probable that the future economic benefits or service potential associated with the asset will flow to the Authority and the cost of the asset can be measured reliably.

Assets made up of a number of components with significantly different economic lives have been reviewed to identify if these components should be treated as separate assets and depreciated over their own useful economic lives per the requirements of the CIPFA code of practice on Local Authority Accounting in the United Kingdom 2011-12. It has been determined that such treatment does not make a material difference to the values of the Authorities assets and component accounting of these assets has not been applied in 2011-12. This approach will be reviewed each year but is not expected to apply to buildings as replacement items are generally purchased from revenue expenditure.

Measurement

All property and plant assets will be measured initially at cost, representing the costs directly attributable in acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management. All such assets are subsequently measured at fair value.

Non current assets held for sale will be measured at the lower of its carrying value and fair value less costs to sell at its initial reclassification and at 31 March each year. Non current assets held for sale from 1 April 2009 must satisfy strict criteria to be classified as held for sale. That is, the asset must be available for immediate sale in its present condition, the sale must be highly probable, the asset must be actively marketed for sale at a reasonable price in relation to its current fair value and the sale should be expected to be completed within one year of the date of classification. The Authority will recognise a revaluation gain for any initial or subsequent increase in fair value less costs to sell an asset following reclassification, but not in excess of the cumulative impairment loss or revaluation loss (adjusted for depreciation) that have been recognised in the Surplus or Deficit on the Provision of Services.

Assets will be reviewed for impairment at the end of each reporting period. All impairment losses on re-valued assets will be recognised in the Revaluation Reserve up to the amount in the Revaluation Reserve for each respective asset. Thereafter impairments will be recognised in the Surplus or Deficit on the provision of services (formerly the Income and Expenditure Account). No distinction will be made between impairments due to the clear consumption of economic benefit and those due to a general fall in prices specific to the asset

Non Current Asset Valuation

- Freehold and leasehold properties which the Authority includes in its property portfolio valued in 2009 by Gerald Eve (Chartered Surveyors) in accordance with the statements of asset valuation practice and guidance notes of the Royal Institution of Chartered Surveyors. Property and the associated land will be revalued at intervals no greater than five years. Police Houses have also been included in this revaluation exercise.
- Buildings are written down over their useful lives as provided at valuation.
- 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 relates to items of less than £5,000 is classed as de minimis and written out of the Asset Registers in the year of spend.
- Revalued assets have been valued at fair value in accordance with International Financial Reporting Standards
- The Helicopter is written down over a seven year period.
- Assets under construction are measured at historical cost.

2. Intangible Assets

Recognition

Intangible assets are non-monetary assets without physical substance which are capable of being sold separately from the rest of the Authority's business or which arise from contractual or other legal rights where expenditure of at least £5,000 is incurred. They are recognised only where it is probable that future economic benefits will flow to, or service potential be provided to the Authority and where the cost of the asset can be measured reliably.

Internally generated intangible assets

Internally generated goodwill, brands, publishing titles, mastheads and similar items are not capitalised as intangible assets. Expenditure on development will only be capitalised where all the following can be demonstrated:

- The project is technically feasible to the point of completion and will result in an intangible asset for sale of use;
- The Authority intends to develop the asset and sell or use it;
- The Authority has the ability to sell or use the asset;
- How the asset will demonstrate probable future economic benefits or service benefits;
- Adequate financial, technical or other resources are available to the Authority to complete the development and sell or use the asset; and
- The authority can reliably measure the expenses attributable to the asset during its development.

Software

Software which is integral to the operating system is capitalised as part of the relevant item of property, plant and equipment. Software which is not integral to the operation of hardware (e.g. application software) is capitalised as an intangible asset.

Measurement

Intangible assets are recognised initially at cost, comprising all directly attributable costs needed to create, produce and prepare the asset to the point where it is capable of operating in the manner intended by management. Subsequently intangible assets are measured at fair value.

Amortisation

Intangible assets are amortised over their expected useful economic life in a manner consistent with the consumption of economic or service benefits. The amortisation periods for intangible assets are, in general three years for software licences.

3. Heritage Assets

A tangible heritage asset is an asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture. West Midlands Police holds most of its heritage assets in the police museum at Sparkhill Police Station. A record is maintained there of the individual artifacts held and their value has been obtained as part of an insurance valuation which took place in 2009. The Authority's policy is to update this insurance valuation at a minimum of every 10 years. Members of the public are permitted to attend the Police Museum during its opening times as published on the West Midlands Police Force Website.

Other heritage assets held include a statue of Sir Robert Peel at the Learning and Development Resource Centre and a commissioned sculpture at Bilston Police Station. The Authority will regularly assess these assets to determine if their value has been impaired through physical deterioration.

Heritage Assets are measured at valuation in accordance with FRS 30 where this information is available, alternatively assets are valued at the most recent insurance valuation. Where valuations cannot be obtained at a cost which is commensurate with the benefits to users of the accounts heritage assets will be measured at historical cost (less accumulated impairment losses).

The heritage assets held are deemed to have indefinite lives and as such they are not subject to depreciation. However the assets will be reviewed for impairment where it is clear than any physical deterioration of the asset has taken place. Such an assessment will take place at the end of the reporting period in which this deterioration in the asset has been noted.

4. Redemption of Debt

Under the Local Government Act 1985, outstanding loan debt relating to police services was transferred to West Midlands Police Authority (WMPA) from the West Midlands County Council on 1 April 1986. This debt is serviced by Dudley Metropolitan Borough Council 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.

5. Leasing

Items of Property, Plant and Equipment financed by finance leases are shown in the balance sheet and the capital summary. Rental payments on operating leases are charged to the revenue account on a straight line basis over the term of the lease, generally meaning that rentals are charged when they become payable and associated future liabilities are disclosed in the notes. For finance leases where the Authority is a lessee the Authority recognises finance leases as assets and liabilities at the present value of the minimum lease

payments. The Authority's incremental borrowing rate on PWLB loans has been used to determine the interest rate implicit in the lease. Any initial indirect costs of the lease are added to the value of the asset.

6. 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 (these include utilities, special priority payments and police house rents receivable and inter account transfers in respect of certain expenses) contrary to the requirements of IAS 18.

Police and police staff overtime worked in March is accrued to align the overtime year with the performance year. This arrangement has been in place since the 2007-08 financial year.

7. Capital Accruals

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

8. Inventories

Inventories (formally known as stocks and stores) are maintained for such items as vehicle spares, vehicle fuel, uniforms, stationery and reprographics.

Inventories shown in the balance sheet are valued at the lower of cost or net realisable value.

9. Reserves

The purpose and nature of reserves (split between useable and unusable reserves) maintained by the Authority are disclosed in the Movement in Reserves Statement with a detailed breakdown of useable and unusable reserves provided in the notes to the Movement in Reserves Statement.

10. Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the obligation.

Provisions are charged as an expense in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Any estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement is made) the provision is reversed and credited back to the Comprehensive Income and Expenditure Statement.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income if it is virtually certain that the reimbursement will be received if the Authority settles the obligation.

The provision for Debt Impairment (previously termed bad and doubtful debts) will remain at nil on the basis of the very low risk of non payment of debts.

11. Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities can also arise in circumstances where a provision would otherwise be made but either the outflow of economic resources is not probable or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but are disclosed as notes to the accounts.

12. Contingent Assets

A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

13. Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. This means that the amount presented in the Balance Sheet is the outstanding principal repayable plus accrued interest payable. Interest charged to the Comprehensive Income and Expenditure Account is the amount payable for the year in the loan agreement.

Discounts and premiums on the repurchase or early settlement of borrowing will be credited and debited to Net Operating Expenditure in the Comprehensive Income and Expenditure Account in the year of repurchase/settlement should they arise. If repurchase takes place as part of a restructuring of the loan portfolio and involves the modification or exchange of instruments, the premium or discount will be deducted or added to the amortised cost of the new or modified loan. The writing down to the Comprehensive Income and Expenditure Account will then be spread over the life of the loan by adjusting the effective interest rate on the loan.

14. Financial Assets

Financial assets are classified into two types:

Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market

Available for sale assets – assets that have a quoted market price and, or, do not have a fixed or determinable payments

Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Comprehensive Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. This means that the amount of loans presented in the Balance Sheet is the outstanding principal receivable plus accrued interest receivable. The interest credited to the Comprehensive Income and Expenditure Account is the amount receivable for the year in the loan agreement.

Available for Sale Assets

Available for sale assets include equity shareholdings and quoted investments. These financial assets would be carried on the Balance Sheet at fair value with movements in their fair value taken to the Statement of Recognised Gains and Losses. Interest and dividends would be posted to the Comprehensive Income and Expenditure Account. However, currently the Authority does not hold any available for sale financial assets.

15. 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. Following IFRS accounting for revenue grants and contributions will be accounted for on an accruals basis and recognised immediately as income in the Comprehensive Income and Expenditure Account and matched to expenditure in the same period. However, with capital grants, if the capital grant or contribution has a condition attached the grant will not be recognised as income until the condition is met and will then be recognised in the Comprehensive Income and Expenditure Account and transferred at the year end to the Capital Grant Unapplied Account. Capital grants that do not have any conditions imposed on them, which are not spent at the year end, will be transferred to the Capital Grants Unapplied Account.

16. Employee Benefits

Benefits payable during employment

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

IAS 19 Employee Benefits requires the Authority to account for short term compensating absences which include time owing and annual leave accrued by accruing for the benefits which have accumulated but are untaken by the Balance Sheet date. The amount will be recognised as a creditor in the general fund balance in the Comprehensive Income and Expenditure Account but reversed out to a short term accumulated compensated absences account in the Balance Sheet. The balance on this account will be adjusted at each Balance Sheet date to account for any increase or decrease in the balance of accumulating short term absences. The cost of annual leave entitlement and time off in lieu earned but not taken at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry forward leave into the next period.

Termination Benefits

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

Post employment benefits

The Police Pensions Scheme is unfunded and therefore net pension payments are charged against the year in which they are made, rather than being provided for by means of a pension fund. All receipts and payments relating to the 1987 and 2006 Police Pensions Regulations are generally receivable into and payable out of

the pensions fund and specific provision is made for officers' contributions and inward transfer values to be paid into the fund and for awards payable and outward transfer values to be paid out of the fund. Transfers into and out of the fund are recognised as income to (or expenditure from) the Police Pension fund account in the year in which the transfer occurs.

In 2011-12 the Authority has determined that disclosures for the Police Pension Scheme will show the liabilities for each scheme and their associated actuarial gains and losses separately. The Police Pension Scheme note now includes a separate disclosure of the 1987 Police Pension Scheme liabilities, the 1987 Police Pension Scheme injury awards liabilities and the 2006 Police Pension Scheme liabilities. This disclosure reflects the material nature of all 3 schemes in operation.

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

- The rate of contribution in 2011-12 was 10.3%.
- The liabilities of the scheme attributable to the Authority are included in the balance sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of future earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 6% (based on the indicative rate of return on AA rated corporate bonds of appropriate duration).
- The assets of the fund attributable to the Authority are included in the Balance Sheet at their fair value:
 - Quoted securities – current bid price
 - Unquoted securities – professional estimate
 - Unitised securities – current bid price
 - Property – market value
- The change in the net pensions liability is analysed into 7 components:
 - *Current service cost* – the increase in liabilities as a result to years of service earned this year
 - *Past service cost* – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – this is debited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Account as part of Non Distributed Costs
 - *Interest cost* – the expected increase in the expected value of liabilities during the year as they move one year closer to being paid. This is debited to the financing and investing income and expenditure line in the Comprehensive Income and Expenditure Account
 - *Expected return on assets* – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long term return. This is credited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement
 - *Gains or losses on settlements and curtailments* – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees. This is debited or credited to the surplus of deficit on the provision of services in the Comprehensive Income and Expenditure Account as part of Non Distributed Costs
 - *Actuarial gains and losses* – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. This is debited to the pensions reserve.

- *Contributions paid to the pension fund* – cash paid as employers' contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

17. Interest

The payment / receipt of external interest is debited / credited directly to Net Operating Expenditure in the Comprehensive Income and Expenditure Account.

18. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2007. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the authority's status as a democratic organisation.
- Non Distributed Costs – which includes the cost of discretionary benefits awarded to employees retiring early and revaluation or impairment losses (and their reversals where appropriate) for assets under construction and surplus assets held for disposal.

These two cost categories are accounted for within the cost of Police Services in the Comprehensive Income and Expenditure Account but are not charged to BVACOP service headings.

19. Council Tax Income

From 1 April 2009 the council tax precept income included in the Comprehensive Income and Expenditure Account is the accrued income for the year. This accrued income reflects the debtors for council tax due but not paid by council taxpayers and creditors for council taxpayers who have overpaid their council tax.

The difference between the council tax precept income included in the Comprehensive Income and Expenditure Account and the amount required by regulation is included in the Collection Fund Adjustment Account and as a reconciling item in the statement of movement on the general fund balance (Movement in Reserves Statement). The collection fund adjustment account is shown as part of the unusable reserves in the balance sheet.

The collection of council tax by the billing authorities is in substance an agency arrangement and the cash collected by the billing authorities from council tax debtors belongs proportionately to the billing authorities and West Midlands Police Authority. There will therefore be a debtor/creditor position between the billing authorities and West Midlands Police Authority since the net cash paid to the police authority in the year will not be its share of cash collected from council taxpayers. West Midlands Police Authority also recognises in its balance sheet, its share of council tax debtor and creditor balances and impairment allowances from each of its billing authorities collection funds.

20. Cash and Cash Equivalents

The Authority is required to account for short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value as cash equivalents. The Authority has determined that cash equivalents are best determined as short term investments with one month or less to maturity from their date of acquisition. Therefore existing short term investments with one month or less to maturity will be reclassified as cash equivalents as at the Balance Sheet date.

21. Revenue Recognition

The following statements show how the Authority recognise revenue in the accounts:

When selling goods the Authority will recognise revenue when the following conditions have been satisfied:

- (a) The Authority has transferred the significant risks and rewards of ownership of the goods to the purchaser
- (b) The Authority retains neither continuing managerial involvement or effective control over the goods sold
- (c) The amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the Authority
- (d) The costs of the transaction can be measured reliably

When rendering services the Authority will recognise revenue when the following conditions have been satisfied:

- (a) The amount can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the Authority.
- (b) The stage of completion of the transaction can be reliably measured
- (c) The cost incurred for the transaction and the costs to complete the transaction can be measured reliably.

Revenue from interest, royalties dividends and non-exchange transactions will be recognised when it is probable that the economic benefits of service potential associated with the transaction will flow to the Authority and this amount can be measured reliably.

22. Value Added Tax

Income and Expenditure excludes any amounts related to VAT as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from them.

23. Events after the Balance Sheet date

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

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

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

24. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for retrospectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet.

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

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

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

Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparable amounts for the prior period. For 2011-12 the Authority has applied a new accounting policy (FRS 30) in respect of Heritage Assets bringing a new asset classification onto the Balance Sheet.

The Authority has also determined that disclosures for the Police Pension Scheme should present the liabilities for each scheme and their associated actuarial gains and losses separately. The Police Pension Scheme note now includes a separate disclosure of the 1987 Police Pension Scheme liabilities, the 1987 Police Pension Scheme injury awards liabilities and the 2006 Police Pension Scheme liabilities. This has been applied retrospectively restating pension reserves and liabilities for all schemes to the earliest comparative year.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

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 give a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2012.

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; and
- complied with the CIPFA IFRS Code of Practice on Local Government Accounting.

The Treasurer has also:

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

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.
- to approve the Statement of Accounts.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WEST MIDLANDS POLICE AUTHORITY

Opinion on the Authority and Pension Fund financial statements

I have audited the financial statements and the police pension fund financial statements of West Midlands Police Authority for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes. The police pension fund financial statements comprise the Fund Account and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the members of West Midlands Police Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Treasurer and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority and Pension Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Treasurer; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the explanatory foreword and the annual report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the financial position of West Midlands Police Authority as at 31 March 2012 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial transactions of the police pension fund during the year ended 31 March 2012 and the amount and disposition of the fund's assets and liabilities as at 31 March 2012, other than liabilities to pay pensions and other benefits after the end of the scheme year; and

- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

In my opinion, the information given in the explanatory foreword and the content of the Annual Report¹ for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I report to you if:

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

I have nothing to report in these respects

Other matters on which I am required to conclude

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am also required by the Audit Commission's Code of Audit Practice to report any matters that prevent me being satisfied that the audited body has put in place such arrangements.

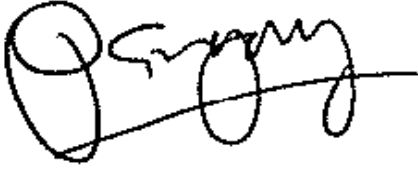
I have undertaken my audit in accordance with the Code of Audit Practice and, having regard to the guidance issued by the Audit Commission in October 2011, I have considered the results of the following:

my review of the annual governance statement;
the work of other relevant regulatory bodies or inspectorates, to the extent the results of the work have an impact on my responsibilities include if relevant; and
my locally determined risk-based work.

As a result, I have concluded that there are no matters to report.

Certificate

I certify that I have completed the audit of the accounts of West Midlands Police Authority in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

A handwritten signature in black ink, appearing to read 'John Gregory', written over a horizontal line.

John Gregory
District Auditor
Audit Commission
1st Floor, No.1 Friarsgate, 1011 Stratford Road, Shirley, Solihull, West Midlands, B90 4BN

27 September 2012

This is an electronic copy of the opinion and certificate without an electronic signature. The original was signed as dated above and a copy can be obtained from the Treasurer.

MOVEMENT IN RESERVES STATEMENT 2011-12

This statement shows the movement in the year of the different reserves held by the Authority analysed into Useable Reserves (i.e. those that can be applied to fund expenditure or reduce local taxation and Other Reserves. The (surplus) or deficit on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase/Decrease before transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from Earmarked Reserves undertaken by the Authority.

	Revenue		Capital		Total Reserves		
	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied Reserve	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2010	(8,042)	(62,662)	(15,917)	(23,841)	(110,462)	4,981,212*	4,870,750
Movements in Reserves during 2010/11							
(Surplus) or deficit on the provision of services	(255,279)	0	0	0	(255,279)	0	(255,279)
Other Comprehensive Income and Expenditure	0	0	0	0	0	(164,712)	(164,712)
Total Comprehensive Income and Expenditure	(255,279)	0	0	0	(255,279)	(164,712)	(419,991)
Adjustments between accounting and funding basis under regulations	246,865	0	(2,644)	2,514	246,735	(246,735)	0
Net increase or decrease before transfer to earmarked reserves	(8,414)	0	(2,644)	2,514	(8,544)	(411,447)	(419,991)
Transfer to/from Earmarked Reserves	8,414	(8,414)	0	0	0	0	0
Increase/Decrease during the year	0	(8,414)	(2,644)	2,514	(8,544)	(411,447)	(419,991)
Balance as at 31 March 2011 carried forward	(8,042)	(71,076)	(18,561)	(21,327)	(119,006)	4,569,765*	4,450,759
Movements in Reserves during 2011/12							
(Surplus) or deficit on the provision of services	248,680	0	0	0	248,680	0	248,680
Other Comprehensive Income and Expenditure	0	0	0	0	0	80,132	80,132
Total Comprehensive Income and Expenditure	248,680	0	0	0	248,680	80,132	328,812
Adjustments between accounting and funding basis under regulations	(272,063)	0	(2,166)	4,992	(269,237)	269,237	0
Net increase or decrease before transfer to earmarked reserves	(23,383)	0	(2,166)	4,992	(20,557)	349,369	328,812
Transfer to/from Earmarked Reserves	19,383	(19,383)	0	0	0	0	0
Increase/Decrease during the year	(4,000)	(19,383)	(2,166)	4,992	(20,557)	349,369	328,812
Balance as at 31 March 2012 carried forward	(12,042)	(90,459)	(20,727)	(16,335)	(139,563)	4,919,134	4,779,571

* Unusable reserves have been restated following a change in the accounting policy for Police Pensions (see accounting policy 16 Employee Benefits (sub section post employment benefits) on page 21.

The adjustments between accounting and funding basis under regulations are shown in detail in note 5.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT 2011-12

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement on Reserves Statement. The statement shows the net cost for the year presented over a set of subjective headings and demonstrates how that cost has been financed from general Government Grants and income from local taxpayers. The statement now includes other recognised gains and losses of the Authority during the year showing total Comprehensive Income and Expenditure of the Authority. This presentation is a departure from the CIPFA Code which requires the statement to be presented by the objective headings specified in the Service Reporting Code of Practice (SeRCOP). The presentation of Comprehensive Income and Expenditure is shown in the format below to maintain consistency with previous years' accounts. However, the Authority has produced the required SeRCOP analysis of the net cost of General Fund services in note 25 to the Accounts.

2010-11 Outturn £'000		Notes	2011-12 Outturn £'000
484,294	Police Pay and Allowances	29/30	460,283
143,665	Police Staff and PCSO Pay and Allowances	29/30	125,902
13,560	Other Employee Expenses		5,054
641,519	Sub Total Employee Costs		591,239
23,402	Premises Related Costs		21,899
11,953	Transport/Travel Costs		12,406
51,836	Supplies & Services		47,843
8,639	Agency Expenses	27	8,757
28,628	Capital Financing Costs		22,930
(102,054)	External Income		(84,129)
(550,761)	Non-Distributed Costs	37	6,354
113,162	NET COST - GENERAL FUND SERVICES		627,299
381	Net (gain)/loss on disposal		(9,898)
3,344	Interest Payable and Similar Charges		3,106
(2,160)	Interest and Investment Income		(2,200)
267,962	Pension Interest Cost and expected return on Pensions assets	37	260,761
(42,441)	Pensions Top Up Grant Receivable		(45,249)
340,248	NET OPERATING EXPENDITURE		833,819
(79,447)	Council Tax Payer		(79,610)
(268,422)	Police Grant		(272,888)
(29,908)	Revenue Support Grant		(53,102)
(205,967)	Non-Domestic Rates		(171,794)
(11,783)	Non-Specific Government Grants		(7,743)
(255,279)	(SURPLUS)/DEFICIT FOR THE YEAR		248,680
71	Surplus/(Deficit) on the revaluation of fixed assets		(1,034)
(164,783)	Actuarial (gains)/losses on pension fund assets and liabilities		81,166
(164,712)	Other Comprehensive Income and Expenditure		80,132
(419,991)	Total Comprehensive Income and Expenditure		328,812

BALANCE SHEET 2011-12

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are Useable Reserves, ie those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. (For example, the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations

	As at 31 March 2011		As at 31 March 2012		Notes
	£'000s	£'000s	£'000s	£'000s	
Property, Plant and Equipment					
Operational Assets:					
Land and Buildings	106,033		109,228		7
Vehicles, Plant, Furniture and Equipment	29,564		22,735		7
Non operational Assets:					
Assets Under Construction	288		4		
Heritage Assets:	0		186		8
Intangible Assets:					
Software	2,342		5,778		11
Long Term Investments		138,227		137,931	
Long Term Debtors		0		10,015	
		41		12	
Long Term Assets		138,268		147,958	
Short Term Investments	70,544		80,495		14/20
Inventory	1,601		1,465		18
Short Term Debtors	41,077		42,380		19
Assets Held for Sale (< 1 year)	1,290		777		21
Cash and Cash Equivalents	61,331		51,566		20
Current Assets	175,843		176,683		
Short Term Borrowing	(866)		(994)		12/13
Bank Overdraft	0		(3,312)		
Short Term Creditors	(48,671)		(35,587)		22
Accumulated Absences Creditor	(5,683)		(3,347)		24
Provisions	(4,000)		(2,050)		39
Current Liabilities	(59,220)		(45,290)		
Net Current Assets:		116,623		131,393	
Capital Long Term Borrowing		(59,805)		(59,424)	13
Pensions Liability		(4,645,845)*		(4,999,497)	37
Long Term Liabilities		(4,705,650)		(5,058,921)	
Net Assets		(4,450,759)		(4,779,571)	
Usable Reserves:					
Usable Capital Receipts Reserve		(18,561)		(20,728)	5
Earmarked Reserves		(71,076)		(90,459)	6
General Fund Reserves		(8,042)		(12,042)	6
Capital Grants Unapplied		(21,327)		(16,335)	5
		(119,006)		(139,564)	
Unusable Reserves:					
Capital Adjustment Account		(71,134)		(73,707)	
Revaluation Reserve		(11,713)		(10,861)	
Pensions Reserve		4,645,845*		4,999,497	37
Financial Instrument Adjustment Account		1,180		796	
Collection Fund Adjustment Account		(96)		63	
Short Term Accumulated Compensated Absences Account		5,683		3,347	
		4,569,764		4,919,135	
Total Reserves		4,450,759		4,779,571	
*pension liability and reserves have been restated due to a change in accounting policy for police pensions. See note 37 for detailed disclosures.					

The unaudited accounts were issued on 28 June 2012 and the audited accounts were authorised for issue on 27 September 2012.

CASH FLOW STATEMENT 2011-12

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

As at 31 March 2011		Note	As at 31 March 2012	
£'000	£'000		£'000	£'000
<u>Operating Activities</u>				
EXPENDITURE				
568,396			539,841	
101,211			108,012	
3,344			3,106	
672,951			650,959	
INCOME				
(79,447)			(79,610)	
(205,967)			(171,795)	
(29,908)			(53,102)	
(354,114)			(339,454)	
(522)			(480)	
(2,160)			(2,200)	
(28,075)			(24,127)	
(700,193)			(670,768)	
	(27,242)	Net cash flows from operating activities		(19,809)
<u>Investing activities</u>				
EXPENDITURE				
14,249			14,891	
0			10,015	
14,249			24,906	
INCOME				
(2,644)			(2,166)	
(16,477)			9,799	
(19,121)			7,633	
	(4,872)	Net cash flows from investing activities		32,539
<u>Financing activities</u>				
315			347	
	315	Net cash flows from financing activities		347
	(31,799)	Net (increase)/decrease in cash and cash equivalents		13,077
	29,532	Cash and cash equivalents at the beginning of the reporting period		61,331
	61,331	Cash and cash equivalents at the end of the reporting period		48,254

NOTES TO THE ACCOUNTS

1. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

The International Accounting Standards Board (IASB) has issued amendments to IFRS 7 – Financial Instruments – Disclosures (Transfers of Financial Assets). This was published by the IASB on 7 October 2010 and is effective for annual periods beginning on or after 1 July 2011 and will be applicable to the Statement of Accounts in 2012-13.

The amended standard will require the Authority to disclose information about the transfer of financial assets which will enable the users of financial statements to:

- (a) understand the relationships between transferred financial assets that are not derecognised in their entirety and the associated liabilities; and
- (b) to evaluate the nature of, and risks associated with, the entities continuing involvement in derecognised financial assets.

Disclosures will include the nature of risks and rewards associated with those assets, a description of the relationship between the transferred assets and the associated liabilities, the carrying amounts of the transferred assets that the entity continues to recognise and of the associated liabilities and the fair value of the transferred assets and associated liabilities in transactions in which the counterparty's recourse is limited to the transferred assets.

As stated above, full adoption of the standard will be required in the 2012-13 financial statements. However, the Authority is required to make a disclosure of the estimated effect of the new standard in these (2011-12) financial statements. The Authority does not frequently engage in the transfer of financial assets of this nature and therefore the effect of adoption of this standard will not have a material impact on the accounting statements in 2012-13.

2. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out on pages 15 to 24, the Authority has had to make certain judgements about complex transactions involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- The Authority has determined that the provision for the cost of settling claims arising out of an equal pay claim made against the Authority should continue in 2012-13 in order to deal with potential future claims which may arise following the settlement of the claims currently being processed in court. It was determined that this should be a provision and not a contingent liability as it is probable that the claims will result in an outflow of economic resources from the Authority and a range of settlement values have been established.
- The Authority has determined that a provision should be made for the cost of meeting liabilities in respect of redundancy payments in the 2012-13 financial year.

3. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Authority's Balance Sheet as at 31 March 2012 for which there is a significant risk of material adjustment in the next financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets	If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings would increase by £155k for every year that useful lives has to be reduced. The Net Book Value of Property, Plant and Equipment as at 31 March 2012 is £139.0m (£139.5m in 2010-11)
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied	The effects on the net pension liability of changes in individual assumptions can be measured but they interact in complex ways. The overall pension's liability as at 31 March 2012 is £4,999m (£4,646m in 2010-11).
Collection Fund Bad Debt Provision	There is uncertainty around the amount of bad debts that Billing Authorities declare on their Collection fund balance sheets due to the ability of Authorities to recover all amounts owing to them.	Changes in the value of debts recovered will affect any surplus or deficit in the collection fund which results in a change to debtor and creditor balances within the Police Authority. It should be noted that although surpluses and deficits are variable their overall effect is not material to the accounts. The combined bad debt provision for Billing Authorities as at 31 March 2012 is £5.063m (£4.441m in 2010-11)

4. EVENTS AFTER THE BALANCE SHEET DATE

Invoices relating to the Police Service Agreement with Birmingham International Airport in 2011-12 were processed on the basis of an expected level of income to be received. The cost of policing the airport was disputed in 2011-12 and a settlement reached on 17 May 2012 after the end of the financial year. The result of this settlement is that income is overstated in 2011-12 by up to £0.8m. This will be amended in the 2012-13 financial year.

NOTES TO THE MOVEMENT IN RESERVES STATEMENT

5. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments within the Movement in Reserves Statement that are made to total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as available to the Authority to meet future capital and revenue expenditure.

2011/12	Useable Reserves				
	General Fund balance £'000	Capital Receipts reserve £'000	Capital Grants unapplied reserve £'000	Movement in usable reserves £'000	Movement in unusable reserves £'000
ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL ADJUSTMENT ACCOUNT					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Account					
Charges for depreciation and impairment of non current assets	(21,798)			(21,798)	21,798
Revaluation losses on Property, Plant and Equipment	(1,764)			(1,764)	1,764
Amortisation of intangible assets	(1,758)			(1,758)	1,758
Capital grants and contributions applied	12,735			12,735	(12,735)
Amounts of non current assets written off on disposal as part of the gain/loss on disposal to the CIES	(3,658)			(3,658)	3,658
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Account					
Statutory provision for the financing of capital investment (MRP)	2,185			2,185	(2,185)
Capital expenditure charged against the general fund balance	3,000			3,000	(3,000)
Voluntary provision above MRP	346			346	(346)
ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL GRANTS UNAPPLIED ACCOUNT					
Capital grant and contributions unapplied credited to the CIES	7,743		(7,743)	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	(12,735)		12,735	0	0
ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL RECEIPTS RESERVE					
Transfer of cash sale proceeds credited as part of gain/loss on disposal to the Comprehensive Income and Expenditure Statement	13,566	(13,566)		0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	11,400		11,400	(11,400)
ADJUSTMENTS PRIMARILY INVOLVING THE FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT					
Amounts by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	384			384	(384)
ADJUSTMENTS PRIMARILY INVOLVING THE PENSIONS RESERVE					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(355,420)			(355,420)	355,420
Employers pensions contributions and direct payments to pensioners payable in the year	82,934			82,934	(82,934)
ADJUSTMENTS PRIMARILY INVOLVING THE COLLECTION FUND ADJUSTMENT ACCOUNT					
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(159)			(159)	159
ADJUSTMENTS PRIMARILY INVOLVING THE ACCUMULATED ABSENCES ACCOUNT					
Amount by which officers remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements	2,336			2,336	(2,336)
TOTAL ADJUSTMENTS	(272,063)	(2,166)	4,992	(269,237)	269,237

2010/11

Useable Reserves

	General Fund balance £'000	Capital Receipts reserve £'000	Capital Grants unapplied reserve £'000	Movement in usable reserves £'000	Movement in unusable reserves £'000
ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL ADJUSTMENT ACCOUNT					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Account					
Charges for depreciation and impairment of non current assets	(26,959)			(26,959)	26,959
Revaluation losses on Property, Plant and Equipment	(874)			(874)	874
Amortisation of intangible assets	(1,535)			(1,535)	1,535
Capital grants and contributions applied	14,297			14,297	(14,297)
Amounts of non current assets written off on disposal as part of the gain/loss on disposal to the CIES	(3,020)			(3,020)	3,020
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Account					
statutory provision for the financing of capital investment (MRP)	2,249			2,249	(2,249)
capital expenditure charged against the general fund balance	3,202			3,202	(3,202)
Voluntary provision above MRP	315			315	(315)
ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL GRANTS UNAPPLIED ACCOUNT					
Capital grant and contributions unapplied credited to the CI ES	11,783		(11,783)	0	0
application of grants to capital financing transferred to the Capital Adjustment Account	(14,297)		14,297	0	0
				0	
ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL RECEIPTS RESERVE					
Transfer of cash sale proceeds credited as part of gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,644	(2,644)		0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0			0	0
contribution from the Capital Receipts Reserve towards the administrative costs of non current asset disposals	0			0	0
ADJUSTMENTS PRIMARILY INVOLVING THE FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT					
amounts by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	198			198	(198)
ADJUSTMENTS PRIMARILY INVOLVING THE PENSIONS RESERVE					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	174,034			174,034	(174,034)
Employers pensions contributions and direct payments to pensioners payable in the year	84,975			84,975	(84,975)
ADJUSTMENTS PRIMARILY INVOLVING THE COLLECTION FUND ADJUSTMENT ACCOUNT					
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(115)			(115)	115
ADJUSTMENTS PRIMARILY INVOLVING THE ACCUMULATED ABSENCES ACCOUNT					
amount by which officers remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements	(32)			(32)	32
TOTAL ADJUSTMENTS	246,865	(2,644)	2,514	246,735	(246,735)

6. TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amount set aside from the General Fund in Earmarked Reserves to provide financing for future expenditure plans and the amounts posted back from Earmarked Reserves to meet General Fund expenditure in 2011-12.

	Balance at 31 March 2010	Trf to reserves in 2010-11	Trf from reserves in 2010-11	Balance at 31 March 2011	Trf to reserves in 2011-12	Trf from reserves in 2011-12	Balance at 31 March 2012
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Uniform and protective equipment reserve	(5,109)	(530)	0	(5,639)	(429)	0	(6,068)
Capital	(4,400)	0	0	(4,400)	(6,000)	0	(10,400)
Devolved Budget	(2,631)	(2,123)	0	(4,754)	(3,719)	0	(8,473)
Helicopter	(400)	0	0	(400)	0	0	(400)
Football overtime	(784)	0	0	(784)	0	0	(784)
Self funded insurance	(14,419)	(2,794)	3,450	(13,763)	(3,006)	3,792	(12,977)
New initiatives	(29,597)	(6,417)	0	(36,014)	0	36,014	0
Redundancy and Equal pay reserve	0	0	0	0	(13,000)	0	(13,000)
Budget reserve	0	0	0	0	(33,035)	0	(33,035)
Restructuring	(300)	0	0	(300)	0	0	(300)
Major incidents	(2,153)	0	0	(2,153)	0	0	(2,153)
Mobile Data project reserve	(2,599)	0	0	(2,599)	0	0	(2,599)
Financial Instrument impairment reserve	(270)	0	0	(270)	0	0	(270)
Earmarked Reserves	(62,662)	(11,864)	3,450	(71,076)	(59,189)	39,806	(90,459)
General Fund Reserves	(8,042)	0	0	(8,042)	(4,000)	0	(12,042)

NOTES TO THE BALANCE SHEET

7. PROPERTY, PLANT AND EQUIPMENT – MOVEMENT ON BALANCES

Movements in 2011-12

	Land and Buildings £'000	Vehicles, plant, and furniture and equipment £'000	Assets under construction £'000	Intangible Assets £'000	Assets Held for Sale £'000	Heritage Assets £'000	Total Property, Plant and Equipment £'000
Cost or valuation at 31 March 2011	119,649	84,944	288	9,485	1,420	0	215,788
Additions in year	12,222	7,494	2,177	5,222		20	27,135
Transfers between categories	2,451		(2,461)			10	0
De Minimis	(11)	(317)		(28)			(356)
Disposals in year	(2,955)	(5,394)			(550)		(8,899)
Revaluation Gains in year	(254)					156	(98)
Revaluation Losses in year	(1,953)						(1,953)
Impairments in year	(183)	(1,938)					(2,121)
Cost or valuation at 31 March 2012	128,966	84,789	4	14,679	870	186	229,496
Accumulated Depreciation at 31 March 2011	13,615	55,379	0	7,143	130	0	76,267
Depreciation charge in year	7,766	12,050		1,758			21,574
Transfers between categories							0
Depreciation written out on revaluation	(1,242)						(1,242)
Depreciation written out on revaluation loss	(77)						(77)
Depreciation written out on impairment	(68)	(425)					(493)
Disposals in year	(255)	(4,950)			(37)		(5,242)
Accumulated depreciation at 31 March 2012	19,739	62,054	0	8,901	93	0	90,787
Net Book Value at 31 March 2012	109,227	22,735	4	5,778	777	186	138,707
Net Book Value at 31 March 2011	106,034	29,565	288	2,342	1,290	0	139,519

Comparative Movements in 2010-11

	Land and Buildings £'000	Vehicles, plant, furniture and equipment £'000	Assets under construction £'000	Intangible Assets £'000	Assets Held for Sale £'000	Total Property, Plant and Equipment £'000
Cost or Valuation 31 March 2010	124,350	76,570	5,657	8,148	1,079	215,804
Additions in year	3,135	8,731	4,201	1,432		17,499
Transfers between categories	2,216	5,790	(9,486)		1,480	0
De Minimis	(127)	(551)		(65)		(743)
Disposals in year	(962)	(5,596)		(30)	(1,079)	(7,667)
Revaluation Gains in year	25					25
Revaluation Losses in year	(1,976)				(60)	(2,036)
Impairments in year	(7,010)		(84)			(7,094)
Cost or valuation at 31 March 2011	119,651	84,944	288	9,485	1,420	215,788
Accumulated Depreciation at 31 March 2010	7,625	48,031	0	5,638	32	61,326
Depreciation charge in year	7,285	11,836		1,535		20,656
Transfers between categories	(130)				130	0
Depreciation written out on revaluation	(480)					(480)
Depreciation written out on revaluation loss	(585)					(585)
Depreciation written out on impairment						0
Disposals in year	(99)	(4,487)		(30)	(32)	(4,648)
Accumulated depreciation at 31 March 2011	13,616	55,380	0	7,143	130	76,269
Net Book Value at 31 March 2011	106,035	29,564	288	2,342	1,290	139,519
Net Book Value at 31 March 2010	116,725	28,539	5,657	2,510	1,047	154,478

The value of the impairment on land and buildings in 2010-11 includes an impairment of the Headquarters building which was impaired due to a difference between the buildings current fair value and its value in use to the Authority.

8. HERITAGE ASSETS

The reconciliation of the carrying value of Heritage Assets held by the Authority are shown in the table in note 7 above.

The heritage assets held by the Authority are separated into 2 categories; Museum collection and Statues and Sculptures.

The West Midlands Police Museum at Sparkhill Police Station contains collections of whistles, medals, photographs, uniform and police vehicles depicting the history of the Police Force in the Birmingham and West Midlands area over more than 100 years. The collection of artefacts held is reported in the Balance Sheet at insurance valuation which is based on market values. This value is £156,000.

The Authority owns a sculpture in the grounds of Bilston police station entitled "fingertip search". This item has been valued at its cost of £30,000.

In addition the Authority owns a statue of Sir Robert Peel which is located at Tally Ho! in the grounds of the Learning and Development Resource Centre. This item does not have a carrying value as it was decided that the cost of obtaining a reliable value for the item was not commensurate with the items materiality to the accounting statements.

9. FUTURE CAPITAL COMMITMENTS

There are no significant capital commitments that have been approved by the Authority at 31 March 2012 and the Authority has no outstanding projects.

10. STATEMENT OF PHYSICAL ASSETS

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

	31 March 11	31 March 12
Operational Police Stations	40	39
Beat Offices	72	58
Police Administrative Buildings	9	6
Police Houses	46	38
Single Officers' Quarters	0	0
Stand alone Radio Aerials	2	2
Garages	2	2
Training Centres	4	4
Other Property	36	41

The above descriptions relate to the main function of each site. Police Stations are those stations which satisfy the latest Home Office criteria.

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.

11. INTANGIBLE ASSETS

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The useful lives assigned to major software suites used by the Authority are 3 years.

The movement on intangible asset balances during the year is as follows:

	2010-11			2011-12		
	Internally generated assets	Other Assets	Total	Internally generated assets	Other assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<u>Balance at start of year</u>						
Gross carrying amounts	0	8,148	8,148	0	9,485	9,485
Accumulated amortisation	0	5,638	5,638	0	7,143	7,143
Net carrying amount at start of year	0	2,510	2,510	0	2,342	2,342
<u>Additions</u>						
Internal Development	0	0	0	0	0	0
Purchases	0	1,432	1,432	0	5,222	5,222
Disposals in year	0	0	0	0	0	0
Amortisation for the period	0	(1,535)	(1,535)	0	(1,758)	(1,758)
Transfer between categories	0	0	0	0	0	0
Other changes	0	(65)	(65)	0	(28)	(28)
Net carrying amount at the end of the year	0			0		
<u>Comprising:</u>						
Gross carrying amounts	0	9,485	9,485	0	14,679	14,679
Accumulated amortisation	0	7,143	7,143	0	8,901	8,901
	0	2,342	2,342	0	5,778	5,778

12. FINANCIAL INSTRUMENTS

The borrowings and investments disclosed in the balance sheet are made up of the following categories of financial instruments

	Long Term at 31 March 2011 £'000	Long Term at 31 March 2012 £'000	Current at 31 March 2011 £'000	Current at 31 March 2012 £'000
Financial Liabilities at amortised cost	59,805	59,424	866	994
Total Borrowings	59,805	59,424	866	994
Loans and receivables	0	10,015	131,223	131,757
Total Investments	0	10,015	131,223	131,757

13. LONG TERM BORROWING

Transactions undertaken during the year were as shown below:

	31 March 11 £'000	31 March 12 £'000
Opening Balance	(60,151)	(59,805)
External Loans Raised in Year	0	0
Loans Repaid in Year	346	*381
Closing Balance	(59,805)	(59,424)

*principal repayments due in 2012/13 classed as short term borrowing

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

	31 March 11 £'000	31 March 12 £'000
Public Works Loan Board	(49,167)	(49,167)
W.M.C.C. Debt	(10,564)	(10,186)
Birmingham City Council	(74)	(71)
Total	(59,805)	(59,424)

The Public Works Loan Board advise that they have calculated the fair value of our PWLB borrowing as £53.2m as at 31 March 2011 and £62.1m as at 31 March 2012.

The fair value of West Midlands County Council debt has been calculated as £12.8m as at 31 March 2012.

The difference in valuation between what is shown in the above table and the fair value of the debt is because such debts are required to be carried in the accounts at their amortised cost. This reflects transaction costs and purchasing loans other than at par. The fair value is the amount that the loan could be traded for in an arms length transaction; it is generally higher than amortised cost as transaction costs are not included in fair value.

The sources of short term borrowing are shown below:

	31 March 11	31 March 12
	£'000	£'000
PWLB accrued interest	520	613
W.M.C.C principal repayment	343	378
Birmingham City Council principal repayment	3	3
Total	866	994

These borrowings are repayable as follows:

	31 March 11	31 March 12
	£'000	£'000
Maturity within 5 years	4,631	4,934
Maturity within 6 to 10 years	6,766	7,102
Maturity within 10 to 15 years	13,446	12,556
Maturity in 15 or more years	35,828	35,826
Total	60,671	60,418

14. LONG AND SHORT TERM INVESTMENTS

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

	31 March 11	31 March 12
	£'000	£'000
Short Term Investments (Banks, Building Societies, Local Authority)	131,223	*131,757
Long Term Investments	0	10,015
Total	131,223	141,772

*Included with this figure is the amount of £51.3m representing investments with a maturity of less than 1 month. These are classified as cash equivalents. (See note 20)

Interest earned on investments has been credited to the Comprehensive Income and Expenditure Statement.

15. 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.

	31 March 11	31 March 12
	£'000	£'000
Other Local Authorities	41	12
Total	41	12

The gains and losses recognised in the Income and Expenditure Account in relation to financial instruments for 2011-12 are interest expense on financial liabilities of £3.1m (£3.3m in 2010-11) and interest income on loans and receivables of £2.2m (£2.2m in 2010-11).

16. MANAGEMENT OF RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS

The Authority is exposed to several risks arising from the use of financial instruments:

Credit risk – the potential for other parties to not pay amounts due to the Authority.

Liquidity risk – the potential that the Authority might not have funds available to meet payment commitments as they fall due.

Refinancing risk – the potential that the Authority might need to renew a financial instrument on maturity at a disadvantageous interest rate or terms.

Market risk – the potential that financial loss might arise as a result of changes in interest rates or stock market movements.

Foreign Exchange risk – the potential that financial loss might arise as a result of changes in exchange rates because the Authority has foreign exchange exposure resulting from an element of the settlement received from Landsbanki. This is being held in Icelandic Kroner in an escrow account due to the current imposition of currency controls.

The Authority regards the successful identification, monitoring and control of risk to be a measure of the effectiveness of its treasury management. Risk management is carried out under policies approved by the Police Authority in the annual Treasury Management Strategy Report.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers. Deposits are not made with banks and building societies unless they are rated independently and meet the minimum credit rating criteria as set in the Treasury Management Strategy Report.

The Authority's policy is to not lend more than £30m to an individual counterparty with a high credit rating. Individual limits for value and duration are applied to each approved counterparty based on their overall credit rating.

Credit ratings are monitored on a daily basis via credit rating bulletins from the Authority's treasury management advisers. Any institutions that cease to meet the minimum credit rating criteria are immediately withdrawn from the list of approved counterparties.

The following analysis summarises the Authority's potential maximum exposure to credit risk, based on default and uncollectability experience over the previous five financial years but adjusted to include current market conditions.

	Amount at 31 March 2012	Historical Experience of Default	Historical Experience Adjusted for Market Conditions at 31 March 2012	Estimated Maximum Exposure to Default and Uncollectability at 31 March 2012	Estimated Maximum Exposure to Default and Uncollectability at 31 March 2013
	£'000	%	%	£'000	£'000
Deposits with Financial Institutions	131,757	0.12	0.58	826	762

Given that several institutions meeting our minimum credit rating criteria defaulted in 2008/09 (see note 17) it is important to note the estimated maximum exposure to default and uncollectability figure. Other than the information following there are no indications that any losses will arise from non-performance by the Authority's current approved counterparties.

Liquidity Risk

As the Authority has ready access to borrowings from the Public Works Loans Board there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead the risk is that the Authority will be required to take up borrowing at a time of unfavourable interest rates (see market risk). The maturity analysis of financial liabilities is shown in note 12.

Refinancing and Maturity Risk

This risk relates to both the maturing of longer term financial liabilities and longer term financial assets. The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments are the key parameters to address this risk. The maturity analysis of financial liabilities is set out in the table below with the maximum limits for fixed interest rate maturities in each period.

Maturity Structure of Fixed Rate Borrowing	Upper Limit	Lower Limit	Actual 31 March 2011	Actual 31 March 2012
	%	%	£'000	£'000
Under 12 months	25	0	866	994
12 months and within 24 months	25	0	381	418
24 months and within 5 years	50	0	3,384	3,522
5 years and within 10 years	75	0	6,766	7,102
10 years and above	100	25	49,274	48,382
Total			60,671	60,418

Market Risk

Interest Rate Risk

The Authority is exposed to significant risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Authority. For example, a rise in interest rates would have the following effects:

Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise.

Borrowings at fixed rates – the fair value of the liabilities borrowings will fall.

Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise.

Investments at fixed rates – the fair value of the assets will fall.

The Authority has an active strategy for assessing interest rates exposure that feeds into setting the annual budget and which is used to update the budget during the year. This allows for any adverse changes to be accommodated.

Price Risk

The Authority does not invest in equity shares and has no shareholdings in joint ventures or local industry. There is therefore, no exposure to price risk.

Foreign Currency Risk

The Authority has no financial assets or liabilities, other than the Landsbanki Kroner escrow account, denominated in foreign currencies. Income received will be banked immediately and converted using the exchange rate at the time of banking. The Authority has no other exposure to loss arising from movements in exchange rates other than that outlined in the following note.

17. DISCLOSURE NOTE ON ICELANDIC INVESTMENTS

In October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and their UK subsidiaries went into Administration. West Midlands Police Authority had £5.4m deposited with Landsbanki, with varying maturity dates and interest rates as follows:

Bank	Principal £'000	Date Invested	Interest Rate	Interest Due £'000	Impairment £'000	Repayment £'000	Carrying Value £'000
Landsbanki	2,000	08-Sep-08	5.51%	324	606	601	1,117
Landsbanki	2,400	19-Sep-08	5.88%	408	770	720	1,318
Landsbanki	1,000	29-Sep-08	6.05%	172	324	301	547
Total	5,400			904	1,700	1,622	2,982

These investments are included in the current assets figure in the balance sheet. The carrying amounts of these investments have been calculated using the present value of the expected future repayments, discounted using the investments' original interest rates.

All monies within these institutions are currently subject to the respective administration and receivership processes. The amounts and timing of payments to depositors such as the Police Authority will be determined by the administrators / receivers.

Based on the latest information available, it is appropriate to consider an impairment adjustment for the deposits, and take the action outlined below. As the available information is not definitive as to the amounts and timings of payments to be made by the administrators / receivers, it is likely that further adjustments will be made to the accounts in future years.

An element of the distribution is in Icelandic Kroner which has been placed in an escrow account in Iceland and is earning interest of 3.35%. This element of the distribution has been retained in Iceland due to currency controls operating in Iceland and as a result is subject to exchange rate risk, over which the Authority has no control. Current information indicates that recovery of up to 100% could be achieved but this could take until 2018 to complete.

Recovery is subject to the following uncertainties and risks; the impact of exchange rate fluctuations on the value of assets recovered by the resolution committee and on the settlement of the Authority's claim, which may be denominated wholly or partly in currencies other than sterling. Recoveries are expressed as a percentage of the Authority's claim in the administration, which it is expected to include interest accrued up to the original maturity dates as they fell before 22 April 2009.

The impairment recognised in the Income and Expenditure Account in 2010-11, £1.7m has been calculated by discounting the assumed cash flows at the effective interest rate of the original deposits in order to recognise the anticipated loss of interest to the authority until monies are recovered. Following the latest repayment by Landsbanki, in May 2012, CIPFA have revised their guidance on the estimate of the remaining monies; revising the assumptions on the size and number of instalments and the end date for repayment. These changes would result in a higher carrying value at 31st March 2012 (£138,000) than previously calculated and a corresponding impairment credit to the CIES.

Adjustments to the assumptions will be made in future accounts as more information becomes available.

18. INVENTORIES

	Vehicle Fuel		Vehicle Parts		Uniforms		Stationery		Reprographics		Total	
	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12
	£000's		£000's		£000's		£000's		£000's		£000's	
Balance outstanding at start of year	264	296	176	158	1,071	1,044	54	60	36	43	1,601	1,601
Purchases	2,381	3,743	0	6	2,372	1,246	21	0	41	12	4,815	5,007
Recognised as an expense in year	(2,349)	(3,568)	(18)	(35)	(2,399)	(1,504)	(15)	(18)	(34)	(18)	(4,815)	(5,143)
Balance outstanding at year end	296	471	158	129	1,044	786	60	42	43	37	1,601	1,465

19. SHORT TERM DEBTORS

	31 March 2011	31 March 2012
	£'000	£'000
Central Government Bodies	26,191	19,752
Other Local Authorities	10,480	8,990
NHS Bodies	156	569
Public Corporations and Trading Funds	2	(46)
Other entities and individuals	4,248	13,115
Total	41,077	42,380

20. CASH AND CASH EQUIVALENTS

The balance of Cash and Cash Equivalents held by the Authority is made up of the following elements:

	31 March 2011	31 March 2012
	£'000	£'000
Cash held by the Authority	279	304
Bank Current Accounts	373	(3,312)
Short term deposits with financial institutions	60,679	51,262
Total	61,331	48,254

The short term deposits held with financial institutions recognised as cash equivalents have less than 1 month to maturity.

21. ASSETS HELD FOR SALE

	Non Current	
	2010-11 £'000	2011-12 £'000
Balance outstanding at start of year	1,048	1,290
<i>Assets newly qualified as held for sale:</i>		
Property, plant and equipment	1,350	0
Revaluation losses	(60)	0
Revaluation gains	0	0
<i>Assets declassified as held for sale:</i>		
Property, plant and equipment	0	0
Assets sold	(1,048)	(513)
Transfers from non current to current assets	0	0
Total	1,290	777

22. SHORT TERM CREDITORS

	31 March 2011	31 March 2012
	£'000	£'000
Central Government Bodies	13,190	11,754
Other Local Authorities	10,294	10,399
NHS Bodies	156	72
Public Corporations and Trading Funds	64	95
Other entities and individuals	24,967	13,268
Total	48,671	35,588

23. USABLE RESERVES

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement and Note 6.

24. UNUSABLE RESERVES

	31 March 2011 £'000	31 March 2012 £'000
Revaluation Reserve	(11,713)	(10,861)
Capital Adjustment Account	(71,134)	(73,707)
Financial Instrument Adjustment Account	1,180	796
Pensions Reserve	4,645,845	4,999,497
Collection Fund Adjustment Account	(96)	63
Accumulated Absences Account	5,683	3,347
Total	4,569,765	4,919,135

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment and Intangible assets. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised

The Reserve contains only revaluation gains accumulated since 1 April 2007, when the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	2010-11 £'000	2011-12 £'000
Balance at 1 April	(13,321)	(11,713)
Upward revaluation of assets	(505)	(1,145)
Downward revaluation of assets and impairment losses not charged to the surplus or deficit on the provision of services	576	111
Surplus or deficit on revaluation of non-current assets not posted to the surplus or deficit on the provision of services	71	(1,034)
Difference between fair value depreciation and historical cost depreciation	741	748
Accumulated gains on assets sold or scrapped	796	1,138
Amount written off to the Capital Adjustment Account	1,537	1,886
Balance as at 31 March	(11,713)	(10,861)

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancements of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation; impairment losses and amortisation are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to historical cost basis). The account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction or enhancement.

The account contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, when the Revaluation Reserve was created to hold such gains.

Note 6 provides details of the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

	2010-11 £'000	2011-12 £'000
Balance at 1 April	(81,922)	(71,134)
<i>Reversal of items relating to capital expenditure or credited to the Comprehensive Income and Expenditure Statement:</i>		
Charges for depreciation and impairment of non-current assets	25,475	20,695
Revaluation losses on Property, Plant and Equipment	874	1,764
Amortisation of intangible assets	1,535	1,758
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposals to the Comprehensive Income and Expenditure Statement	2,224	2,520
	30,108	26,737
Adjusting amounts written out	743	356
Net written out amount of the cost of non current assets consumed in the year	30,851	27,093
<i>Capital financing applied in year:</i>		
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(11,400)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(4,409)	(2,138)
Application of grants to capital financing from the Capital Grants Unapplied Account	(9,888)	(10,597)
Statutory provision for the financing of capital investment charged against the General Fund balance	(2,249)	(2,185)
Voluntary Provision for the repayment of debt	(315)	(346)
Capital expenditure charged against the General Fund balance	(3,202)	(3,000)
Balance as at 31 March	(71,134)	(73,707)

Financial Instrument Adjustment Account

The Financial Instrument Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefitting from gains per statutory provisions. The Authority uses the account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the account in the Movement in Reserves Statement. Over time the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax.

	2010-11 £'000	2011-12 £'000
Balance at 1 April	1,378	1,180
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	0	0
Proportion of premiums incurred in previous financial years to be charged against the General Fund balance in accordance with statutory requirements	0	0
Amounts by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(198)	(384)
Balance as at 31 March	1,180	796

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds, or eventually pay any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	31 March 2011 £'000	31 March 2012 £'000
Balance at 1 April	5,069,637	4,645,845
Actuarial gains and losses on pensions assets and liabilities	(164,783)	81,166
Reversal of items related to retirement benefits debited or credited to the Surplus or Deficit on the provision of service in the Comprehensive Income and Expenditure Statement	(174,034)	355,420
Employers' pensions contributions and direct payments to pensioners payable in the year	(84,975)	(82,934)
Balance as at 31 March	4,645,845	4,999,497

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from billing authorities' collection fund balances.

	31 March 2011 £'000	31 March 2012 £'000
Balance at 1 April	(211)	(96)
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	115	159
Balance at 31 March	(96)	(63)

Accumulating Compensated Absences Adjustment Account

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

	2010-11 £'000	2011-12 £'000
Balance at 1 April	5,651	5,683
Settlement or cancellation of accrual made at the end of the previous year	0	0
Amounts accrued at the end of the current year	5,651	5,683
Amounts by which officers remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory provisions	32	(2,336)
Balance at 31 March	5,683	3,347

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

25. SERCOP ANALYSIS OF THE NET COST OF POLICE SERVICES

2010-11 Outturn £'000 restated		2011-12 Gross Expenditure £'000	2011-12 Gross Income £'000	2011-12 Net Expenditure £'000
354,300	Neighbourhood Policing	317,829	(20,703)	297,126
56,453	Dealing with the Public	50,594	(394)	50,200
41,911	Criminal Justice Arrangements	38,113	(6,140)	31,973
26,669	Roads Policing	28,613	(5,225)	23,388
29,962	Specialist Operations	42,217	(13,365)	28,852
38,782	Intelligence	38,238	(1,084)	37,154
78,279	Specialist Investigation	125,178	(4,319)	120,859
19,355	Investigative Support	17,159	(39)	17,120
14,487	National Policing	42,450	(31,980)	10,470
(550,761)	Non Distributed Costs	6,354	0	6,354
1,959	Corporate and Democratic Core	1,927	(250)	1,676
111,396	Police Services Total	708,672	(83,499)	625,173
1,766	Levies to National Police Service	2,126	0	2,126
0	Seconded Officers	1,233	(1,233)	0
113,162	NET COST - GENERAL FUND SERVICES	712,031	(84,732)	627,299

26. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

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

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

The information presented to the Chief Officers and Police Authority members for the year is as follows:

**West Midlands Police Authority
Service Information**

For the year ended 31 March 2012

	Police Force £000s	Police Authority £000s	Total £000s
Fees, charges & other income	(30,128)	(19)	(30,147)
Government grants	(51,890)	(232)	(52,122)
Total Income	(82,018)	(251)	(82,269)
Employee expenses	539,323	1,876	541,199
Other operating expenses	97,271	1,332	98,603
Total operating expenses	636,594	3,208	639,802
Contribution to / from Reserves	20,021	0	20,021
Net Expenditure	574,597	2,957	577,554

Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement

2011-12
£000s

Cost of Services in Service Analysis (as above)	577,554
Add services not included in main analysis	43,930
Add amounts not reported to management	161,064
Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement	(155,250)
Add Corporate Amounts	(298,486)

Net Cost of Services in Comprehensive Income and Expenditure Statement

328,812

2011-12

Reconciliation to Subjective Analysis

	Service Analysis £000s	Treated as Corporate Amount £000s	Not reported to mgmt £000s	Not included in I&E £000s	Net Cost of Services £000s	Corporate Amounts £000s	Total £000s
Fees, charges & other service income	(30,147)	0	(1,860)	0	(32,007)	0	(32,007)
Interest and investment income	0	0	0	0	0	(2,200)	(2,200)
Top Up Grant	0	0	0	0	0	(45,250)	(45,250)
Government grants and contributions	(52,122)	0	0	0	(52,122)	0	(52,122)
Total Income	(82,269)	0	(1,860)	0	(84,129)	(47,450)	(131,579)
Employee expenses	541,199	45,250	133,172	(128,239)	591,382	0	591,382
Other operating expenses	98,603	(1,320)	29,752	(6,990)	120,045	0	120,045
Pension & Interest costs	0	0	0	0	0	260,761	260,761
Interest Payments	0	0	0	0	0	3,106	3,106
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	(9,898)	(9,898)
Total operating expenses	639,802	43,930	162,924	(135,229)	711,427	253,969	965,396
Contribution to / from Reserves	20,021	0	0	(20,021)	0	0	0
Net Operating Expenditure	577,554	43,930	161,064	(155,250)	627,298	206,519	833,817
Council Tax Payer	0				0	(79,610)	(79,610)
Police Grant (including Rule 2)	0				0	(272,888)	(272,888)
Revenue Support Grant	0				0	(53,102)	(53,102)
Non-Domestic Rates	0				0	(171,794)	(171,794)
Non-Specific Government Grants	0				0	(7,743)	(7,743)
(Surplus)/Deficit for the year	577,554	43,930	161,064	(155,250)	627,298	(378,618)	248,680
Collection fund adjustment from previous year	0	0	0	0	0	0	0
Surplus on the revaluation of fixed assets	0	0	0	0	0	(1,034)	(1,034)
Actuarial (gains)/losses on pension fund assets and lia	0	0	0	0	0	81,166	81,166
Collection fund adjustment account	0	0	0	0	0	0	0
Total Comprehensive Income & Expenditure	577,554	43,930	161,064	(155,250)	627,298	(298,486)	328,812

**West Midlands Police Authority
Service Information**

For the year ended 31 March 2011

	Police Force £000s	Police Authority £000s	Total £000s
Fees, charges & other income	(36,176)	(7)	(36,183)
Government grants	(65,248)	0	(65,248)
Total Income	(101,424)	(7)	(101,431)
Employee expenses	574,082	1,015	575,097
Other operating expenses	102,888	889	103,777
Total operating expenses	676,970	1,904	678,874
Contribution to / from Reserves	6,417	0	6,417
Net Expenditure	581,963	1,897	583,860

Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement

2010-11
£000s

Cost of Services in Service Analysis (as above)	583,860
Add services not included in main analysis	41,013
Add amounts not reported to management	(367,114)
Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement	(144,597)
Add Corporate Amounts	(533,153)

Net Cost of Services in Comprehensive Income and Expenditure Statement

(419,991)

	Analysis £000s	Corporate Amount £000s	to mgmt £000s	in I&E £000s	Services £000s	Amounts £000s	£000s
Fees, charges & other service income	(36,183)	0	0	(624)	(36,807)	0	(36,807)
Interest and investment income	0	0	0	0	0	(2,160)	(2,160)
Top Up Grant	0	0	0	0	0	(42,441)	(42,441)
Government grants and contributions	(65,248)	0	0	0	(65,248)	0	(65,248)
Total Income	(101,431)	0	0	(624)	(102,055)	(44,601)	(146,656)
Employee expenses	575,097	42,441	(396,523)	(130,362)	90,653	0	90,653
Other operating expenses	103,777	(1,428)	29,409	(7,194)	124,564	0	124,564
Pension & Interest costs	0	0	0	0	0	267,962	267,962
Interest Payments	0	0	0	0	0	3,344	3,344
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	381	381
Total operating expenses	678,874	41,013	(367,114)	(137,556)	215,217	271,687	486,904
Contribution to / from Reserves	6,417	0	0	(6,417)	0	0	0
Net Operating Expenditure	583,860	41,013	(367,114)	(144,597)	113,162	227,086	340,248
Council Tax Payer	0				0	(79,447)	(79,447)
Police Grant (including Rule 2)	0				0	(268,422)	(268,422)
Revenue Support Grant	0				0	(29,908)	(29,908)
Non-Domestic Rates	0				0	(205,967)	(205,967)
Non-Specific Government Grants	0				0	(11,783)	(11,783)
(Surplus)/Deficit for the year	583,860	41,013	(367,114)	(144,597)	113,162	(368,441)	(255,279)
Surplus on the revaluation of fixed assets	0				0	71	71
Actuarial (gains)/losses on pension fund assets and lia	0				0	(164,783)	(164,783)
Collection fund adjustment account	0				0	0	0
Total Comprehensive Income & Expenditure	583,860	41,013	(367,114)	(144,597)	113,162	(533,153)	(419,991)

27. AGENCY EXPENDITURE

	31 March 2011 £'000	31 March 2012 £'000
Forensic Science Service	4,041	3,253
National Policing Improvement Agency	1,766	2,134
National Ballistics Intelligence Service	610	610
Other agency expenditure	2,222	2,760
Total agency expenditure	8,639	8,757

28. MEMBERS ALLOWANCES

The cost of allowances paid to members of the Police Authority in the year is shown in the table below:

	2010-11 £'000	2011-12 £'000
Basic Allowances	195	196
Special Responsibility Allowances	28	29
Travelling and Subsistence Allowances	41	29
Other Allowances	12	12
Total Members Allowances	276	266

29. EMPLOYEE REMUNERATION

The following table shows the remuneration of employees of West Midlands Police whose remuneration is more than £50,000 per year.

2010-11 Police officers	2010-11 Police staff	2010-11 Total	Earnings Band	2011-12 Police Officers	2011-12 Police Staff	2011-12 Total
8,164	5,314	13,478	Less than £49,999	7,662	4,665	12,327
384	17	401	£50,000 - £54,999	368	7	375
177	9	186	£55,000 - £59,999	193	11	204
30	5	35	£60,000 - £64,999	26	6	32
19	4	23	£65,000 - £69,999	12	4	16
13	2	15	£70,000 - £74,999	9	1	10
11	2	13	£75,000 - £79,999	15	0	15
8	2	10	£80,000 - £84,999	10	2	12
14	0	14	£85,000 - £89,999	8	2	10
8	0	8	£90,000 - £94,999	8	2	10
2	0	2	£95,000 - £99,999	0	0	0
1	1	2	£100,000 - £104,999	0	1	1
3	0	3	£105,000 - £109,999	1	1	2
0	1	1	£110,000 - £114,999	1	0	1
0	0	0	£115,000 - £119,999	0	0	0
0	0	0	£120,000 - £124,999	0	0	0
0	0	0	£125,000 - £129,999	0	0	0
0	0	0	£130,000 - £134,999	0	0	0
0	0	0	£135,000 - £139,999	0	0	0
0	0	0	£140,000 - £144,999	1	0	1
0	0	0	£145,000 - £149,999	0	0	0
0	0	0	£150,000 - £154,999	0	0	0
0	0	0	£155,000 - £159,999	0	0	0
0	0	0	£160,000 - £164,999	0	0	0
0	0	0	£165,000 - £169,999	0	0	0
0	0	0	£170,000 - £174,999	0	0	0
0	0	0	£175,000 - £179,999	0	0	0
0	0	0	£180,000 - £184,999	0	0	0
1	0	1	£185,000 - £189,999	0	0	0
0	0	0	£190,000 - £194,999	1	0	1
8,835	5,357	14,192	Totals	8,315	4,702	13,017

The Authority has chosen to include senior employees and relevant police officers in the above salary bands even though the Account and Audit regulations (SI 2009 No. 3322) do not require this. The Authority believes that this provides a fuller and more transparent disclosure of all salaries paid to employees of West Midlands Police whose remuneration is more than £50,000 per year.

30. SENIOR OFFICERS REMUNERATION

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

Senior Officers' remuneration in 2011-12

Post holder information	Notes	Salary (including fees and allowances) (£000's)	Other payments (police officers only) (£000's)	Total remuneration per note 29 (£000's)	Compensation for loss of office (£000's)	Benefits in kind (£000's)	Total remuneration excluding employer pension contributions (£000's)	Employers pensions contributions (£000's)	Total remuneration including employer pension contributions (£000's)
West Midlands Police Authority									
Chief Executive		105.9	0	105.9	0	7.0	112.9	10.9	123.8
Treasurer (Section 151 officer)	Note 1	20.9	0	20.9	0	0.0	20.9	0	20.9
Legal Advisor	Note 2	27.1	0	27.1	0	0.0	27.1	2.8	29.9
West Midlands Police Force									
Chief Constable C Sims		181.5	10.6	192.1	0.0	2.5	194.6	0	194.6
Deputy Chief Constable		139.2	3.1	142.3	0.0	5.0	147.3	31.1	178.4
Assistant Chief Constable (1)		105.9	4.6	110.5	0.0	5.1	115.6	25.6	141.2
Assistant Chief Constable (2)		94.4	0.1	94.5	0.0	5.1	99.6	22.9	122.5
Assistant Chief Constable (3)	Note 3	86.8	4.5	91.3	0.0	4.1	95.4	21.0	116.4
Assistant Chief Constable (4)		102.4	4.6	107.0	0.0	5.7	112.7	24.8	137.5
Assistant Chief Constable (5)	Note 4	30.2	1.3	31.5	0.0	0.0	31.5	7.3	38.8
Director of Resources	Note 5	72.5	0.0	72.5	29.6	3.2	105.3	7.5	112.8
Temporary Director of Resources	Note 6	33.4	0.0	33.4	0.0	0.0	33.4	3.8	37.2
Force Solicitor		87.4	0.0	87.4	0.0	0.0	87.4	9.0	96.4
Chief Information Officer		91.5	0.0	91.5	0.0	0.0	91.5	9.4	100.9
		1,179.1	28.8	1,207.9	29.6	37.7	1,275.2	176.1	1,451.3

Note 1: The Police Authority Treasurer is employed for 0.20 FTE. The post holders' full time equivalent salary is £104,600

Note 2: The Police Authority Legal Advisor is employed for 0.325 FTE. The post holders' full time equivalent salary is £83,400

Note 3: Assistant Chief Constable (3) joined West Midlands Police on 06 June 2011. The post holders' annualised salary is £105,800

Note 4: Assistant Chief Constable (5) is a Chief Superintendent who acted in the role of Assistant Chief Constable between April and July 2011

Note 5: The Director of Resources retired from West Midlands Police in October 2011. The post holders' annualised salary was £118,600. The post holder received 3 months pay in lieu of notice on retirement.

Note 6: The Temporary Director of Resources commenced this role in November 2011. The post holders' annualised salary is £106,400

Senior Officers' remuneration 2010-11

Post holder information	Notes	Salary (including fees and allowances) (£000's)	Other payments (police officers only) (£000's)	Total remuneration per note 29 (£000's)	Compensation for loss of office (£000's)	Benefits in kind (£000's)	Total remuneration excluding employer pension contributions (£000's)	Employers pensions contributions (£000's)	Total remuneration including employer pension contributions (£000's)
West Midlands Police Authority									
Chief Executive		104.8	0	104.8	0	8.1	112.9	13.4	126.3
Treasurer (Section 151 officer)	<i>Note 1</i>	20.9	0	20.9	0	0.0	20.9	2.5	23.4
Legal Advisor	<i>Note 1</i>	16.8	0	16.8	0	0.0	16.8	2.1	18.9
West Midlands Police Force									
Chief Constable C Sims		179.6	9.5	189.1	0.0	2.5	191.6	0	191.6
Deputy Chief Constable	<i>Note 2</i>	104.9	2.4	107.3	0.0	3.6	110.9	22.4	133.3
Assistant Chief Constable (1)	<i>Note 3</i>	95.3	13.3	108.6	0.0	2.7	111.3	23.1	134.4
Assistant Chief Constable (2)	<i>Note 4</i>	56.7	4.9	61.6	0.0	2.8	64.4	13.7	78.1
Assistant Chief Constable (3)	<i>Note 5</i>	36.7	1.7	38.4	0.0	1.1	39.5	8.9	48.4
Assistant Chief Constable (4)	<i>Note 6</i>	83.9	3.6	87.5	0.0	0.0	87.5	20.3	107.8
Assistant Chief Constable (5)	<i>Note 7</i>	21.2	0	21.2	0.0	1.2	22.4	4.3	26.7
Assistant Chief Constable (6)		104.6	4.6	109.2	0.0	5.6	114.8	25.3	140.1
Assistant Chief Constable (7)		98.3	4.6	102.9	0.0	5.6	108.5	23.8	132.3
Director of Resources		113.1	0.0	113.1	0.0	7.3	120.4	14.5	134.9
Force Solicitor		80.5	0.0	80.5	0.0	0.0	80.5	10.3	90.8
Chief Information Officer	<i>Note 8</i>	5.3	0.0	5.3	0.0	0.0	5.3	0.0	5.3
		1,122.6	44.6	1,167.2	0.0	40.5	1,207.7	184.6	1,392.3

Note 1: The Police Authority Legal Advisor and Treasurer are employed for 0.20 FTE. The post holder's full time equivalent salaries are £83,900 and £104,600 respectively

Note 2: The Deputy Chief Constable commenced his role on 28 June 2010. The post holder's annualised salary is £139,100

Note 3: Assistant Chief Constable (1) retired from West Midlands Police on 1 February 2011. This officer's pay, allowances and other payments include acting up to the role of Deputy Chief Constable between April and June 2010. The post holder's annualised salary is £104,800

Note 4: Assistant Chief Constable (2) left West Midlands Police on 31 October 2010. The post holder's annualised salary is £98,400

Note 5: Assistant Chief Constable (3) left West Midlands Police on 8 August 2010. The post holder's annualised salary is £104,800

Note 6: Assistant Chief Constable (4) has been acting in this rank since March 2011. Prior to this the officer was employed in the role of Chief Superintendent which attracted a lower salary.

Note 7: Assistant Chief Constable (5) commenced their role on 10 January 2011. The post holder's annualised salary is £93,800

Note 8: The Chief Information Officer commenced their role on 14 March 2011. The post holder's annualised salary is £91,300

31. TERMINATION BENEFITS

The 2011-12 Code of Practice on Local Authority Accounting requires the disclosure of the number and cost of agreed exit packages. This note splits exit packages between those which relate to a compulsory redundancy and those which relate to other redundancy and departure costs.

Cost band	No. of compulsory redundancies		No. of other agreed departures		Total No. of exit packages by cost band		Total cost of exit packages in each band	
	2010-11 £'000	2011-12 £'000	2010-11 £'000	2011-12 £'000	2010-11 £'000	2011-12 £'000	2010-11 £'000	2011-12 £'000
£0 - £19,999	0	14	288	175	288	189	2,529	1,425
£20,000 - £39,999	0	0	94	64	94	64	2,644	1,795
£40,000 - £59,999	0	0	22	25	22	25	1,076	1,165
£60,000 - £79,999	0	0	11	4	11	4	741	252
£80,000 - £99,999	0	0	3	1	3	1	267	84
£100,000 - £149,999	0	0	1	0	1	0	111	0
Total	0	14	419	269	419	283	7,368	4,721

The costs shown in the table above relate only to the payments made to individuals who have been made redundant or whose redundancy has been agreed as at 31 March 2012 but who have not left the Authority at the Balance Sheet date.

32. EXTERNAL AUDIT COSTS

In 2011-12 the Authority incurred the following fees relating to external audit:

	2010-11 £'000	2011-12 £'000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	116	88
Fees payable to the Audit Commission in respect of statutory inspection	0	0
Fees payable to the Audit Commission for the certification of grant claims and returns (estimate)	0	0
Fees payable in respect of other services provided by the appointed auditor	0	0

33. GRANT INCOME

The Authority credited the following grants to the Comprehensive Income and Expenditure Statement in 2011-12

	2010-11	2011-12
	£'000	£'000
<i>Credited to Taxation and Non Specific Grant Income</i>		
Police Grant	268,422	272,888
Capital Grants Applied	11,783	7,743
Pensions top up grant receivable	42,441	45,249
Total	322,646	325,880
<i>Credited to Police Services</i>		
Loan Charges Grant	661	604
Crime Fighting Fund Grant	15,473	0
BCU Fund Grant	2,787	0
Rule 2 Grant	2,038	0
Community Support Officer Grant	16,001	15,998
DIP Grant	2,541	2,175
Counter Terrorism Grant	28,948	26,922
Disorder Grant	0	7,211
Council Tax Freeze Grant	0	1,991
Other Grants	5,460	3,922

34. 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.

Central Government

The UK Government exerts significant influence over the operations of the Authority – it is responsible for providing the statutory operating framework and provides the majority of funding in the form of grants. Details of transactions with government departments are set out in the notes relating to the cash flow statement.

Pension Schemes

The Local Government Pension Scheme is administered by Wolverhampton City Council and the Authority has made payments to them of £17.62m in 2011-12 (£19.39m in 2010-11). Payments we have received from other Local Authorities in the form of precept income from Council Tax payers are detailed at the foot of the Income and Expenditure Account.

Members

Members of the Police Authority have direct control over the Authority's financial and operating policies. The total of members' allowances paid in 2011-12 is shown in note 28. All members of the Authority and Chief Officers have signed a declaration regarding related party transactions.

One Police Authority member acts in a voluntary capacity as a secretary of a registered charity in Solihull which received a community infrastructure grant from the Authority in 2011-12. This officer is neither a trustee nor Director of this charity.

Another member of the Police Authority has declared that he is a Director of Birmingham International Airport. The Police Force transacts with the Airport in relation to an approved Service Agreement. However, contracts were entered into with in full compliance with the Authority's standing orders.

The nature and amount of these transactions do not have any material effect on the accounts.

Officers

No officers of the Authority or Chief Officers of the Force have declared any related party transactions in 2011-12.

Other public bodies (subject to common control by central government)

The Authority has a pooled budget arrangement for the joint operation of the Central Motorway Police Group in conjunction with Staffordshire and West Mercia Police Authorities. Transactions and balances in relation to this jointly controlled operation are detailed in note 47.

Transactions with related parties who are not Police Authority members or Chief Officers are shown in the debtor and creditor balances in notes 19 and 22 respectively.

35. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it.

2010-11 Outturn £'000		2011-12 Programme £'000	2011-12 Outturn £'000
	Property Plant and Equipment comprising:		
	Land and Buildings:		
2,571	New Police Buildings	15,101	14,260
3,250	Improvements and Adaptations	85	139
	Vehicles and Equipment:		
4,596	Vehicles	3,360	4,071
4,903	IT/Radio Equipment	12,715	8,106
393	Other Equipment	200	495
88	Casualty Partnership / NABIS	0	44
1,698	Helicopter	0	0
0	Heritage Assets	0	20
17,499	TOTAL	31,461	27,135
	FINANCING OF EXPENDITURE		
14,296	Capital Grants	9,561	12,735
0	Credit Approvals	4,000	0
0	Capital Receipts	15,400	11,400
3,203	Direct Revenue Financing	2,500	3,000
17,499	TOTAL	31,461	27,135

The opening Capital Financing Requirement (CFR) at the start of the current reporting period was £46.032m and the closing CFR was £43.847m. The reduction in the CFR is made up of the Minimum Revenue Provision (MRP) representing a decrease in the underlying need to borrow.

36. LEASES

Operating Leases

The Authority holds no vehicles, furniture and equipment under operating leases.

The Authority leases several of the properties which it occupies. The amount paid in respect of property rentals in 2011-12 was £2.9m including service charges and insurance.

The future minimum lease payments payable under operating leases for land and buildings are summarised below:-

	£'000
Lease expiring:	
Within one year	65
Within two to five years	1,650
After more than five years	104
Total	1,819

A number of leases are also held which can be cancelled at any time or on one months notice. These have an annual commitment of £134k.

Finance leases

The Authority now recognises no finance leases.

37. DEFINED BENEFIT PENSION SCHEMES

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 need to be disclosed at the time that employees earn their future entitlement.

The Authority participates in two post employment schemes:

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

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

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

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

Comprehensive Income and Expenditure Statement

2011-2012	Local Government Pension Scheme £'000	1987 Police Pension Scheme £'000	Police Injury Awards £'000	2006 Police Pension Scheme £'000	Total £'000
<u>Net cost of services:</u>					
Current service cost	(14,513)	(99,670)	(2,760)	(18,240)	(135,183)
Past service (cost)/ gain	(144)	0	0	0	(144)
Curtailments	(4,582)	0	0	0	(4,582)
<u>Financing and Investing Income & Expenditure:</u>					
Interest cost	(24,534)	(243,950)	(8,530)	(5,630)	(282,644)
Expected return on assets	21,883	0	0	0	21,883
Total post employment benefits charged to the surplus or deficit on the provision of Services	(21,890)	(343,620)	(11,290)	(23,870)	(400,670)
Other post employment benefits charged to the Comprehensive Income and Expenditure Statement	0	0	0	0	0
Actuarial gains and losses	(14,626)	(42,680)	(21,650)	(2,210)	(81,166)
Net charge to I and E account	(36,516)	(386,300)	(32,940)	(26,080)	(481,836)

2010-2011	Local Government Pension Scheme £'000	1987 Police Pension Scheme £'000	Police Injury Awards £'000	2006 Police Pension Scheme £'000	Total £'000
<u>Net cost of services:</u>					
Current service cost	(17,801)	(108,890)	(5,790)	(18,830)	(151,311)
Past service (cost)/ gain	28,412	494,880	20,600	8,050	551,942
Curtailments	(1,076)	0	0	0	(1,076)
<u>Financing and Investing Income & Expenditure:</u>					
Interest cost	(25,926)	(248,540)	(9,510)	(4,180)	(288,156)
Expected return on assets	20,194	0	0	0	20,194
Total post employment benefits charged to the surplus or deficit on the provision of Services	3,803	137,450	5,300	(14,960)	131,593
Other post employment benefits charged to the Comprehensive Income and Expenditure Statement	0	0	0	0	0
Actuarial gains and losses	19,683	124,350	21,550	(800)	164,783
Net charge to I and E account	23,486	261,800	26,850	(15,760)	296,376

Movement in Reserves Statement

2011-2012	Local Government Pension Scheme £'000	1987 Police Pension Scheme £'000	Police Injury Awards £'000	2006 Police Pension Scheme £'000	Total £'000
Reversal of Net Charges for retirement benefits in accordance with IAS	21,890	343,620	11,290	23,870	400,670
Actual amount charged against the General Fund balance for pensions in the year:					
Employer's contributions payable to the scheme	(11,824)	0	0	0	(11,824)
Retirement benefits payable to pensioners (net of employee contributions)	0	(119,180)	(1,990)	4,610	(116,560)

2010-2011	Local Government Pension Scheme £'000	1987 Police Pension Scheme £'000	Police Injury Awards £'000	2006 Police Pension Scheme £'000	Total £'000
Reversal of Net Charges for retirement benefits in accordance with IAS	(3,803)	(137,450)	(5,300)	14,960	(131,593)
Actual amount charged against the General Fund balance for pensions in the year:					
Employer's contributions payable to the scheme	(12,876)	0	0	0	(12,876)
Retirement benefits payable to pensioners (net of employee contributions)	0	(118,240)	(1,730)	4,310	(115,660)

Assets and Liabilities in relation to Post-employment benefits

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

2011-2012	Funded liabilities: Local Govt Pension Scheme £'000	Unfunded liabilities: 1987 Police Pension Scheme £'000	Unfunded liabilities: Injury Awards Pensions £'000	Unfunded liabilities: 2006 Police Pension Scheme £'000	Total £'000
1 April -11	(445,343)	(4,289,420)	(149,260)	(87,410)	(4,971,433)
Current service cost	(14,513)	(99,670)	(2,760)	(18,240)	(135,183)
Interest cost	(24,534)	(243,950)	(8,530)	(5,630)	(282,644)
Contributions by scheme participants	(5,800)	(25,310)	0	(4,680)	(35,790)
Transfers into the scheme	0	(30)	0	(170)	(200)
Actuarial gains and (losses)	0	(42,680)	(21,650)	(2,210)	(66,540)
Benefits paid	18,849	144,490	1,990	70	165,399
Curtailments	(4,582)	0	0	0	(4,582)
Past service costs	(144)	0	0	0	(144)
31 March-12	(476,067)	(4,556,570)	(180,210)	(118,270)	(5,331,117)

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

2010-2011	Funded liabilities: Local Govt Pension Scheme £'000	Unfunded liabilities: 1987 Police Pension Scheme £'000	Unfunded liabilities: Injury Awards Pensions £'000	Unfunded liabilities: 2006 Police Pension Scheme £'000	Total £'000
1 April -10	(447,565)	(4,669,380)	(177,840)	(66,300)	(5,361,085)
Current service cost	(17,801)	(108,890)	(5,790)	(18,830)	(151,311)
Interest cost	(25,926)	(248,540)	(9,510)	(4,180)	(288,156)
Contributions by scheme participants	(6,515)	(26,240)	0	(4,540)	(37,295)
Transfers into the scheme	0	(80)	0	(1,040)	(1,120)
Actuarial gains and (losses)	15,365	124,350	21,550	(800)	160,465
Benefits paid	9,763	144,480	1,730	230	156,203
Curtailments	(1,076)	0	0	0	(1,076)
Past service costs	28,412	494,880	20,600	8,050	551,942
31 March-11	(445,343)	(4,289,420)	(149,260)	(87,410)	(4,971,433)

Reconciliation of fair value of the scheme assets:

	Local Government Pension Scheme £'000	
	2010-11	2011-12
1 April	291,448	325,588
Expected rate of return	20,194	21,883
Actuarial gains and (losses)	4,318	(14,626)
Employer contributions	12,876	11,824
Contributions by scheme participants	6,515	5,800
Benefits paid	(9,763)	(18,849)
31 March	325,588	331,620

The expected return on scheme assets is determined by considering the returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £7.257m, (£19.02m in 2010-11)

History of the scheme

	2011-12	2010-11	2009-10	2008-09	2007-08
	£'000	£'000	£'000	£'000	£'000
Present value of liabilities:					
Local Government Pension Scheme	(476,067)	(445,343)	(447,565)	(292,204)	(348,094)
1987 Police Pension Scheme	(4,556,570)	(4,289,420)	(4,669,380)*	(3,093,250)	(3,303,350)
Police Injury award Pensions	(180,210)	(149,260)	(177,840)	(27,700)	(30,190)
2006 Police Pension Scheme	(118,270)	(87,410)	(66,300)	(17,430)	(9,510)
Fair value of assets in the Local Government Pension Scheme	331,620	325,588	291,448	214,213	257,579
Subtotal	(4,999,497)	(4,645,845)**	(5,069,637)*	(3,216,371)	(3,433,565)
Surplus/(deficit) in the scheme:					
Local Government Pension Scheme	(144,447)	(119,755)	(156,117)	(77,991)	(90,515)
1987 Police Pension Scheme	(4,556,570)	(4,289,420)	(4,669,380)*	(3,093,250)	(3,303,350)
Police Injury award Pensions	(180,210)	(149,260)	(177,840)	(27,700)	(30,190)
2006 Police Pension Scheme	(118,270)	(87,410)	(66,300)	(17,430)	(9,510)
Total	(4,999,497)	(4,645,845)**	(5,069,637)*	(3,216,371)	(3,433,565)

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

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

The liabilities show the underlying commitments that the Authority has in the long run to pay post employment (retirement) benefits. The total liability of £4,855m has a substantial impact on the net worth of the Authority recorded in the Balance Sheet, resulting in a negative overall balance of £4,780m. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.
- Finance is only required to be raised to cover police pensions when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2012 is £11.2m. Expected contributions for the Police Pension Scheme in the year to 31 March 2012 are £99m

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, and estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Police Scheme liabilities have been assessed by the Government Actuary's Department and the West Midlands Fund liabilities have been assessed by Mercers Human Resource Consulting, an independent firm of actuaries. The estimates for the West Midlands Pension Fund have been based on the last full valuation of the scheme as at 31 March 2010.

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

	Local Government Pension Scheme £'000		Police Pension Scheme £'000	
	2010-11	2011-12	2010-11	2011-12
	Years	Years	Years	Years
Mortality Assumptions:				
Longevity at 65 for current pensioners:				
Men	21.6	21.7	24.1	23.3
Women	24.2	24.3	27.3	25.7
Longevity at 65 for future pensioners:				
Men	23.0	23.1	26.1	25.6
Women	25.8	25.9	29.2	27.8
	%	%	%	%
Rate of CPI inflation	3.00	2.60	3.00	3.00
Rate of increase in salaries	4.75	4.35	5.30	4.70
Rate of increase in pensions	3.00	2.60	3.10	2.50
Rate for discounting scheme liabilities	5.50	5.10	5.70	4.90
Proportion of employees opting to take a commuted lump sum	50	50	n/a	n/a

* Note – the rate of inflation used by the actuaries in providing pensions information for 2010-11 is based on the Consumer Prices Index following the announcement by the Chancellor on 22 June 2010 that with effect from 1 April 2011 public service pension schemes would have their pension increase calculated by reference to the Consumer Prices Index measure of inflation rather than the Retail Price Index (RPI) measure of inflation which has been used in the past. This change in measurement has also been reflected in the rate of increase in pensions in both schemes which now link to the CPI inflation measure.

The police pension scheme has no assets to cover its liabilities. Assets in the West Midlands Metropolitan Authorities Pension Fund are valued at fair value, (the bid price of investments held), totalling £331.6m for the fund as a whole at 31 March 2012 (£325.6m at 31 March 2011). The Funds assets consist of the following categories by proportion of the total assets of the Fund:

	2010-11			2011-12		
	£'000	Proportion %	Expected Return %	£'000	Proportion %	Expected Return %
Equity investments	192,423	59.10	7.50	181,727	54.80	7.00
Government Bonds	26,698	8.20	4.40	34,820	10.50	3.10
Other Bonds	19,210	5.90	5.10	27,193	8.20	4.10
Property	27,675	8.50	6.50	33,162	10.00	6.00
Cash/Liquidity	6,837	2.10	0.50	4,643	1.40	0.50
Other assets	52,745	16.20	7.50	50,075	15.10	7.00
Total	325,588	100.00		331,620	100.00	

Statement of Actuarial Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2009-10 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2011.

	2011-12		2010-11		2009-10		2008-09		2007-08	
	£'000	%	£'000	%	£'000	%	£'000	%	£'000	%
Local Government Pension Scheme										
Difference between the expected and actual return on assets	(14,626)	4.4	4,318	1.3	53,469	18.3	(70,261)	32.8	(27,095)	10.5
Differences between actuarial assumptions about liabilities and actual experience	0	0	0	0	0	0	0	0	19,028	5.5
Changes to demographic and financial assumptions used to estimate liabilities	0	0	15,365	3.5	(127,882)	28.6	89,715	41.9	(12,404)	3.6
LGPS Net Gain / (Loss)	(14,626)		19,683		(74,413)		19,454		(20,471)	
1987 Police Pension Scheme										
Differences between actuarial assumptions about liabilities and actual experience	62,280	1.4	80,100	1.9	79,990*	1.7	30,060	1.0	5,130	0.2
Changes to demographic and financial assumptions used to estimate liabilities	(104,960)		44,250		(1,492,700)		390,860		702,870	
1987 Police Pension Scheme Net Gain/(Loss)	(42,680)	(0.9)	124,350	2.9	(1,412,710)	(30.3)	420,920	13.6	708,000	21.4
Injury Awards Pensions										
Differences between actuarial assumptions about liabilities and actual experience	(3,540)	(2.0)	9,570	6.4	(4,100)	(2.3)	670	2.4	1,620	5.4
Changes to demographic and financial assumptions used to estimate liabilities	(18,110)		11,980		(58,410)		2,570		3,510	
Injury Awards Pensions Net Gain/(Loss)	(21,650)	(12.0)	21,550	14.4	(62,510)	(35.1)	3,240	11.7	5,130	17.0
2006 Police Pension Scheme										
Differences between actuarial assumptions about liabilities and actual experience	4,180	3.5	(4,420)	(5.1)	(740)	(1.1)	(400)	(2.3)	(1,950)	(20.5)
Changes to demographic and financial assumptions used to estimate liabilities	(6,390)		3,620		(33,580)		4,660		4,480	
2006 Police Pension Scheme Net Gain/(Loss)	(2,210)	(1.9)	(800)	(0.9)	(34,320)	(51.8)	4,260	24.4	2,530	26.6
All Schemes Total Net Gain / (Loss)	(81,166)		164,783		(1,583,953)		447,874		695,189	

In 2007-08 the actuarial gains and losses that appeared in the Statement of Total Recognised Gains and Losses included an additional net gain of £1.2m which related to the re-representation of the 2006-07 FRS 17 entries within the accounts. This meant that the actuarial gain shown for 2007-08 was £696.4m (£695.2m + £1.2m)

In 2008-09 the actuarial gains and losses that appear in the Statement of Total Recognised Gains and Losses includes a net loss of £0.2m which relates to the restatement of assets under the local government pension scheme. This meant that the actuarial gain shown for 2008-09 was £447.6m (£447.9 - £0.2m with differences due to rounding)

38. DISCRETIONARY PENSION PAYMENTS

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

	2010-11 Capitalised Value £'000	2011-12 Actual Payments £'000	2011-12 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	2,311	120	2,156
	2,311	120	2,156

39. PROVISIONS AND CONTINGENT LIABILITIES

A number of employment tribunal claims lodged against the Authority on the ground of equal pay have been presented to the Tribunal at pre-hearing reviews and following advice from Legal and Human Resources practitioners the Authority has decided that it would be prudent to maintain a provision of £1m to cover the expected costs of claims arising directly from these cases and those which may be brought following the outcome of existing cases

The Authority has reduced its provision for the expected costs of future redundancy packages to £0.7m and has set up a reserve to allow for such expenses beyond the remaining CSR period. The Authority has also set up a provision for the expected cost of the purchase of carbon credits in July 2011 as part of the Governments commitment to reduce carbon dioxide emissions. Both provisions are shown as current liabilities in the Balance Sheet.

The Authority has not noted any additional material contingent liabilities or contingent assets as at 31 March 2012.

40. POLICE PROPERTY ACT FUND

The Police Property Act requires us to set aside money received from the sale of stolen goods and property confiscations so that we can make payments to charities. Of the money received we are allowed to use up to 50% to fund property related administration. Transactions for the year are shown below.

	31 March 11 £'000	31 March 12 £'000
Balance as at 1 April	235	142
Income from confiscations and property auctions	134	127
Payments to charities	(221)	(145)
Payments to Neighbourhood Initiative Fund	(6)	(3)
Property Administration Expenditure	0	(20)
Balance as at 31 March	142	101

41. 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 2012 was £127,800. (£144,600 at 31 March 2011).

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 2012 was £1,720 (£1,719 at 31 March 2011).

These charities are not subject to external audit by the Audit Commission.

42. LIVESCAN CHANGE FUND

As senior responsible officer for the ACPO Forensics 21 Programme, the Chief Constable of West Midlands Police controls, on behalf of the NPIA, a bank account to pay for upgrades to the National Livescan Fingerprint Capture System. The balance on this account at 31 March 2012 was £2,084,304 (£2,507,729 in 2010-11).

43. PROCEEDS OF CRIME ACT 2002 ACCOUNT

In addition, West Midlands Police Authority has three bank accounts for the holding of 3rd party funds seized as suspected proceeds of crime in accordance with the Act. At 31 March 2012 the balance on these accounts was £5,722,606.95 \$12,607.10 and €71,914.85. In 2010-11 the balance on this account was £8,690,037.84 \$30,283.05 and €53,247.89

NOTES TO THE CASH FLOW STATEMENT

44. RECONCILIATION TO SURPLUS / (DEFICIT) ON THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	Year ended 31 March 11 £'000	Year ended 31 March 12 £'000
Surplus (Deficit) for the year	255,279	(248,680)
Collection Fund Adjustment	0	0
Increase / (decrease) in Provisions	4,000	(1,950)
Accumulated absences creditor adjustment	0	(2,336)
Other adjustments for non-cash movements	(161)	(93)
Capital Financing transaction	29,368	25,322
Change in Short Term Borrowing	(4,630)	128
Increase / (decrease) in Long Term Debtors	28	28
Increase / (decrease) in Long Term Creditors	0	0
(Increase) / Decrease in stocks	0	136
(Increase) / Decrease in debtors	(209)	(1,302)
Increase / (Decrease) in creditors	2,159	(13,870)
IAS 19 Adjustment	(131,593)	400,670
Pension Adjustment	(84,975)	(82,934)
Net (gain)/loss on disposal of fixed assets	376	(9,908)
Interest Payable and Similar Charges	3,344	3,106
Interest and Investment Income	(2,160)	(2,200)
Pensions Top Up Grant Receivable	(42,441)	(45,250)
Grant Deferred Amortisation	0	0
Impairment of Financial Instruments	41	(152)
Net Inflow (Outflow) from Revenue Activities	28,426	20,715

45. RECONCILIATION OF NET CASH INFLOW TO MOVEMENT IN NET FUNDS

	Year ended 31 March 12 £'000
Decrease/ (Increase) in cash	13,077
Cash outflow from increase in liquid resources	10,195
Financing	381
Change in net debt resulting from cashflows	23,653
Net Debt as at 1 April 2011	72,070
Net Debt as at 31 March 2012	79,340

46. MOVEMENT IN CASH AND CASH EQUIVALENTS

	Balance at 31 March 11 £'000	Movement in the Year £'000	Balance at 31 March 12 £'000
Cash (Overdrawn)/at bank	61,331	(13,077)	48,254
Investments	70,544	9,951	80,495
	131,875	(3,126)	128,749

Cash equivalents are short term deposits and investments with less than 1 month to maturity. The impairment of the Icelandic investment has been excluded from the Balance at 31 March 2012 as it is a non cash transaction.

47. JOINTLY CONTROLLED OPERATIONS – CENTRAL MOTORWAY POLICE GROUP

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

The assets of the unit in respect of police vehicles, equipment and land and buildings are held individually by each police Authority and are shown on each Authorities balance sheet.

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

The revenue account for the Unit covers all operating costs. The details for 2011-12 are as follows:

2010-11 £'000s		2011-12 £'000s
Funding provided to the pooled budget		
(4,575)	Contribution from West Midlands Police	(4,343)
(2,295)	Contribution from West Mercia Police	(2,179)
(2,161)	Contribution from Staffordshire Police	(2,052)
(9,031)	Total funding provided to the pooled Budget	(8,574)
Expenditure met from the pooled budget		
8,090	Pay and allowances	7,589
70	Premises costs	45
672	Transport costs	707
199	Supplies and Services	247
0	SPP grant	0
9,031	Total expenditure	8,588
Income received to the Pooled budget		
0	External funding	(14)
	Total income received	(14)
Total Net Expenditure		
0	Net surplus/(deficit) arising during the year	0
0	West Midlands Police share of 50.7% of the net surplus/(deficit) arising during the year	0

POLICE PENSION FUND ACCOUNT

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

2010-11 £'000	Police Pension Fund Account	2011-12 £'000	£'000
	Fund Account		
	Contributions receivable:		
	From employer:		
(69,204)	Normal	(67,502)	
(1,156)	Early retirements	(1,923)	
(515)	30+ contributions	(24)	
(70,875)		(69,449)	
(30,778)	From members	(29,986)	
(30,778)		(29,986)	
(1,121)	Transfers in	(198)	
(1,121)		(198)	
(102,774)	Total income into the Pension Fund		(99,632)
	Benefits payable:		
101,289	Pensions	111,570	
41,973	Lump sums	31,368	
541	Lump sum death benefits	338	
515	30+ benefits payable	24	
283	Benefits payable to other regional forces re earlier reorganisations	254	
144,601		143,554	
	Payments to and on account of leavers:		
104	Refunds of contributions	164	
481	Individual transfers out to other schemes	1,147	
29	Other	16	
614		1,327	
145,215	Total payments from the pension fund		144,881
42,441	Net amount payable for the year		45,249
(42,441)	Additional contribution received from the police authority		(45,249)
0			0

Notes to the Police Pension Fund Account

1. The police pension fund account has been prepared in accordance with the Police Pension Regulations 2007 and the accounting policies detailed on page 15 of this Statement of Accounts.
2. The police pension fund is administered by West Midlands Police Authority.
3. All benefits payable during 2011-12 have been accounted for within the pension fund account; however, liabilities that are due after the 31 March 2012 are not included. These liabilities are recognised within the Income and Expenditure account and Note 5 explains how this is done.
4. The police pension fund scheme is an unfunded scheme. This means that there are no assets to the scheme and that all benefits payable are funded by contributions from employers and employees. Any difference that arises in the year between the benefits payable and the contributions received is met by a top up grant received from the Home Office.
5. Employee and employer contributions into the scheme are based on percentages of pensionable pay set nationally by the Home Office and subject to a triennial revaluation by the Government Actuaries Department. During 2011-12 the contribution rates were as follows :-
 - Employers Contribution – 24.2% for both the 1987 & 2006 Police pension schemes
 - Employees Contribution – 11.0% for 1987 police pension scheme
 - Employees Contribution – 9.5% for 2006 new police pension scheme

GLOSSARY OF TERMS

ACCRUAL – The recognition, in the correct accounting period, of income and expenditure as it is earned or incurred, rather than as cash is received or paid.

ACCRUED BENEFITS – The benefits for service up to a given point in time, whether vested rights or not.

ACCUMULATED COMPENSATED ABSENCES - Compensated absences are periods during which an employee does not provide services to the employer, but benefits continue to be paid. Accumulated compensated absences are those that are carried forward and can be used in future periods if the current period entitlement is not used in full. Examples include annual leave and time off in lieu.

ACTUARIAL GAINS AND LOSSES – For a defined benefit scheme, the changes in actuarial deficits or surpluses that arise because events have not coincided with the actuarial assumptions made for the last valuation (experience gains or losses) or the actuarial assumptions have changed.

ACTUARIAL VALUATION – A valuation of assets held, an estimate of the present value of benefits to be paid, and an estimate of required future contributions, by an actuary, on behalf of a pension fund.

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

AMORTISED COST - This is a mechanism that sees through contractual terms to measure the real cost that an authority bears each year from entering into a financial liability. The carrying amount of some assets and liabilities in the Balance Sheet will be written down or up via the I&E Account over the term of the instrument.

APPROPRIATIONS – Amounts transferred to or from revenue or capital reserves.

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

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

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

CAPITAL ADJUSTMENT ACCOUNT – An account which accumulates the write-down of the historical cost of fixed assets as they are consumed by depreciation and impairments or written off on disposal. It also accumulates the resources which have been set aside to finance Capital expenditure.

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

CAPITAL FINANCING CHARGES – The repayment of loans and interest to pay for capital projects.

CAPITAL GRANT – Grant from Central Government used to finance specific schemes in the capital programme. Where capital grants are receivable, these are used, as far as possible, to finance capital expenditure to which they relate in the year that the grant is received.

CAPITAL RECEIPTS – The proceeds from the sale of an asset, which may be used to finance new capital expenditure or to repay outstanding loan debt, as laid down within rules set by Central Government.

CAPITAL RESERVE – Created to provide an alternative source of financing capital expenditure, and to ensure some stability in the level of capital programmes that can be financed.

CASHFLOW STATEMENT – This statement summarises the inflows and outflows of cash.

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

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

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

CREDITORS – Individuals or organisations to whom the Authority owes money at the end of the financial year. Under IFRS creditors may also be known as “Trade and other payables”

CURRENT ASSETS AND LIABILITIES – Current assets are items that can be readily converted into cash. Current liabilities are items that are usually payable within one year of the balance sheet date.

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

DEBTORS – Individuals or organisations who owe the Authority money at the end of the financial year. Under IFRS debtors may also be known as “Trade and other receivables”

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

DEPRECIATION – An annual charge to reflect the extent to which an asset has been worn out or consumed during the financial year.

DISCRETIONARY BENEFITS – Retirement benefits which the employer has no legal, contractual or constructive obligation to award and which are awarded under the authority’s discretionary powers.

EARMARKED RESERVES – These reserves represent monies set aside that can only be used for a specific purpose.

EXPECTED RATE OF RETURN ON PENSION ASSETS – For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

FAIR VALUE – This is the amount for which an asset could be exchanged or a liability settled by knowledgeable parties in an arms length transaction. For many financial instruments fair value will be the same as the outstanding principal amount.

FINANCE AND OPERATING LEASE – A Finance lease transfers all of the risks and rewards of ownership of a fixed asset to the lessee. If these leases are used, the assets acquired have to be

included within the fixed assets in the balance sheet at the market value of the asset involved. With an operating lease the ownership of the asset remains with the leasing company and an annual rent is charged to the revenue account.

FINANCIAL INSTRUMENT - A financial instrument is any contract that gives rise to a financial asset in one entity and a financial liability or equity instrument in another entity.

FRS 17 RETIREMENT BENEFITS – An accounting standard that requires the recognition of long term commitments made to employees in respect of retirement benefits in the year in which they are earned.

FINANCIAL INSTRUMENT – Either cash, evidence of ownership interest in an entity, or a contractual right to receive or deliver cash, or another financial instrument.

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

GOVERNMENT GRANTS – Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past or future compliance with certain restrictions and/or conditions relating to the activities of the Authority.

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

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

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

INVENTORY – The term used under IFRS to refer to stock.

MINIMUM REVENUE PROVISION (MRP) – The statutory minimum amount which an authority is required to set aside on an annual basis as a provision to redeem debt.

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

NON-CURRENT ASSETS – Tangible assets that yield benefits to the Authority and the services it provides for a period of more than one year.

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

NON DOMESTIC RATES – The non domestic rate in the pound is the same for all non domestic rate payers and is set annually by the Government. Income from non domestic rates goes into a Central Government pool that is then distributed to authorities according to resident population.

OUTTURN – The actual amount spent in the financial year.

PAST SERVICE COST – For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to retirement benefits.

PAYMENTS IN ADVANCE – These represent payments made prior to 31 March for supplies and services received after 1 April.

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

PROVISION – An amount set aside to provide for a liability that is likely to be incurred but for which the exact amount and the date on which it will arise are uncertain.

RECEIPTS IN ADVANCE – These represent income received prior to 31 March for supplies and services provided by the Authority after 1 April.

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

RETIREMENT BENEFITS – All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

REVALUATION RESERVE – The reserve records the accumulated gains on the fixed assets held by the Authority arising from increases in value. It is debited with the part of the depreciation charge for the asset relating to the revaluation. Any balance on this account is written back to the Capital Adjustment Account upon disposal of the asset.

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

REVENUE CONTRIBUTIONS – Contribution from the Revenue account to finance capital expenditure and thus reduce the requirement to borrow.

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

SCHEME LIABILITIES – The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employee is committed to provide for service up to the valuation date